

Summary

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The value households place on lifts in apartment buildings

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The report analyses the value households place on lift facilities in existing apartment buildings. The value placed by households is one aspect of the socio-economic utility of the lift installation. In addition there are savings to the public purse from, among other things, less demand for institutional elderly care.

The value of a lift from the household's point of view can be estimated by examining the difference in price between apartments in buildings with and without lifts. Corrections need to be made for other characteristics of the apartment which could affect the price difference. This is done with the help of hedonic regression analysis.

For the purpose of the project we obtained data on the features of apartments located in central Oslo west (Majorstua) which changed hands between November 2007 and May 2008. We then obtained data on the price achieved for the same apartments from the The Association of Real Estate Agency.

We employ hedonic regression models with two different function forms and on different sub-samples. Irrespective of model, a lift in as building always has a positive effect on the apartment's square metre price.

A lift generates an increase in square metre price of NOK 2,675 in the linear model with a fixed krone effect. In a sub-sample without dwellings on the ground floor, the square metre price rises to NOK 2,806. We also tried running the models without the smallest apartments. Leaving out all apartments of or below 60

square metres, the effect of the lift variable grew stronger, reaching NOK 3,022.

We also tried a log linear function form (a model with a fixed percentage effect). The impact of the lift variable in this version is a price increment of 5.04 per cent. When apartments of and below 60 square metres were excluded, the effect of the lift variable rose to 7.41 per cent.

This would seem to indicate that the larger the apartment, the higher the value of a lift. In other words, households in areas with more (relatively) large dwellings will have on average greater use of a lift than in the area we studied.

We attempt to illustrate how the value placed by households on a lift affects the socio-economic profitability of installing the lift. We find that the effect on apartment price together with saved outlays for institutional elderly care make a lift installation in the project socio-economically profitable.