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Sample Selection Bias and Repeat-Sales Index Estimates

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Abstract

Analysis of variations in house values among localities requires reliable house value indices. Gatzlaff and Haurin (1994) indicate that traditional hedonic house value index estimates, using only information from a sample of sold homes to estimate value movements for the entire housing stock, may be subject to substantial bias. This article extends previous work by adapting the censored sample procedure to the repeat-sales index estimation model. Using data from Dade County, Florida, a house value index constructed from a sample of homes selling more than once, rather than all houses in a locality, is found to be biased. The bias is shown to be highly correlated with changes in economic conditions.

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