Housing Price Index (HPI). Base 2007

Fourth quarter of 2008

General index

	Quarterly variation	Year-to-date variation	Interannual variation
Fourth quarter 2008	−1.7	−2.3	-3.0

Main results

− The **annual variation** rate of the **HPI** is **–5.4%** in the **fourth quarter of 2008**, 2.7 points below that registered in the previous quarter.

− **New housing** registers a decrease of almost three points in its annual rate between the third quarter and the fourth, dropping from 3.7% to **0.8%**.

− The interannual variation of **second-hand housing** decreases more than two points, standing at **–10.7%**.

− The **quarterly variation** of the general index was **–3.1%**.

Results for the country as a whole

The interannual rate of the general Housing Price Index (HPI) in the fourth quarter of 2008 decreased more than two points, from –3.0% in the third quarter of 2008 to the –5.4% registered in the fourth.

By type of housing, second-hand housing continued to register negative annual variation rates, going from –8.6% to –10.7%. New housing, in turn, also decreased its annual rate, albeit maintaining positive values, standing at 0.8% (2.9 points less than in the previous quarter) in the fourth quarter.

	Interannual rate (%) Second quarter 2008	Interannual rate (%) Third quarter 2008	Interannual rate (%) Fourth quarter 2008
GENERAL INDEX	2.8	−0.3	−3.0
New housing	7.2	5.3	3.7
Second-hand housing	−0.7	−4.9	−8.6

Annual evolution of the HPI, base 2007
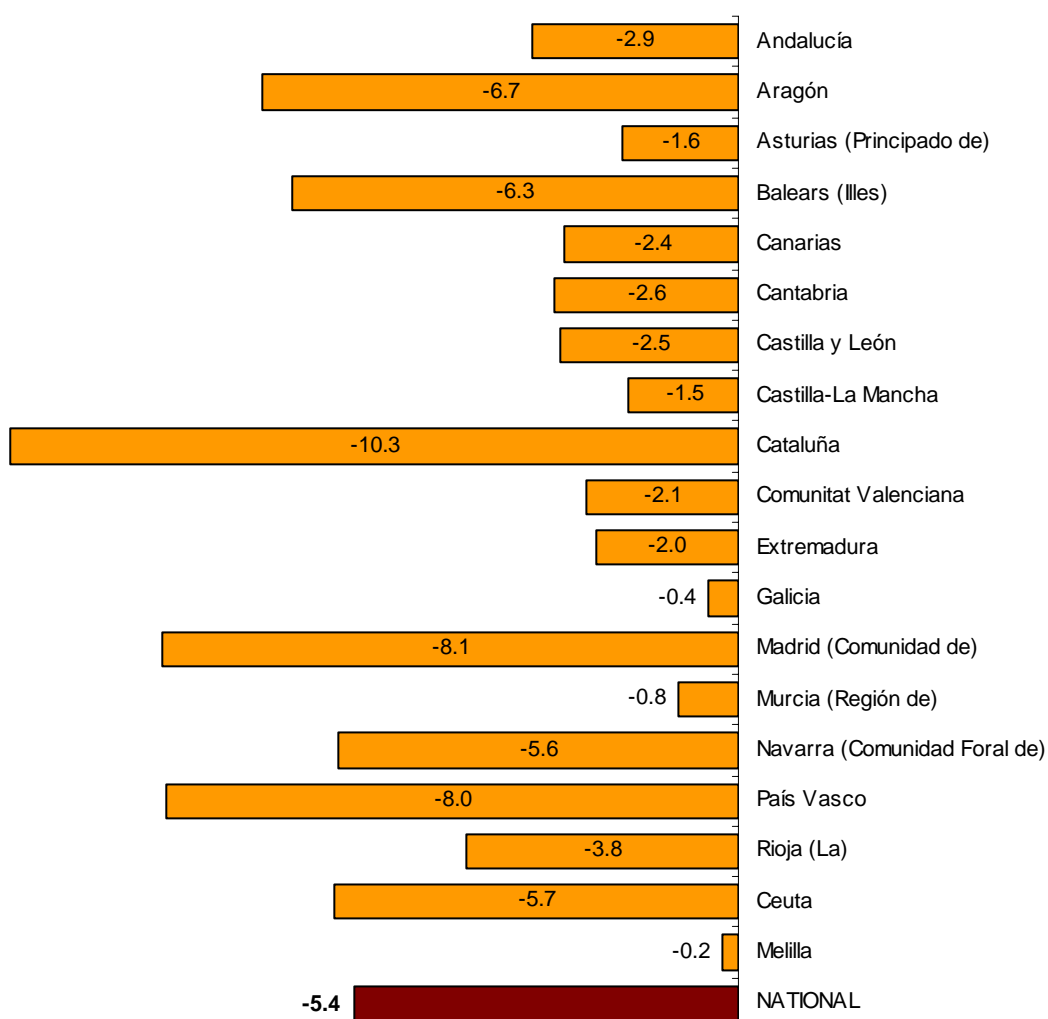General, new housing and second-hand housing
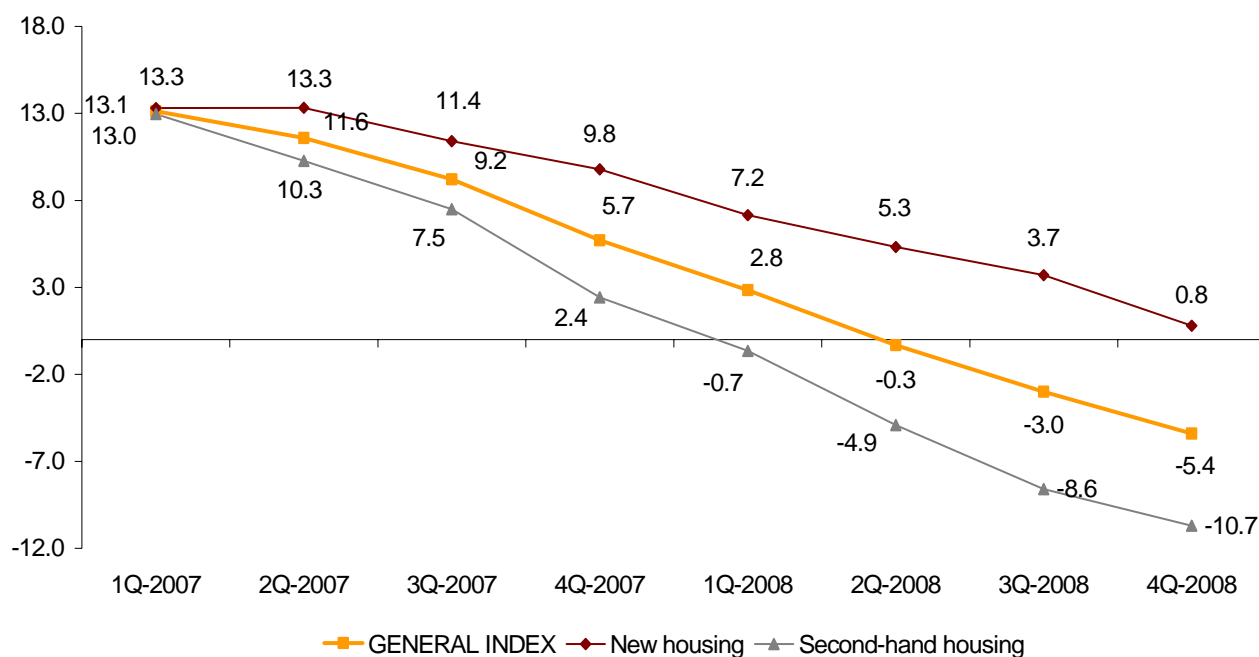
Results by Autonomous Community

All the Autonomous Communities presented negative annual rates during the fourth quarter of 2008, Cataluña (-10.3%), Comunidad de Madrid (-8.1%), and País Vasco (-8.0%) being the Communities with the most pronounced decreases.

In turn, the highest interannual variation rates of the HPI were observed in Melilla (with a rate of –0.2%), Galicia (-0.4%) and Región de Murcia (0.8%).

Annual evolution of the HPI by Autonomous Community
Fourth quarter of 2008

Autonomous Community	Rate
Andalucía	-2.9
Aragón	-6.7
Asturias (Principado de)	-1.6
Balears (Illes)	-6.3
Canarias	-2.4
Cantabria	-2.6
Castilla y León	-2.5
Castilla-La Mancha	-1.5
Cataluña	-10.3
Comunitat Valenciana	-2.1
Extremadura	-2.0
Galicia	-0.4
Madrid (Comunidad de)	-8.1
Murcia (Región de)	-0.8
Navarra (Comunidad Foral de)	-5.6
País Vasco	-8.0
Rioja (La)	-3.8
Ceuta	-5.7
Melilla	-0.2
NATIONAL	-5.4

Housing Price Index. Base 2007

Third quarter of 2008

National indices: general and by type of housing

Housing	Index	% variation			Effect	
		Over previous quarter	Year-to-date	Inter-annual	Over previous quarter	Year-to-date
GENERAL INDEX	95.3	-3.1	-5.4	-5.4		
New housing	103.7	-1.4	0.8	0.8	-0.654	0.371
Second-hand housing	88.3	-4.8	-10.7	-10.7	-2.488	-5.767

General index by Autonomous Community

Housing	Index	% variation		
		Over previous quarter	Year-to-date	Interannual
NATIONAL INDEX	95.3	-3.1	-5.4	-5.4
Andalucía	99.9	-2.6	-2.9	-2.9
Aragón	93.2	-2.9	-6.7	-6.7
Asturias (Principado de)	100.3	-0.7	-1.6	-1.6
Balears (Illes)	95.2	-4.0	-6.3	-6.3
Canarias	99.9	-2.1	-2.4	-2.4
Cantabria	99.4	-1.4	-2.6	-2.6
Castilla y León	100.5	-1.1	-2.5	-2.5
Castilla-La Mancha	100.2	-2.5	-1.5	-1.5
Cataluña	88.5	-4.6	-10.3	-10.3
Comunitat Valenciana	100.3	-1.8	-2.1	-2.1
Extremadura	100.2	-3.9	-2.0	-2.0
Galicia	102.8	-0.9	-0.4	-0.4
Madrid (Comunidad de)	89.6	-5.3	-8.1	-8.1
Murcia (Región de)	102.7	-1.1	-0.8	-0.8
Navarra (Comunidad Foral de)	94.1	-2.4	-5.6	-5.6
País Vasco	92.3	-2.8	-8.0	-8.0
Rioja (La)	98.9	-0.2	-3.8	-3.8
Ceuta	97.2	-2.5	-5.7	-5.7
Melilla	103.2	0.5	-0.2	-0.2

Technical annex

Today, the INE is publishing the results of the new Housing Price Index (HPI), base 2007, referring to the first two quarters of the year 2008.

This quarterly Index has the objective of measuring the evolution of merchanting prices of free price housing, both new and second-hand, over time.

The HPI meets, among other demands for national and international information, the demand made in the area of harmonised statistics production of the European Union, by which another of its priority objectives is to serve as an element for comparison between its Member States, in as far as the evolution of housing prices is concerned.

In this sense, the index has been conceived under certain methodological parameters, based on concepts used for the production of the Harmonised Index of Consumer Prices (HICP), which grant it a high degree of comparability with the indicators produced by other countries.

The calculation methodology and the informative source used in the compilation of the HPI have allowed for fulfilling the requirements established by Eurostat in the mentioned harmonisation process framework.

This new indicator complements that which had been produced quarterly by the Ministry of Housing, and which also offers information on price levels. In this way, the statistical information available on the real estate sector in Spain is completed, while offering an indicator that is compatible with European demands.

Source of HPI information

The HPI uses the information on the drafting of deeds from the databases provided by the General Council of Notaries, via the Notarial Certification Agency (ANCERT), a company incorporated by the Council for the purpose of computerising operations commonly carried out by Spanish notaries. Availability of this information has been possible thanks to the partnership agreement signed between the INE and the Council.

Population scope of the HPI

The HPI population includes all individuals, resident inside and outside Spain, who have acquired a dwelling within Spain during the reference period. Merchantings carried out by legal entities (including financial institutions) do not form part of the HPI population scope.

Calculation methodology

The general calculation formula of the HPI is a **linked Laspeyres index**, analogous to that used in the Consumer Price Index (CPI). In the case of the HPI, because it is a quarterly indicator, the period used for the linking is the fourth quarter of each year.

The main advantage of using linked indices is that it allows for annual renewal of the weightings of its components, revision of the types of dwellings used as elements for price measurement, as well as carrying out methodological changes. In this way, we achieve a permanent adaptation of the HPI to the changes that customarily take place in the real estate market.

The HPI is calculated as a weighted aggregation of simple indices, each of which represents a group of dwellings. These groups, formed from a set of common characteristics, constitute the basic elements for the calculation of the HPI.

Weighting structure

The weighting or importance of each of these groups represents the relationship between the value of the merchanting of the dwellings of the same type, that is to say, belonging to the same group, and the purchase value of the total dwellings sold during the reference period.

The reference period established to define the weighting structure encompasses the three years prior to the current year. Therefore, in the year 2008, said structure is calculated with the information from the transactions carried out in the years 2005, 2006 and 2007.

Treatment of the changes in the composition of the sample

One of the characteristics of the real estate market is its lack of spatial and temporal homogeneity, which makes it practically impossible to monitor the merchanting price of the same dwelling over time; that is to say, **the composition of the sample used for the calculation of the HPI changes over time, according to the dwellings that have been the object of transaction during each of the quarters. As a result, the direct comparison of both samples does not adequately represent the behaviour of the prices**.

In order to solve the problem of the change in the composition of the sample, the methodology used consists of grouping dwellings with similar characteristics, and following the evolution of the average prices of each of those groupings, rather than the variation of the individual prices of the dwellings.

These groupings, approximately 52,000, are constructed according to certain qualities or characteristics that define the dwellings (whether new or second-hand, a house or a flat, the surface area, whether it has parking, whether it has a storage room, whether it is a member of a cooperative, the size of the municipality and whether it is tourist-oriented, the province, and the type of environment, obtained from socio-economic variables).

A large number of groupings leads to greater homogeneity among dwellings, and allows for a more precise estimation of the variation in price. However, the number of dwellings contained in each grouping could become too scarce, which would result in the average price in these groupings not being of great significance.

To solve this problem, the HPI uses statistical techniques to adjust the average prices of the groupings, according to the characteristics of the dwellings included therein. The price index is calculated with the average prices adjusted in this manner.

For further information see **INEbase-www.ine.es/en/welcome_en.htm**   All press releases at: **www.ine.es/en/prensa/prensa_en.htm**

Press office: Telephone: 91 583 93 63 / 94 08 – Fax: 91 583 90 87 - **gprensa@ine.es**
Information area: Telephone: 91 583 91 00 – Fax: 91 583 91 58 **– www.ine.es/infoine**

6