

ICBS RESPONSE ON RENTAL PRICE INDEX

The Israel Central Bureau of Statistics (ICBS) welcomes discussion of its methods, and attempts to improve them accordingly. The two important papers that examine the rental price index are not based on new information from apartments left by their tenants, but rather on assumptions that may or may not have existed at the time under study.

We agree in principle on the need to enumerate apartments where tenants have been replaced, and have initiated this process as of October 2018. However, the magnitude of bias from underrepresenting such apartments in the past is not clear. We also fear that fitting a Hedonic regression model, which is missing some key variables, such as apartment type, apartment age, and surface area, may lead to wrong conclusions.

Note that in our updated routine measurement of rental prices, the following actions are taken in the event of renter turnover (proceeding to the next step only after the previous step has been exhausted):

1. Enquiry of the outgoing tenant or apartment owner, regarding contact information of the new tenant.
2. Use of administrative files to locate the new tenant.
3. Field enumeration of the apartments where tenants have been replaced and new tenants have not been located in previous stages.
4. Price imputation for similar contracts renewed, if the new tenant was not found in the previous stages.

The present success rates in locating new tenants in combination with the three methods (1–3) are approximately 60%.

In addition, the ICBS is currently studying the **historical** price movement empirically, by completing missing information via a special survey of renters living in apartments that were previously dropped from the sample because of renter turnover. We are also completing critical characteristics on the rental apartments. We hope to publish our conclusions in the near future.