

Accepted Manuscript

Measurement Error in Residential Property Valuation: An Application of Forecast Combination

Dennis Glennon, Hua Kiefer, Tom Mayock

PII: S1051-1377(16)30263-7
DOI: [10.1016/j.jhe.2018.02.002](https://doi.org/10.1016/j.jhe.2018.02.002)
Reference: YJHEC 1565

To appear in: *Journal of Housing Economics*

Received date: 7 December 2016
Revised date: 6 September 2017
Accepted date: 11 February 2018

Please cite this article as: Dennis Glennon, Hua Kiefer, Tom Mayock, Measurement Error in Residential Property Valuation: An Application of Forecast Combination, *Journal of Housing Economics* (2018), doi: [10.1016/j.jhe.2018.02.002](https://doi.org/10.1016/j.jhe.2018.02.002)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Measurement Error in Residential Property Valuation: An Application of Forecast Combination*

Dennis Glennon[†]

Hua Kiefer[‡]

Tom Mayock[§]

February 20, 2018

Abstract

In this study we use a large database of real estate transactions to assess the magnitude of measurement error associated with using popular house price indices (HPIs) to value individual properties. In the 4 large U.S. counties that we analyze, we find that the bias associated with using these HPIs to value individual homes increased from near zero in 2005 to between 26% and 113% in 2010. In the second part of the analysis, we use data from Florida to demonstrate that forecast combination methods can be used to improve the accuracy of property-level valuations, in some cases reducing the estimated bias by more than a factor of 3. We find that even the simplest forecast combination method – a simple average – has the potential to significantly improve value estimates.

Key Words: Housing Valuation, Forecast Combination, Measurement Error

*The views expressed in this paper are those of the authors and do not necessarily reflect those of the Office of the Comptroller of the Currency or the U.S. Department of the Treasury. The authors thank Fredrik Andersson, Tom Davidoff, Will Doerner, Phillip Li, participants at the 2015 AREUEA meetings, and two anonymous referees for helpful comments.

[†]Office of the Comptroller of the Currency. Credit Risk Analysis Division. 400 7th Street SW, Washington, DC 20219. Email: dennis.glennon@occ.treas.gov.

[‡]Office of the Comptroller of the Currency. Credit Risk Analysis Division. 400 7th Street SW, Washington, DC 20219. Email: hua.kiefer@occ.treas.gov.

[§]UNC Charlotte and Office of the Comptroller of the Currency. Credit Risk Analysis Division. 400 7th Street SW, Washington, DC 20219. Email: thomas.mayock@occ.treas.gov.

Download English Version:

<https://daneshyari.com/en/article/7363613>

Download Persian Version:

<https://daneshyari.com/article/7363613>

[Daneshyari.com](https://daneshyari.com)