Hedonic Pricing Regression and Price Index – Main Results

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. reg AdjustedRentPP yearsince2012  RoomDummy* CentredDistance_weighted [aweight=Rooms
> ], noconstant
(sum of wgt is 2,004)
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Source	SS	df	MS		
Model	190193221	8	23774152.7	Number of obs =	845
Residual	10921844.7	837	13048.799	F(8, 837) =	1821.94
				Prob > F =	0.0000
				R-squared =	0.9457
				Adj R-squared =	0.9452
Total	201115066	845	238005.995	Root MSE =	114.23

AdjustedRentPP	Coefficient	Std. err.	t	P>|t|	[95% conf. interval]	
yearsince2012	3.694335	1.225918	3.01	0.003	1.288099	6.10057
RoomDummy1	664.9291	17.94468	37.05	0.000	629.7073	700.151
RoomDummy2	484.7992	10.7281	45.19	0.000	463.742	505.8563
RoomDummy3	354.5555	11.30366	31.37	0.000	332.3686	376.7423
RoomDummy4	390.6292	12.69115	30.78	0.000	365.719	415.5394
RoomDummy5	401.0716	14.55102	27.56	0.000	372.5108	429.6323
RoomDummy6	537.0634	51.17978	10.49	0.000	436.6077	637.5192
CentredDistance_w~d	-24.05096	3.271425	-7.35	0.000	-30.47212	-17.6298

Table 2: Hedonic pricing regression main results.

This result shows that average inflation-adjusted rent PCM per person has increased by £3.69 (in 2012 £) each year, and this increase is statistically significant at the 1% level. This result is equivalent to monthly rent increasing by £44.28 over the 12-year period after adjusting for inflation. Furthermore, there is a U-shaped relationship between number of rooms and rent price per room. Rent per room is highest for 1-bed properties, which is intuitive given that these properties offer sole use of otherwise communal areas. It then declines to a minimum for 3-bed properties, and then increases again up to 6-bed properties. Note that the largest properties in this sample had six beds. The final result from the above regression suggests that rent per room declines by £24.05 (in 2012 £) for every kilometre increase in walking distance from the centre of town. This suggests that moving from the 75th percentile (3km) to the 25th percentile (1.3km) distance to town would increase monthly rent per room by £31.27.