

COMPARISON OF DIFFERENT SOURCES OF HOUSE PRICE DATA

This article looks at 5 different sources of data on property prices.

1. The Land Registry

This is the most complete data set as it includes all sales in England and Wales, whether or not they have been funded by a mortgage.

Data is supplied for England and Wales, by Region, and by County or Unitary Authority, and this data is used for the quarterly reports on Herefordshire property prices (see article on Property Prices in this issue). Data is also available by Postcode Sector. (For a report on Herefordshire prices by Postcode Sector, see the Quarterly Economic Report for August 2004).

Drawbacks to Land Registry data

It is not very timely. The price data is obtained from completions which usually happen some weeks after the price is agreed. It may then take a further 4-6 weeks before the sale is actually registered. The Land Registry publishes a report of prices for each quarter, released a month after the end of that quarter (eg. figures for October to December are released in early February). **But** not all the data has been received by then, so for fully updated figures, including **all** the sales in the quarter, you have to wait another 3 months (eg. October to December fully updated figures are not released until early May).

The prices reported are the “simple average” (technically known as the mean), obtained by adding up all the prices and dividing by the number of properties.

Averages are reported for detached houses, semi-detached houses, terraced houses, flats and for all properties combined. No further detail, such as number of rooms or floor area, is held, so if you compare the average price of, say, a detached house in one area with the average price in another area, you may not be comparing like with like.

Land Registry data on property prices is available from www.landreg.gov.uk

2. The Halifax House Price Index

This is published by the Halifax Building Society from their own data – mortgage approvals by them. The index was set at 100 in 1983 so changes in the index since then reflect changes in house price. For example the Halifax UK house price index for 2004 is 507.6 which means that their estimate of a “typical house” in the UK has increased in price by 507.6% over this period. As well as the index number, the Halifax also publishes the “typical” house price – this was £30,898 in 1983, and £156,831 in 2004 (prices for the UK as a whole).

Mix adjustment

When creating the index, the Halifax takes into account many different characteristics of the properties sold, including the following: price, location, type (detached, semi-detached, etc), age of the property, number of bedrooms, number of living rooms. By applying calculated weightings to these factors, the Halifax is able to track the price of a “typically transacted property” over time.

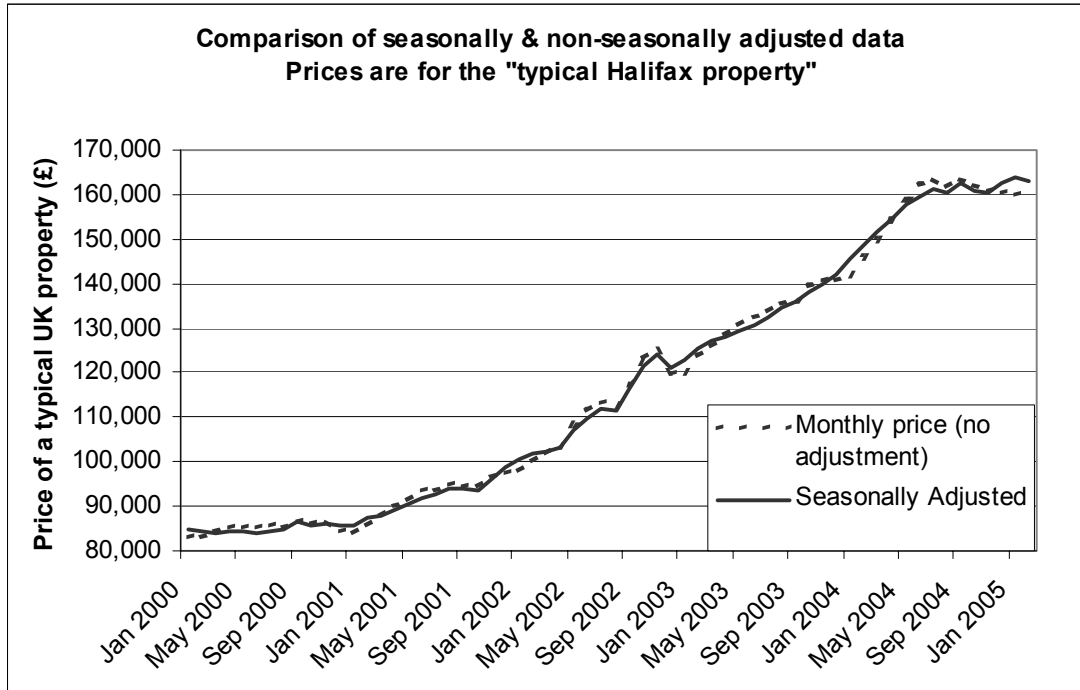
Seasonal adjustment

The Halifax also produces a seasonally adjusted index which corrects for the seasonal effect whereby prices tend to be higher in the spring and summer months when more people are looking to buy. Chart 1 compares adjusted and non-adjusted prices and it can be seen that the

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differences are quite small, but the seasonally adjusted series does smooth out some minor dips and rises.

Chart 1



Data sets available

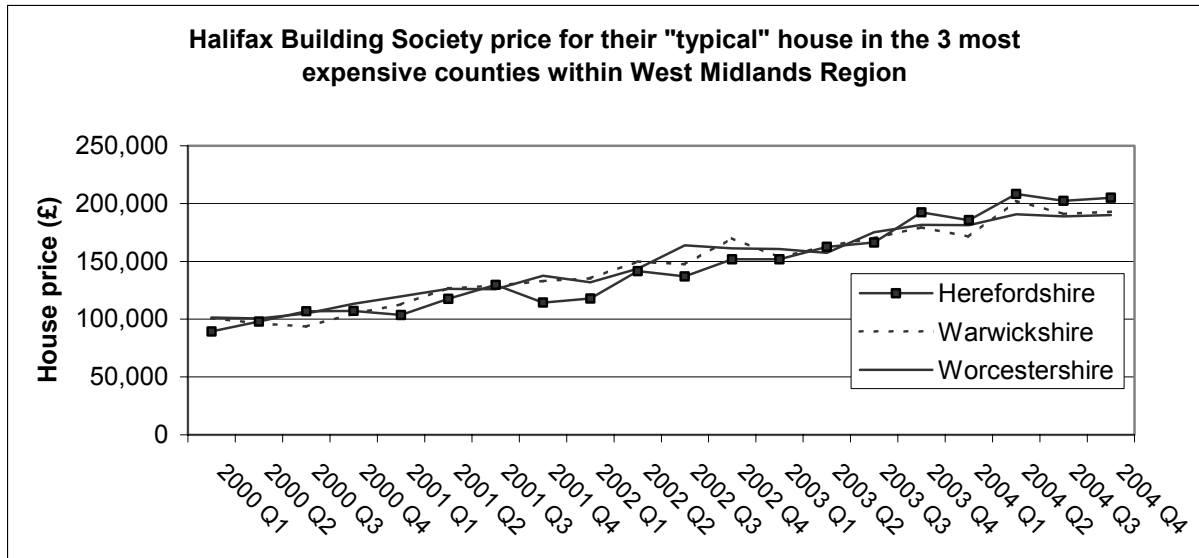
Halifax house price data is available broken down into the following categories:

- new houses / existing houses (also age of property in 5 bands from pre 1919 to new)
- first time buyers / former owner occupiers
- Region / County / Post Town (*post towns listed for Herefordshire are Hereford, Leominster and Ross, but the series for Leominster and for Ross are mainly blank due to insufficient data*)

Chart 2 illustrates some of the Halifax data at county level. There are 6 counties within the West Midlands Region – Herefordshire, Shropshire, Staffordshire, Warwickshire, Worcestershire and West Midlands Metropolitan County, and the graph shows prices for the 3 most expensive counties. The graph indicates that Herefordshire prices have been the highest recently.

The data series for the Halifax house price index can be found at <http://www.hbosplc.com/economy/HistoricalDataSpreadsheet.asp>

Chart 2



3. The Nationwide House Price Index

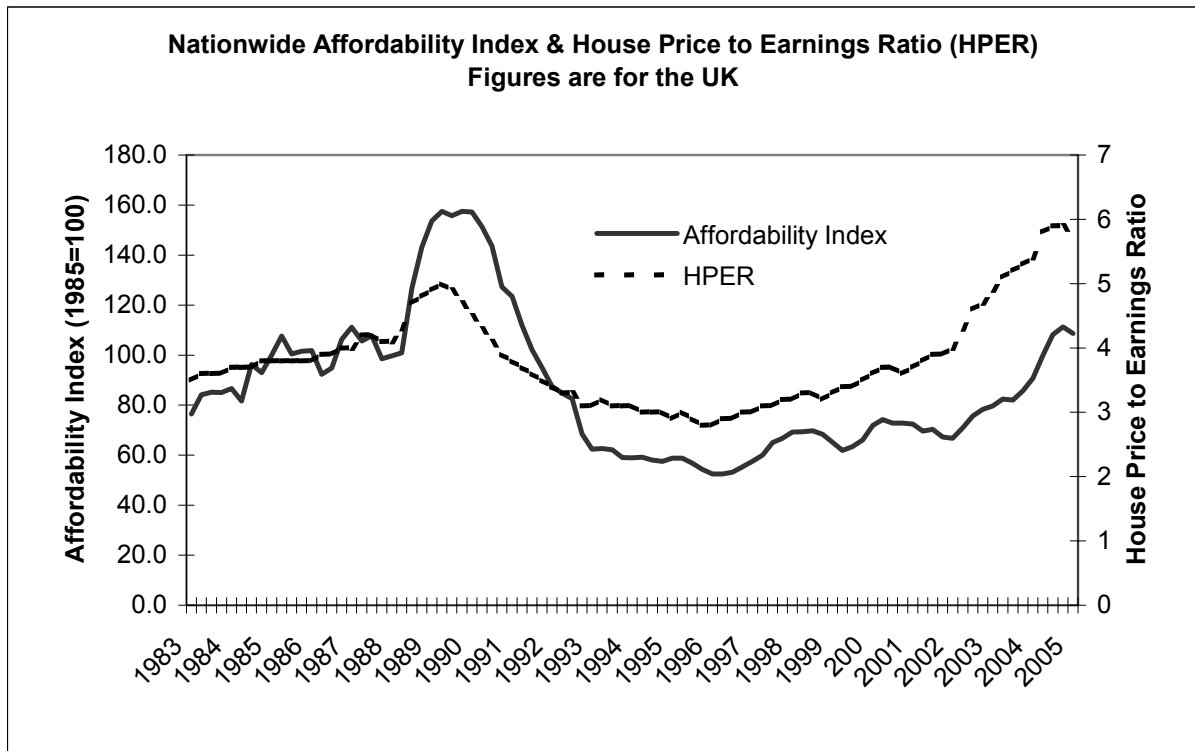
This is published by the Nationwide Building Society from their own data – mortgage approvals by them. The index is based on 1993=100. As with Halifax index, the Nationwide index is mix-adjusted, and a seasonally-adjusted series is available.

Data sets are similar to those provided by the Halifax, but geographically there is no breakdown below Regional level.

The Nationwide also publishes figures for a House Price to Earnings Ratio (HPER) and an Affordability Index, and these are shown Chart 3. HPER is the ratio of the price for a “Nationwide representative dwelling” to average gross earnings (currently taken from the New Earnings Survey, but due to be re-based using data from the Annual Survey of Hours & Earnings). The Nationwide’s Affordability Index measures mortgage payments relative to take home pay for an individual on average earnings borrowing 90% loan to value at a market representative interest rate. The sharp rises of the Affordability Index during the 1980’s were due to increases in interest rates. The current relatively low interest rates explain the fact that, while HPER is currently higher than at any other time in the period under review, the Affordability Index is lower than that for the period 1989 to 1993.

The data series for the Nationwide house price index can be found at <http://www.nationwide.co.uk/hpi/>

Chart 3



4. The ODPM (Office of the Deputy Prime Minister) House Price Index

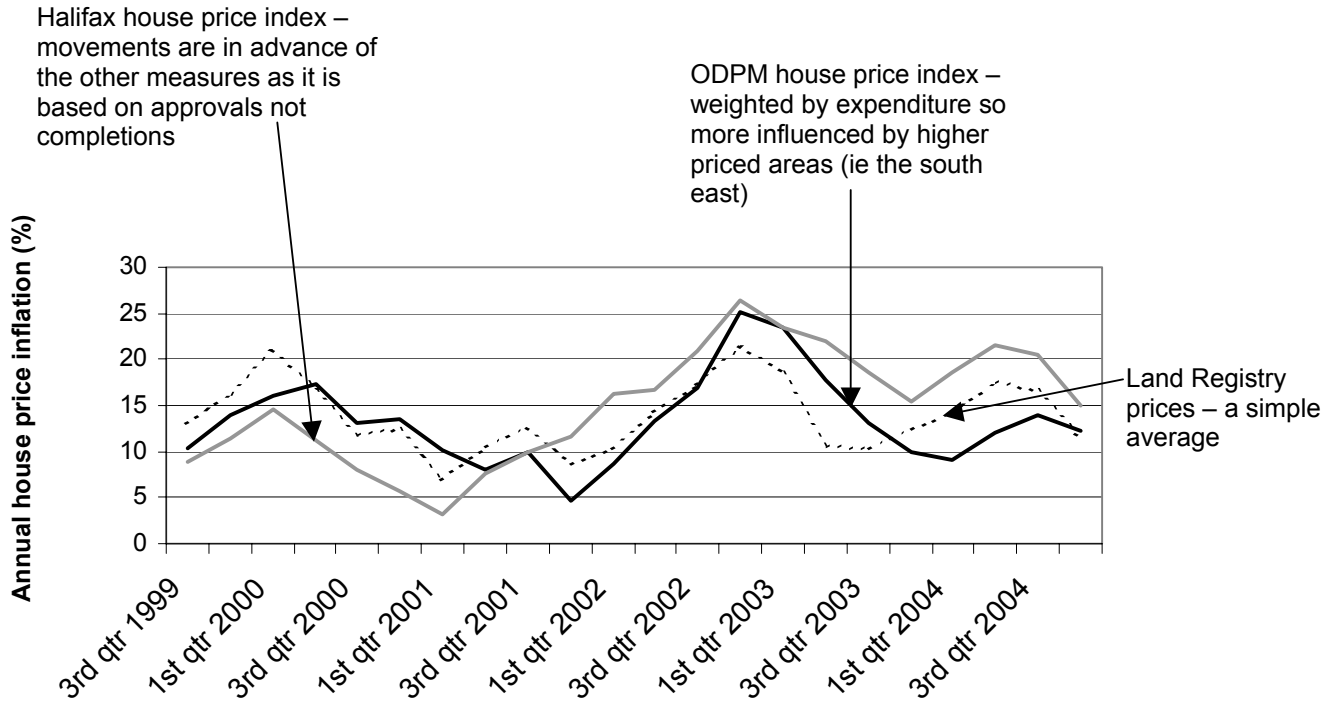
As with Land Registry data, this index is based on completions rather than approvals, but it differs from Land Registry data in being mix-adjusted. The variables taken into account for mix adjustment include dwelling type, age of dwelling, number of habitable rooms and type of neighborhood. The data comes from the Council of Mortgage Lenders (as Land Registry data does not include sufficient detail such as number of rooms) and is a sample of between 30% and 50% of eligible completions. The weighting method is weighting by expenditure, whereas the Halifax and the Nationwide carry out weighting by volume of transactions. The lowest geographical unit for this index is the Region.

Data series for the ODPM house price index can be found at http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index_hcst?n=1575&l=3

Chart 4 below shows a comparison of house price inflation as indicated by the ODPM index, the Land Registry simple average of prices, and one of the building society indexes.

Chart 4

**House Price inflation as given by 3 different measures
(Data is for England & Wales)**



Looking at the graph above, the main features are:

- Movements in the Halifax index occur in advance of the other 2 measures as it is based on mortgage approvals rather than completions.
- Because the ODPM index is weighted by expenditure, it is always influenced by the area where prices are highest (i.e. the south east). Currently, house price inflation in the south east is lower than that elsewhere in the country, so the ODPM index is showing a lower inflation rate than the Halifax index.

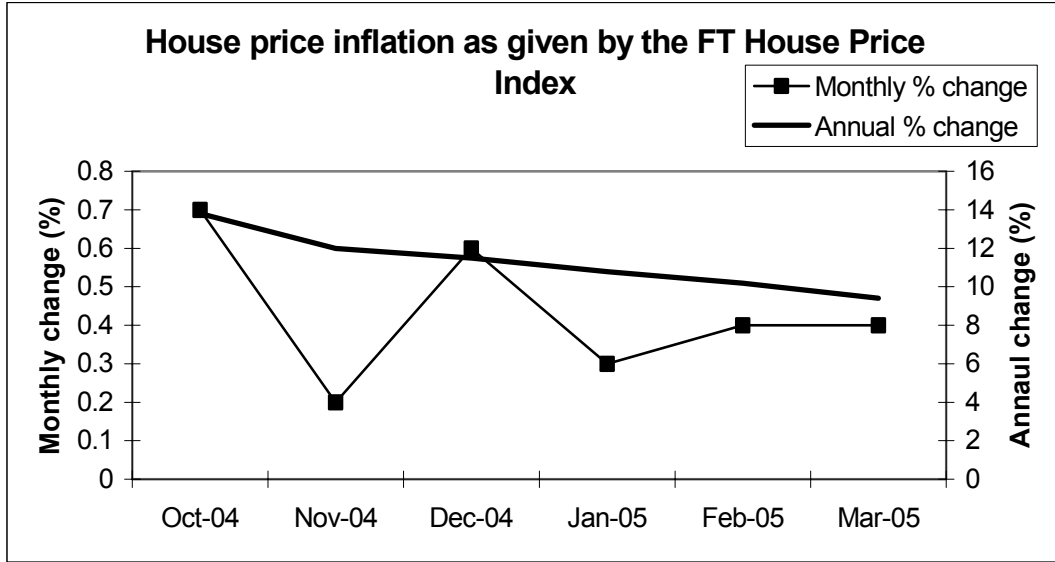
5. The Financial Times House Price Index

This index is a combination of a seasonally adjusted presentation of Land Registry back data together with a monthly forecast of Land Registry data. Each month, when the latest actual Land Registry data becomes available, the previously predicted index is updated to the actual figure. The aim of this index is to provide the completeness of Land Registry data, but make it more timely by including predictions. A stated advantage of this index is that it provides a better illustration of the underlying trend in prices, whereas other indexes are more likely to show minor and confusing oscillation from month to month. The FT index is not currently mix

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adjusted, but further work is continuing, and mix adjustment may be added in the future. The index is only available for England & Wales as a whole (no geographical breakdown). The graph below shows recent estimates of annual and monthly house price inflation as given by the FT House Price Index.

Chart 5



Source: Financial Times House Price Index as published 5/4/05

Data series for the Financial Times house price index can be found at <http://www.acadametrics.co.uk/PressReleaseMarch05.htm>

For further information on the data in this article, please contact the Research Team on 01432 260464 or e-mail researchteam@herefordshire.gov.uk