

The Housing Statistics Network

House prices and house price statistics

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House prices and house price statistics

- House prices –a national obsession?
- Hits on google
 - Area 176m
 - Street 94m
 - 2009 114m
 - 2010 71m
- TV and Radio coverage
- Its not just us!

House prices

- Becoming ever more important
- AVMs and cost efficiencies
- Stressing loan books
- Derivatives
- Forecasting/rate setting
- Business plans
- Personal plans
- Yet used fairly uncritically

House prices

- Confidence and feel good factor
- Consumption and H/MEW
- Rising prices, more borrowing
- Feeding the bubble and the crash
- Investment – returns driven off prices
- So important!

House price indices

- At least 7 and with very different results!
- Even govt has 2 indices and 3 measures none of which are used by the BoE!
- So 2009 up 5.9% or down 2.2%
- In December 2009 average price was £156,900 according to Hometrack and £221,463 by Rightmove
- OK different measures at different points in sales process – offer price, mortgage price and completion price
- But often not distinguished

House price indices

- Why is it so difficult!
- Heterogenous – rarely 2 the same
- Need a transaction
- Sales infrequent
- Averages very misleading
- Quality adjustment to compare over time using hedonic regression, mix adjustment and repeat sales

House price indices

- Different methodologies – standardised prices and weightings, seasonal adjustment, mix adjustment, samples, populations, whole of market or company business (see Wood)
- And different motivations – PR
- And deeply competitive
- And the trade off between accuracy and timeliness

House price indices

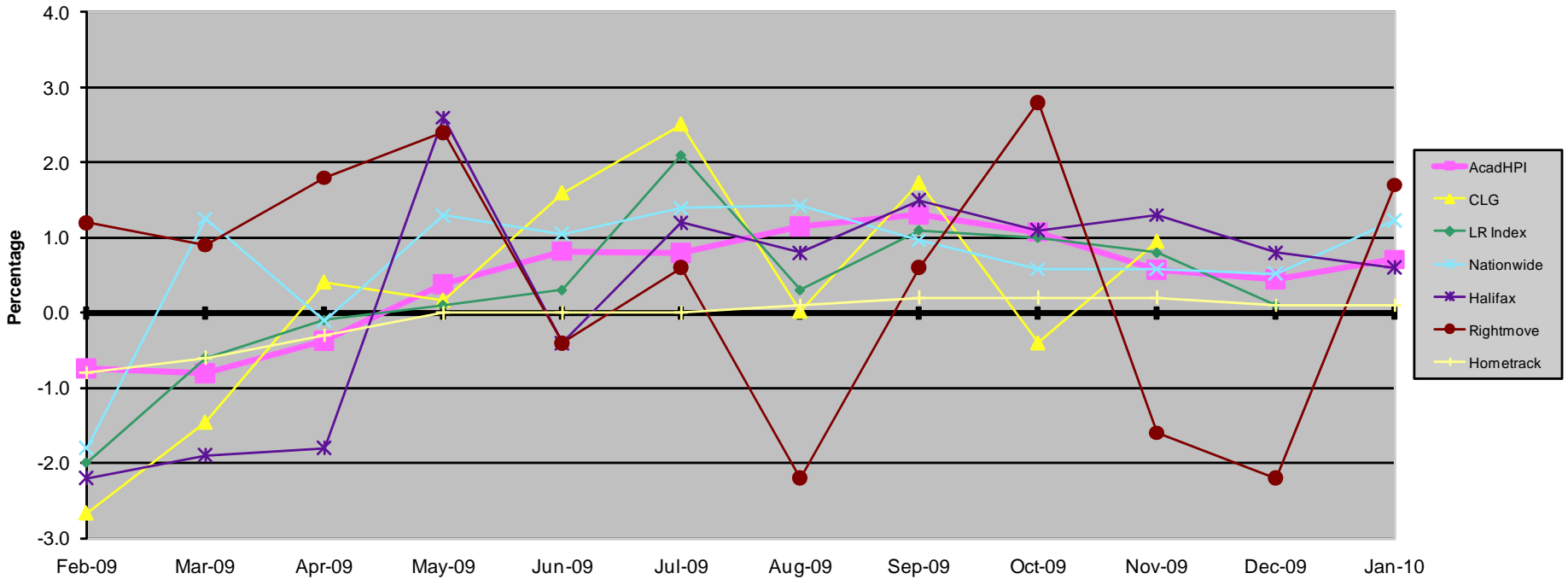
- Does it matter?
- Well certainly very different views of the same market
- Rightmove and Halifax notably volatile?
- Research on why Nationwide and Halifax vary so much – inconclusive but 1983 base for latter
- But broadly following same trajectory
- And when lagged appropriately

And reality?

- There is a reality out there – there are prices/transaction
- The evidence suggests indices vary considerably in terms of how far they reflect reality – Land Registry prices but...!
- If we recognise there are problems –what can we do about it?

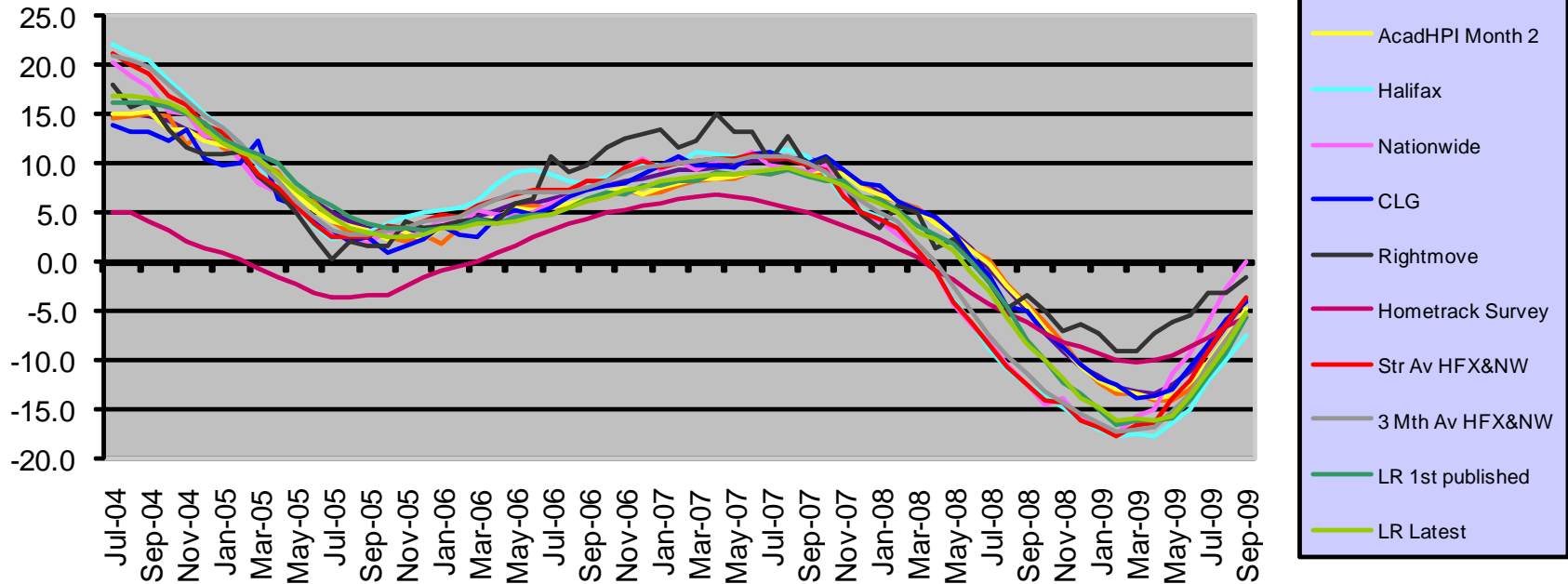
AcadHPI JANUARY 2010

MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES CHART

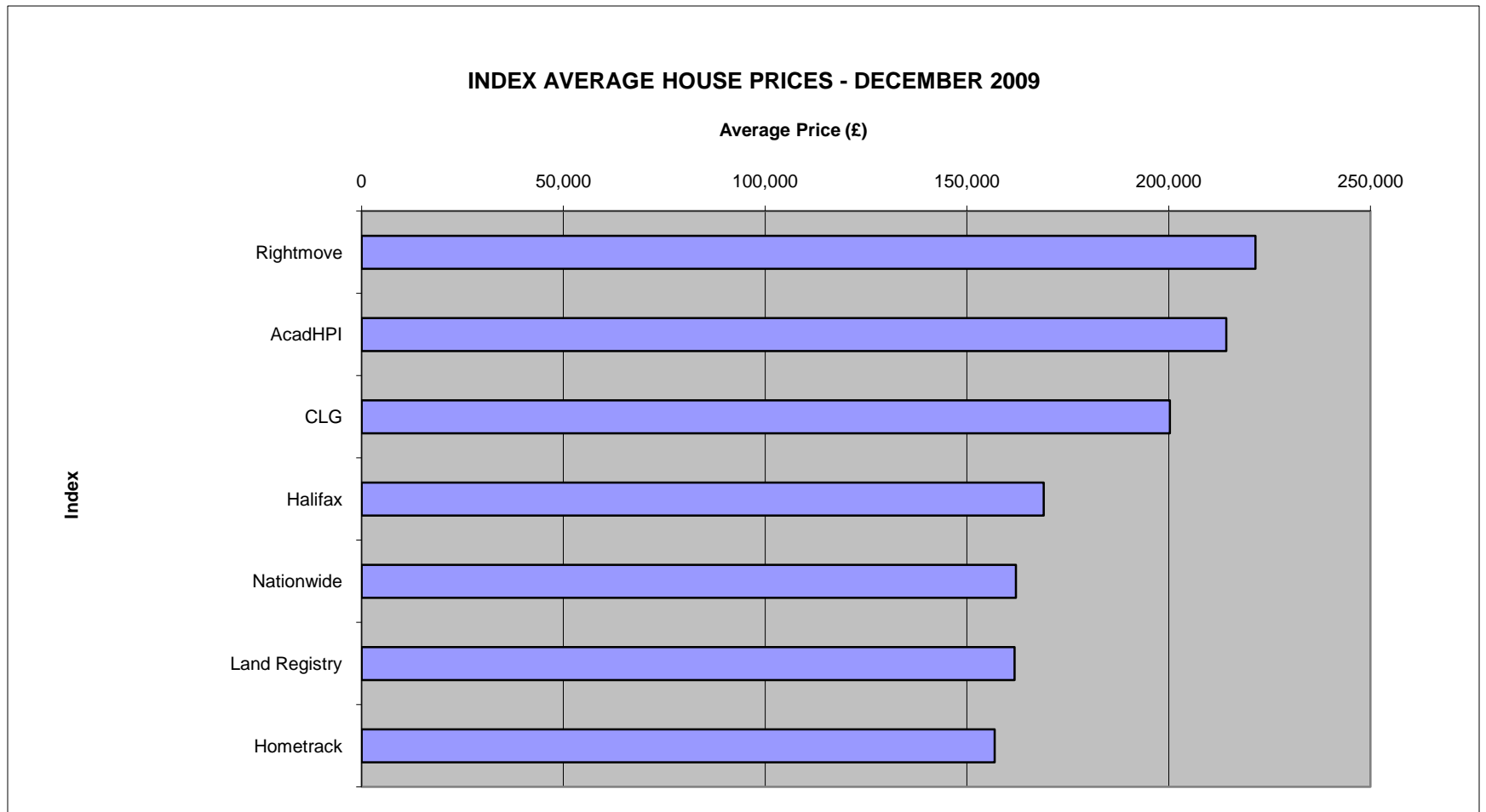


AcadHPI COMPARISON OF THE AcadHPI "FORECAST" INDEX AND OTHER INDICES WITH THE AcadHPI "FINAL" INDEX AS BASED UPON THE ULTIMATE LAND REGISTRY DATA

% Annual Change - Index



A comparison



Conclusions

- Should this continue?
- Consequences – varies – for some consistency most important
- Clearly require careful use and reporting!
- Educating journalists and public?
- Clearer specifications –WHICH/ONS?
- There are no easy answers – are there?

References

- Wood, R (2005) A comparison of UK residential house price indices, BIS papers No 21, BIS
<http://www.bis.org/publ/bppdf/bispap21p.pdf>
- Thwaites, G and Wood, R (2003) The measurement of house prices, BoE Quarterly Bulletin, Spring, BoE
- Acadametrics (2010) Seven House Price Indices – but not one agreed house price; Index Monitor, Acadametrics, London
- See also Acadametrics Website
<http://www.acadametrics.co.uk/acadHousePrices.php>