



Brief Guide to House Price Indices

Introduction

There are six main house price indices (HPIs) that measure changes in the UK housing market. This briefing provides an overview of these indices and of two related surveys. It summarises how each is constructed and notes the differences between them.

Methodologies

Because it is impractical to take regular measurements of the value of every house in the country, prices of properties for sale are used to model overall average house prices. This is done using statistical models that vary in a number of basic areas:

- The sample. This can range from mortgage approvals of a single provider to all transactions. The latter includes cash sales, unlike information from mortgage lenders;
- The price. This differs according to the stage of the buying and selling process it is measured at; from initial asking price through mortgage approval to final transaction;
- Geographical output. The indices vary in the lowest geography of available data.

Table 1: UK House Price Indices and Surveys - Data, Geography and Timeliness

Source ¹ :	Sample	Price Based on:	Smallest Geography	Time Lag
Land Registry	All registered sales for properties with repeat sales (since Jan 95)	Final Transactions	Upper Tier ² (E&W ³)	4 wks
Financial Times (FT)	All registered sales (combined with forecasts, initially) ⁴	Final Transactions	Upper Tier (E&W)	2 wks initially ⁴
CLG ⁵	Data from about 60 mortgage lenders (CML ⁶)	Completions	Region ⁷ (UK)	6 wks
Nationwide	Nationwide lending data	Mortgage Approvals	Sub Reg ⁸ . (UK) (Quarterly only)	None
Halifax	Halifax lending data	Mortgage Approvals	Region ⁷ (UK) (Quarterly only)	<1 wk
Rightmove	Properties on website (90% of estate agent sales)	Asking Prices	Region ⁷ (E&W)	None ⁹
Hometrack	Survey of estate agents and surveyors	Valuations	E&W	None
RICS ¹⁰	Survey of Chartered Surveyors	Valuations	Region ⁷ (UK)	1 wk

Notes:

1. Web links for these sources and their methodologies are in Annex A.
2. "Upper Tier" authorities are counties and unitary authorities.
3. E&W: England & Wales
4. The initial release of the FT Index is a "forecast" index based on 15% of Land Registry data. This is updated in each of the following three months to two "updated" indices and a "final" index.
5. CLG: Communities & Local Government.
6. CML: Council of Mortgage Lenders.
7. Only CLG and Land Registry use standard Government Office (GO) regions. Other sources vary. For example, they group Cumbria with the North East as "North". The South West is consistent across all six indices.
8. Nationwide sub regions are similar to but not identical to upper tier authority areas.
9. Rightmove's "month" covers a period including the last half of one month and the first half of the next.
10. RICS: The Royal Institution of Chartered Surveyors.

As well as these basic differences, the indices vary in other ways that they use properties for sale to model overall average house prices, including:

- The mix adjustment: Different methodologies are used to remove bias that results from the mix of properties being sold not being the same as that of the overall housing stock;
- The property classifications: All dwellings are unique so the statistical models classify them into a manageable number of types which differ depending on the index;
- Seasonal adjustment: Some indices are adjusted to reflect the tendency for more houses to be sold in the summer;

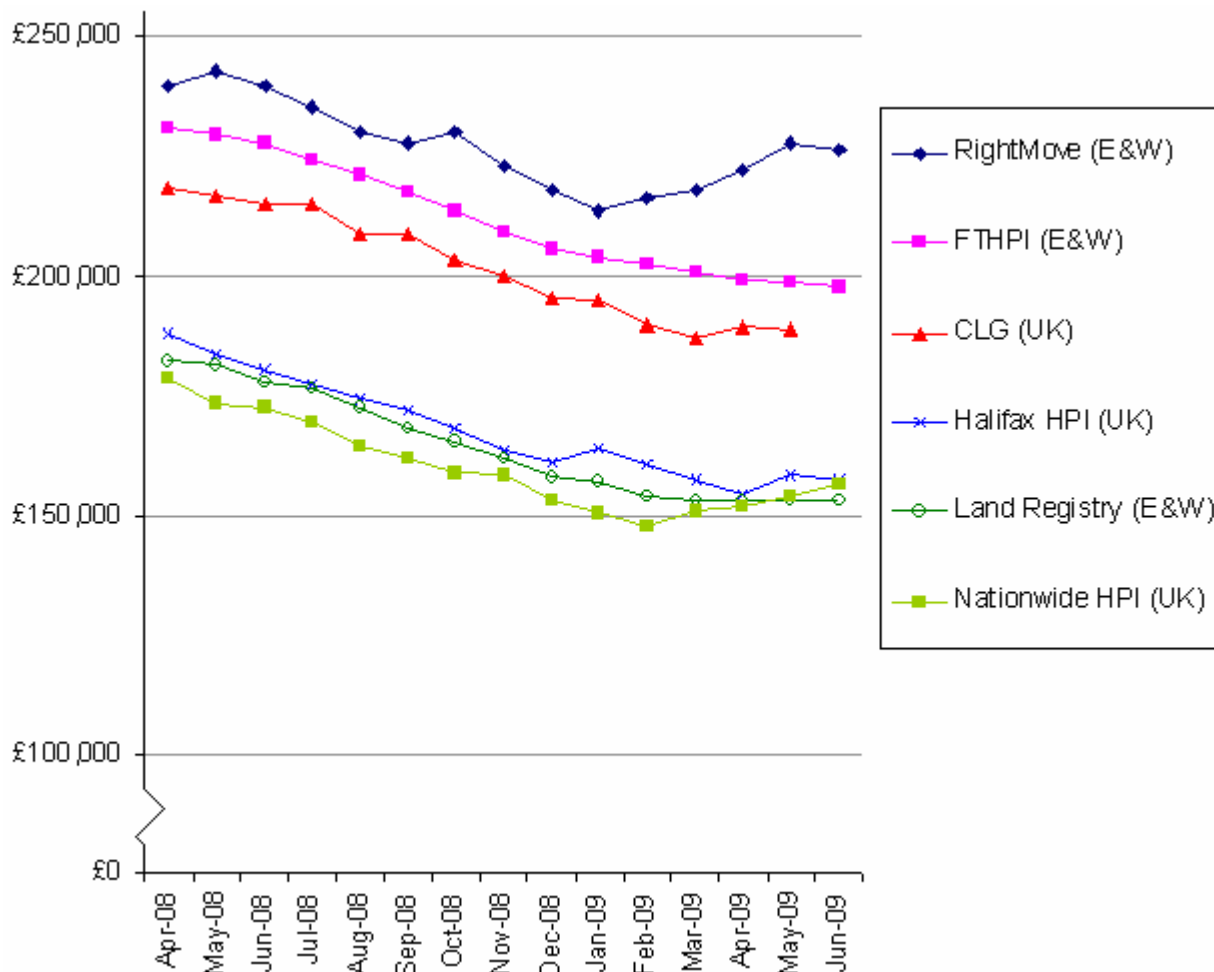
Annex A includes web links to the details of the methodology of each index and to three discussion papers that give comparisons in some depth.

Comparison of House Price Indices (HPIs)

Because the methodologies used to calculate average house prices differ by index the resultant averages also vary. Fig.1 illustrates this, showing, for example, that the only index that uses asking prices (Rightmove) has the highest average house price.

The six indices cover four different stages of the house purchase process. Rightmove measures the price at the earliest stage, followed by Nationwide and Halifax, then CLG and finally the FT and Land Registry.

Fig.1: National Average House Price by HPI, Apr 08 - Jun 09



Notes: Annex A includes links to these sources.

Data as at 30/07/09. Annex B includes the data shown in this chart and figures for the South West.

Annex A: Links to House Price Indices and Related Information

The Indices

Land Registry House Price Index:

www.landreg.gov.uk/houseprices/

Financial Times House Price Index (FTHPI):

www.acadameetrics.co.uk/ftHousePrices.php

Communities and Local Government (CLG) House Price Index:

www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/housepriceindex/

Nationwide House Price Index:

www.nationwide.co.uk/hpi/

Halifax House Price Index:

www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp

Rightmove House Price Index:

www.rightmove.co.uk/house-price-index.html

Hometrack House Price Survey:

www.hometrack.co.uk/commentary-and-analysis/survey.cfm

Royal Institution of Chartered Surveyors (RICS) Housing Market Survey:

www.rics.org/Newsroom/Economiccommentary/

Methodology of and Background to the Indices

Land Registry HPI Frequently Asked Questions:

www.landreg.gov.uk/kb/Default.asp?ToDo=browse&catId=32

FTHPI –Reference & Research Papers from Acadameetrics:

www.acadameetrics.co.uk/reference.php

CLG Notes, Definitions and Methodology for Housing Market and House Prices Data:

www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/notesdefinitions/

Nationwide HPI Methodology:

www.nationwide.co.uk/hpi/method_qs.htm

Halifax HPI Methodology:

www.lloydsbankinggroup.com/media/word/07_06_07HPImethodology.doc

Rightmove HPI Methodology – contact the Press Office:

e-mail press@rightmove.co.uk or call 0845 456 8439

Hometrack House Price Survey – About the Survey:

www.hometrack.co.uk/commentary-and-analysis/house-price-survey/about.cfm

RICS Housing Market Survey – Understanding RICS Market Surveys:

www.rics.org/Newsroom/Economiccommentary/understanding_market_surveys_c_230608.htm

Articles and Publications about House Price Indices

House Price Indices – Fact or Fiction?

(Acadameetrics, 16pp, pdf, 2009):

www.acadameetrics.co.uk/House%20Price%20Indices%20Fact%20or%20Fiction.pdf

House Price Indices of the UK – Methods Explained

(ONS Economic & Labour Market Review, 5pp, pdf, 2007)

www.statistics.gov.uk/elmr/01_07/downloads/ELMR01_07Methods_HPI.pdf

Which House Price? Finding the Right Measure of House Price Inflation for Housing Policy

(ODPM New Horizons Programme, 77pp, pdf, 2006)

www.communities.gov.uk/documents/corporate/pdf/144131.pdf

Other Data Sources

CLG Live tables on Housing Market and House Prices:

www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetables/

Annex B: National & Regional Average House Prices

Table 2: Average House Price¹ (£) by Index² April 2008 to Jun 2009 – National

House Price Index	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Rightmove ³	239,500	242,500	239,600	235,200	229,800	227,400	229,700	223,000	217,800	213,600	216,200	218,100	222,100	227,400	226,400
FT ³	230,800	229,400	227,600	224,200	221,200	217,600	213,700	209,000	205,600	203,900	202,300	200,700	199,200	198,400	197,800
CLG ⁴	218,300	216,600	215,000	214,900	208,900	208,600	203,600	199,900	195,300	195,100	189,700	187,200	189,200	189,000	
Halifax ⁴	188,000	183,700	180,300	177,400	174,300	172,000	167,900	163,500	160,900	164,100	160,400	157,300	154,500	158,500	157,700
Nationwide ⁴	178,600	173,600	172,400	169,300	164,700	161,800	158,900	158,400	153,000	150,500	147,700	150,900	151,900	154,000	156,400
Land Registry ³	182,400	181,400	178,000	176,600	172,300	167,900	165,500	162,100	158,000	157,000	154,000	153,200	153,000	153,000	153,000

Notes:

1. Average House Price rounded to the nearest £100, as at 30/07/2009 (some values subject to future amendments)
2. Indices sorted in order of the latest average price (highest to lowest)
3. Average Price for England & Wales
4. Average Price for the UK

Table 3: Average House Price¹ (£) by Index² April 2008 to Jun 2009 – South West

House Price Index	Q2 2008			Q3 2008			Q4 2008			Q1 2009			Q2 2009		
	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Rightmove	261,900	264,600	258,700	254,900	254,000	244,000	248,400	242,100	236,300	226,600	230,600	232,400	239,800	246,000	244,500
FT	235,200	235,600	233,000	229,400	225,700	221,900	218,400	214,300	210,600	207,000	205,200	203,400	202,800	201,800	
CLG	225,500	222,000	220,100	220,400	218,000	218,900	207,600	205,700	202,600	200,800	196,300	192,200	194,500	193,000	
Halifax ³	←	196,200	→	←	185,200	→	←	177,100	→	←	179,700	→	←	169,900	→
Nationwide ³	←	194,700	→	←	181,100	→	←	172,800	→	←	167,500	→	←	169,100	→
Land Registry	194,600	191,900	187,400	187,000	181,100	177,700	173,900	170,000	166,300	165,300	161,900	161,900	160,500	161,100	161,800

Notes:

1. Average House Price rounded to the nearest £100, as at 30/07/2009 (some values subject to future amendments)
2. Indices sorted in order of the latest average price (highest to lowest)
3. Halifax & Nationwide regional average house prices are only available on a quarterly basis.