

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

925 Grand Boulevard • Kansas City, MO 64198 • Phone: 816.881.2683

FOR IMMEDIATE RELEASE
June 19, 2007

CONTACT: Tim Todd
816/881-2308
timothy.todd@kc.frb.org

A GUIDE TO AGGREGATE HOUSE PRICE MEASURES

Measuring housing prices is important for understanding the U.S. economy. As a major source of individual wealth, housing prices influence consumer spending, saving decisions, and the tide of residential construction jobs. Though aggregate housing prices are crucial in understanding price behavior, accurately measuring them is a serious challenge.

Housing prices are hard to measure because housing is an extremely heterogeneous good and houses are sold only infrequently. Heterogeneity makes it difficult to distinguish between aggregate price variations and individual price variations. The infrequency of sales implies that in any time period prices are not observed for most houses.

In “A Guide to Aggregate House Price Measures,” Jordan Rappaport, senior economist at the Federal Reserve Bank of Kansas City, explores three main measures of aggregate prices. The article appears in the Bank’s second quarter *Economic Review*.

Rappaport’s analysis suggests there is no one “best” measure of housing prices. Each methodology has conceptual advantages and disadvantages. Which measure is best depends on the question being addressed.

The article is available on the Bank’s Web site at www.KansasCityFed.org.

###

