

Second-hand Flats – the Brief Methodology of Calculation of the Index of Realized Prices

The realized prices of second-hand flats in Prague have been collected since the first quarter of 2008 and, since the third quarter of 2009, the prices have been collected for second-hand flats in the whole Czech Republic from the data of real estate agencies. The second-hand flats are flats for housing which are not intended for a first user. The methodology was set on the basis of statistical analyses. Prior the price indices calculation the flat prices are qualitatively adjusted. The quality adjustment for the Prague flats is carried out of the flat state (original, partly reconstructed, reconstructed, etc.), material (brick versus panel), ownership (private versus cooperative), and flat size category. For the Czech Republic flats, excluding the Prague ones, the quality adjustment is carried out of the material (brick versus panel), ownership (private versus cooperative), and geographical location. The resulting price index is the Laspeyres index with steady weights. The weights for Prague are taken as the relative shares of the volumes of real transactions. Prague is subdivided into 9 territories; the resulting price index for Prague is a weighted index of these territories. Each region of the rest of the country, except for Prague, is subdivided into 3 territories: smaller towns, downtowns of larger cities, and outskirts of larger cities. For each territory of the region an elementary price index is calculated. The index for the Czech Republic, excluding Prague, is a weighted price index of these elementary indices. Used weights are derived from the estimates of the financial volume transactions. The index for the Czech Republic is a weighted arithmetical average of the indices for Prague and the Czech Republic, excluding Prague. The methodology is still under development, the price indices of second-hand flats can be revised.