

# House Price Statistics: Recent European Developments and ways forward

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Price statistics; Purchasing Power Parities; Housing statistics

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# Outline

1. Eurostat + National Statistical Institutes developed a pilot project on Owner Occupied Housing (OOH) since 2000
2. Legal framework: Draft Regulation for OOH, including HPI
3. Methodological framework: OOH Manual and RPPI Handbook
4. Data availability: state of play and future developments
5. Relevance of House Price Statistics for policy making in the context of the Imbalance Scoreboard – the deflated HPI
6. Next steps

# 1. Eurostat Owner-Occupied Housing Project

- Started in 2000
- In 2006 HPI was included in the project
- In 2008 25 Member States were involved (currently 29)
- In 2010 first Eurostat release of experimental House Price Index at quarterly frequency
- Time series 2005Q1 onwards
- November 2011: latest release with data up to 2011 Q2
- Next release planned for January 2012 with data for 2011 Q3

# Main features of the OOH project

- Prior to pilot work: little comparability between national data
  - various sources (often outside official statistics)
  - different price data (transactions prices, appraisals values, offer prices)
  - different coverage of regions and dwelling types
  - different treatment of quality attributes of dwellings
- Objective: Harmonised data for residential property prices at EU level

## 2. Draft regulation on OOH including HPI

- HPI has been included in the draft OOH EU Regulation
- Importance of a legal basis for data collection
- Currently expected to be approved in 2012.
- Reference framework: HICP
- Quality: reference to the Code of Practice
- Progressive implementation (HPI 2012, full OOH 2014)
- The plan: Quarterly data released at T+90 days.

# Some detail on the variables in the draft Regulation

- O.1.Owner-occupiers housing expenditures
  - O.1.1.Acquisitions of dwellings
    - O.1.1.1. New dwellings
      - O.1.1.1.1. Purchases of new dwellings
      - O.1.1.1.2. Self-build dwellings and major renovations
    - O.1.1.2. Existing dwellings new to households
    - O.1.1.3. Other services related to the acquisitions of dwellings
  - O.1.2. Ownership of dwellings
    - O.1.2.1. Major repairs and maintenance
    - O.1.2.2. Insurance connected with the dwelling
    - O.1.2.3. Other services related to ownership of dwellings

# HPI variables

- H.1.Purchases of dwellings
  - H.1.1.Purchases of new dwellings
  - H.1.2.Purchases of existing dwellings

### 3. The OOH technical manual

- Contains practical instructions on how to compile the OOH and HPI.
- Based on theory + practical experience of 10 years of index compilation in the OOH pilot project.
- Ensures for the MS a common set of methods and sources to evaluate:
  - Geographical coverage
  - Reliability of data sources
  - Data validation procedures
  - Model specification
  - Treatment of quality change
  - Weight concept
- It represents **the first comprehensive framework** aimed at measuring the price evolution of the residential market across EU Member States **in a harmonised way.**



## How to find the Manuals and the rest of our work?

- It can all be found in the **HICP section** of Eurostat homepage.
- Latest version (v 1.9.1) of the OOH Technical Manual from July 2011 is available there:  
[http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/owner\\_occupied\\_housing\\_hpi/owner\\_occupied\\_housing](http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/owner_occupied_housing_hpi/owner_occupied_housing)
- The final version (v 2.0) will be released in March 2012.



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- > Total population
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- > Inflation (monthly)
- > Inflation rate (annual)

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- > Government finance
- Prices (HICP)**

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- > Income and living conditions in Europe

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	25.11.2011	EU27 external trade in services rose by 10% in 2010
	25.11.2011	EU27 surplus in trade in goods with the USA of 35 bn euro in the first half of 2011
	24.11.2011	Between 8% and 25% of adults are obese across Member States
	24.11.2011	Regional unemployment rates ranged from 2.7% in Zeeland and Bolzano/Bozen to 28.9% in Réunion
	23.11.2011	Industrial new orders down by 6.4% in euro area
	17.11.2011	Construction output down by 1.3% in euro area
	16.11.2011	Euro area annual inflation stable at 3.0%

Full list

**Latest updates of Statistics Explained**

	29.11.2011	Updated: Land cover and land use statistics at regional level
	29.11.2011	Updated: Electricity and natural gas price statistics
	28.11.2011	Updated: Information society statistics at regional level
	24.11.2011	New: Overweight and obesity - BMI statistics
	23.11.2011	Updated: Regional business specialisation and concentration

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## Harmonized Indices of Consumer Prices (HICP)

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## Owner-Occupied housing

The draft technical manual is a living document and thus all suggestions and comments are welcome. If you have any suggestions for us on how we can improve the manual please send them directly to [estat-hicp-methods@ec.europa.eu](mailto:estat-hicp-methods@ec.europa.eu). Your comments are sincerely appreciated!

**NEW** [Draft Technical Manual on Owner-Occupied Housing Draft version 1.9.1, July 2011](#)

[Draft Technical Manual on Owner-Occupied Housing Draft version 1.9, February 2010](#)

[Progress Report on Owner-Occupied Housing Statistical Programme Committee, Luxembourg 15 February 2007](#)

[Owner-Occupied housing for the HICP OECD-IMF Workshop, Paris 6-7 November 2006](#)

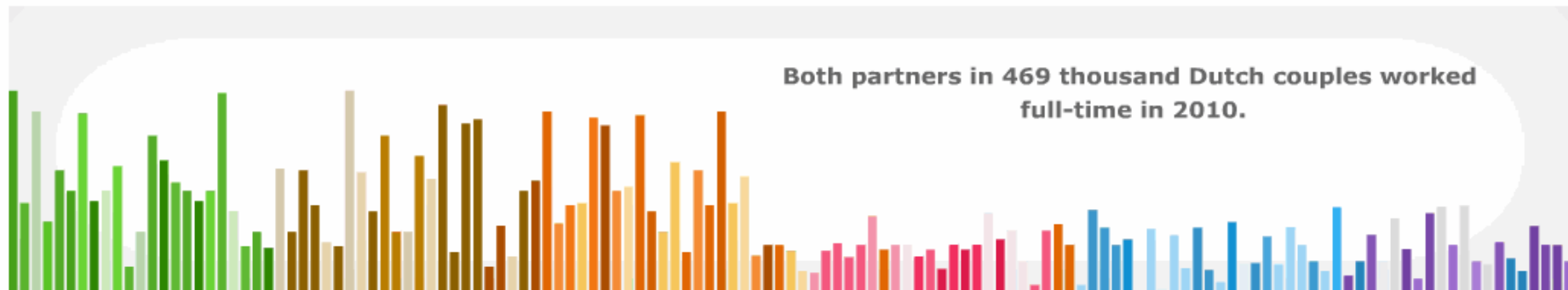
[Owner-Occupied Housing in the HICP - Progress report Statistical Programme Committee, Luxembourg, 27 May 2004](#)

## News

[HICP Release Calendar 2011](#)

# The Residential Property Price Indices Handbook

- Done by a team of international price statistics experts coordinated by Eurostat
- In addition to the OOH Technical manual: ampler methodological framework, case studies.
- The RPPI Handbook was discussed at a CBS Workshop in The Hague in February 2011.



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## Information



### **Workshop on Residential Property Price Indices Statistics Netherlands, The Hague, 10-11 February 2011**

Statistics Netherlands is organizing a two-day workshop on Residential Property Price Indices (RPPI) at its office in Leidschenveen, The Hague, Netherlands on Thursday 10 and Friday 11 February 2011.

It is well known that the quality and availability of housing price indices differ from country to country. In some cases there may be an abundance of reliable data; in most others, hardly any indicators are available and those that are, often do not meet user requirements. Sometimes the differing characteristics of available indices are not necessarily well known, let alone understood, which can seriously hamper international comparisons. Also different compilation methods can lead to different levels of house price inflation. From the perspective of price index compilers it may not necessarily be clear which data key users require. Moreover, there are no international guidelines for producing RPPI.

The need for property price indices which are fit-for-purpose was recognised at a conference organised by the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) in Washington DC, October 2003. As a result, a special chapter on residential property price indices was added to the "Compilation Guide of Financial Soundness Indicators". The idea of a more detailed Handbook dates back to

# The Residential Property Price Indices Handbook

- Before the RPPI project was launched: several methodologies used by public or private HPI compilers, but no consistent framework.
- Designed to give **practical guidance** on the compilation of HPIs, both in developed and developing countries, and **to increase international comparability** of resulting indices.
  - explains the different user needs;
  - gives details on data and methods that can be used to compile residential property price indexes;
  - provides recommendations.
- Final draft posted in May 2011 on the Eurostat website:  
[http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/owner\\_occupied\\_housing\\_hpi/rppi\\_handbook](http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/owner_occupied_housing_hpi/rppi_handbook)

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- [Chapter 2. Uses of Residential Property Price Indices](#)
- [Chapter 3. Elements for a Conceptual Framework](#)
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- [Chapter 5. Hedonic regression methods](#)
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- [Chapter 8. Decomposing an RPPI into Land and Structures Components](#)
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This draft RPPI handbook is a so called living document and thus *all suggestions and comments* are welcome.

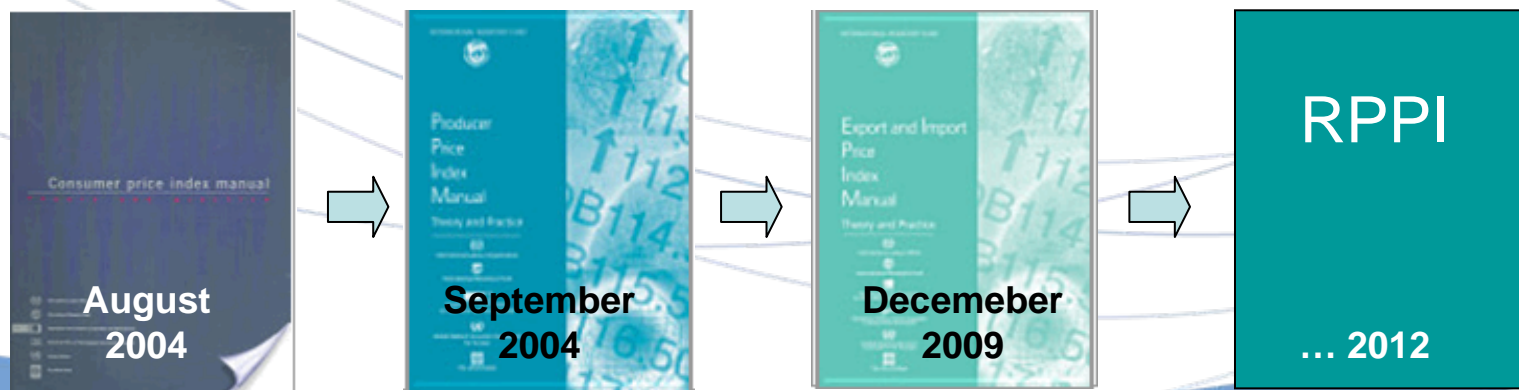
This 4th version includes suggestions received at the workshop on Residential Property Price Indices organized by Statistics Netherlands, in their premises in Leidschenveen, The Hague, on 10th - 11th February 2011. See [www.cbs.nl/rppiworkshop](http://www.cbs.nl/rppiworkshop) for details.

**News** [HICP Release Calendar 2011](#)**See also**

[Eurostat-IAOS-IFC Conference on Residential Property Price Indices, Basel, Switzerland, 11-12 November 2010](#)

# Handbook on Residential Property Price Indices

- Final version currently under review.
- Is planned to be endorsed by the Inter-Secretariat Working Group on Price Statistics (IWGPS) by end of 2011.
- Book version to be released internationally in 2012.
- Target a similar layout as existing International Manuals on Consumer Price Indices, Producer Price Indices and Import-Export Price Indices.





## 4. Data availability for HPI in Eurostat: state of play

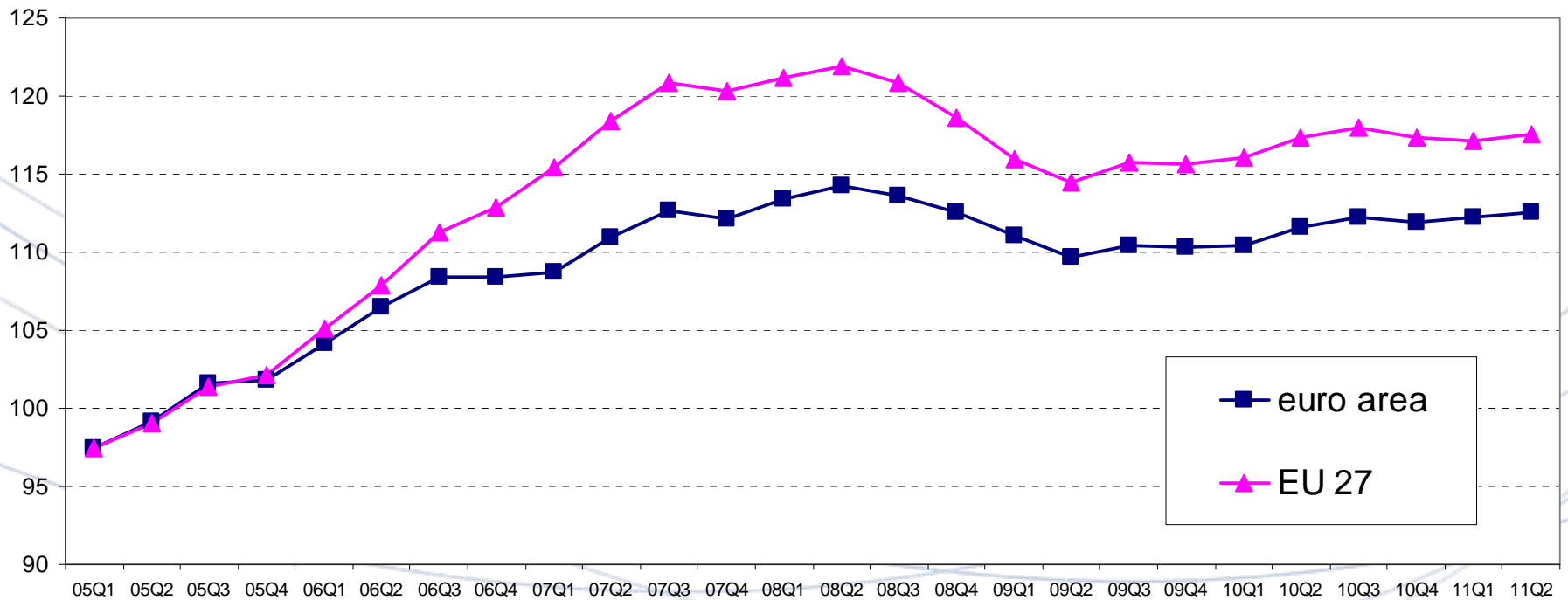
- Latest release: November 2011
- Data availability varies across EU, but has improved constantly
- Further improvements are expected in 2012 (e.g. Portugal, Poland, Italy)
- Some data (full or partial quarterly data series) are still required to be kept 'confidential' by the Member States
  - currently not considered of sufficient quality to be released
  - methodological developments still ongoing.
- These data are sent to Eurostat only for calculating EU/Euro area average HPI

## Data availability for HPI in Eurostat: state of play

- For longer quarterly data series there is some scope for further improvement in availability by linking the series to other sources such as those collected on the ECB website
- However, there is less comparability in sources and methods going back over time, e.g.: inclusion of new and/or existing dwellings
- For Eastern Europe Member States a house market developed only more recently

# Recent HPI data released by Eurostat

Figure 1: Experimental Quarterly House Prices  
Average indices for euro area and EU 27 (2005=100)



## 5. Relevance of House Price Statistics for policy making – the deflated HPI

- The European Commission has designed a ‘Scoreboard For The Surveillance Of Macroeconomic Imbalances’.
- As housing market developments have figured prominently in the recent financial crisis, the HPI is one of the indicators considered.
- Currently DG ECFIN of the European Commission uses data for HPI provided by Eurostat, for those MSs where data is available.
- Deflated HPI: difference between growth rate of HPI and growth rate of final consumption inflation
- Threshold: + 6%
- Relevance of this trigger mechanism dependant on data harmonisation and comparability between Member States.

## 6. Next steps

- Continue to disseminate existing figures for HPI – BIS, ECB, Eurostat
- Progressive switch from experimental data to regular production in Eurostat (planned from 2012)
- OOH Regulation (planned for 2012)
- Expanding the housing statistics beyond HPI, including: back data, geographical breakdown, number and value of transactions (house sales), building permits. Links with national accounts to be developed
- First discussion in the IWGPS about the project to compile a Commercial Property Price Indices handbook

Thank you for your attention!