SUMMARY

Housing is composed of a variety of characteristics. It is a package of attributes consisting of not only structural traits, but also locational factors and neighborhood characteristics as well. Households respond to the configuration of attributes and level of attribute qualities, and as such, are willing to pay a premium for enjoying better housing attributes.

This study utilizes a hedonic price model to examine the relationship between housing price and certain structural, locational and neighborhood characteristics. The study presents empirical evidence on market parameters that describe the hedonic pricing structure in the Greater Jakarta Metropolitan Area (GJMA), Indonesia. Hopefully, this study could serve as a guide to developers in determining their pricing decision and to policy-makers in analyzing the housing market policies.

The study employs 149 observation data, which consist of 71 small-, 49 medium-, and 29 large-sized developments. Firstly, the regression technique is utilized to establish the hedonic pricing model for the whole sample to examine the state of housing market in the GJMA. Following this, correlation analysis is conducted to test the relationship between price and size of development. The ANOVA test is then employed to examine whether there is any significant difference in the means of house prices between different size of developments. Finally, a separate regression analysis have been conducted to identify the hedonic factors of each size of development and
measure the effect of each variable in the model on house price. The data set includes only the price of property launched from January to June 1997.

The study reveals that all four hedonic models are adequate and appropriate for measuring house price structure in the GJMA. Further, the result of ANOVA test suggests that the small-, medium-, and large-sized developments may have different pricing models. With the exception of the hedonic model for large-sized developments, all models reveal that structural, locational and neighborhood characteristics do have an influence on housing price.

Keywords: hedonic pricing model; housing attributes; linear specifications; size of developments; the Greater Jakarta Metropolitan Area; willingness to pay.