Abstract

Econometric hedonic models encounter several theoretical and practical difficulties when applied to the real estate market, such as downward biases in the estimation of hedonic prices, subjective decisions in the measurement process of categorical attributes, frontier problems related to an imperfect information framework and unequational specification. Many of these are linked to the parametric approach. Artificial Neural Networks (ANN) provide an attractive alternative: better dwelling prices estimates, avoidance of bias at different market segments, direct use of categorical data and full use of the information available. The price to be paid is the difficulties in the economic interpretation of network parameters. Nowadays, if the final objective to produce better estimates of the transaction prices, this methodology show lower errors, provided of a broad representative database of sales are recorded. A case study is presented for a medium size city in the South of Spain.

Keywords

Urban Economics, Hedonic Models, Neural Networks.