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**Owner occupied housing in the Norwegian CPI**

Abstract

The Norwegian consumer price index (CPI) is meant to mainly be a compensation index based on the cost-of-living approach. It is within the frame of the cost-of-living index theory to price the flow of monthly housing services - the monthly cost of living in a house. The values of the housing services by owner-occupiers are in the CPI given by the rental equivalence principle. One very important aspect is whether the rental market is representative for the owner occupied market. The primary assumption is that the rental marked has an adequate coverage so that the development in rentals can be measured for comparable types of dwellings that are owner occupied.

This paper describes the rental market of Norway and the use of rentals to measure the output of own-account housing in the Norwegian CPI. The paper will also describe an alternative CPI based on a user cost method. The paper focus on how the current method for owner occupied housing is interpreted and why Norway has chosen the rental equivalence approach in spite of that the characteristics of the rental market might not be representative for owner-occupiers.

**Key words**

consumer price index, cost of living index, owner occupied housing, rental equivalence, user cost