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Evaluating the Accuracy of Homeowners' Self-Assessed Rent in Metropolitan Lima

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Attributing a rental value to homeowners' dwellings is essential in different contexts, including poverty and inequality analysis, the compilation of national accounts, consumer price indices, or the estimation of purchasing power parity indices. The proposed solution is often to use homeowners' estimate of the market rent they would pay for their dwelling had they to rent it, which is usually referred to as homeowners' self-assessed rent. Lack of alternative surveys and up-to-date and complete administrative data about dwellings' market values typically bounds researchers to test the accuracy of homeowners' self-assessed rent using only information from household budget surveys. Using 13 years of the Peruvian household budget survey, this paper compares two methods to assess the accuracy of homeowners self-assessed rent and finds that the average homeowner in Lima overestimates the market rent of her dwelling by between 8 and 15 percent. However, homeowners' self-assessment inaccuracy fades away in most years when homeowners are compared to their most observationally similar tenants.