An Empirical Study of Sample-Selection Bias in Indices of Commercial Real Estate

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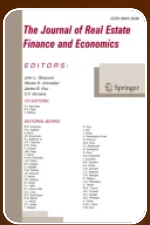

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Abstract

Real estate price indices based solely on samples of sold properties may not accurately represent the population of properties due to potential sample-selection bias. This study addresses this potential for sample-selection bias in the construction of commercial price indices within the context of the Phoenix area office market. The empirical analysis confirms the presence of sample-selection bias in the estimation of the total price equation. However, within this sample, the price indices generated after correcting for sample-selection bias do not appear significantly different from those that do not consider selectivity bias.

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