

30 December 2008

Housing Price Index (HPI). Base 2007

Third quarter of 2008

General index

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

Main results

- The **annual variation** rate of the **HPI** is **-3.0%** in the **third quarter of 2008**, 2.7 points below that registered in the previous quarter.
- **New housing** registers a decrease of 1.6 points in its annual rate between the second quarter and the third, dropping from 5.3% to **3.7%**.
- The interannual variation of **second-hand housing** decreases more than four points, standing at **-8.6%**.
- The **quarterly variation** of the general index was **-1.7%**.

Results for the country as a whole

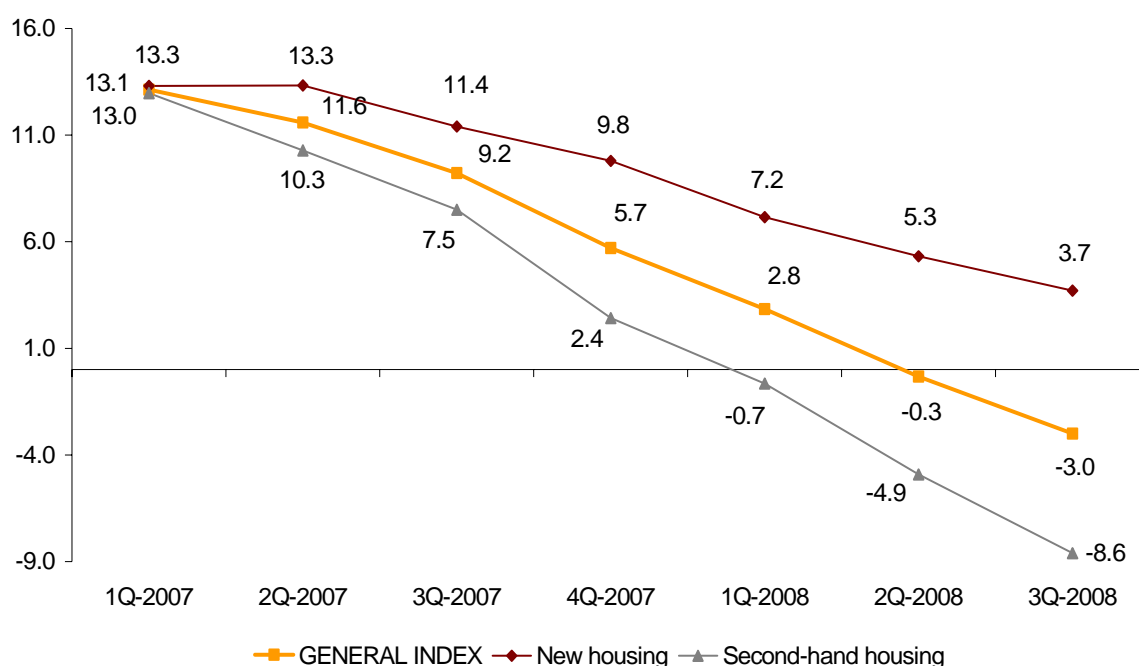
The interannual rate of the general Housing Price Index (HPI) in the third quarter of 2008 decreased almost three points, from -0.3% in the second quarter of 2008 to the -3.0% registered in the third.

By type of housing, **the greatest decrease corresponded to second-hand housing**, whose annual rate went from -4.9% in the second quarter to -8.6% in the third. New housing also decreased its annual rate, standing at 3.7% (1.6 points less than in the previous quarter).

	Interannual rate (%) First quarter 2008	Interannual rate (%) Second quarter 2008	Interannual rate (%) Third 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



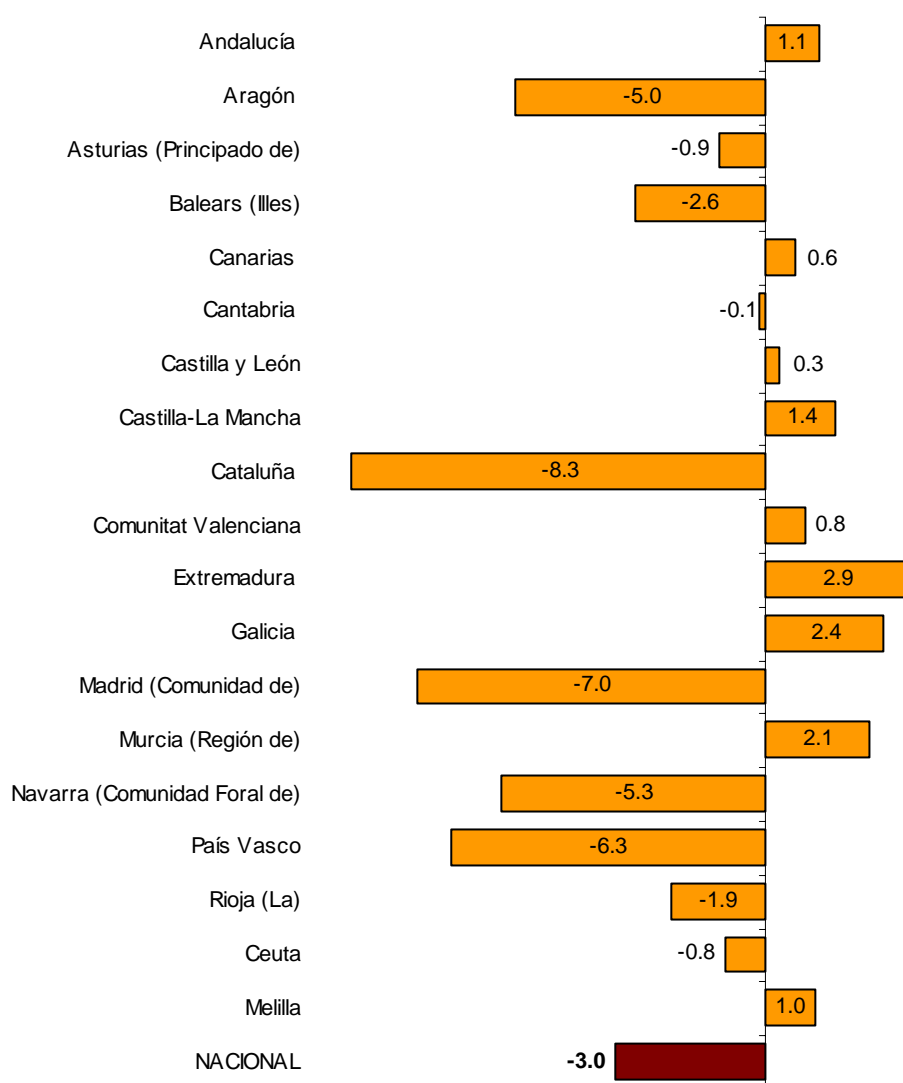
Results by Autonomous Community

The highest interannual variation rates of the HPI in the third quarter of 2008 were observed in Extremadura (with a rate of 2.9%), Galicia (2.4%) and Región de Murcia (2.1%).

In turn, ten Autonomous Communities presented negative annual rates, with Cataluña (-8.3%), Comunidad de Madrid (-7.0%), and País Vasco (-6.3%) the Communities with the most pronounced decreases.

Annual evolution of the HPI by Autonomous Community

Third quarter of 2008



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	98,4	-1,7	-2,3	-3,0		
New housing	105,1	0,5	2,2	3,7	0,253	1,010
Second-hand housing	92,7	-3,6	-6,2	-8,6	-1,913	-3,337

General index by Autonomous Community

Housing	Index	% variation		
		Over previous quarter	Year-to- date	Interannual
NATIONAL INDEX	98,4	-1,7	-2,3	-3,0
Andalucía	102,6	0,1	-0,3	1,1
Aragón	95,9	-3,8	-4,0	-5,0
Asturias (Principado de)	101,0	-0,2	-0,9	-0,9
Balears (Illes)	99,2	-2,0	-2,4	-2,6
Canarias	102,0	-0,4	-0,4	0,6
Cantabria	100,8	-1,2	-1,2	-0,1
Castilla y León	101,6	-1,1	-1,4	0,3
Castilla-La Mancha	102,8	-0,3	1,0	1,4
Cataluña	92,7	-3,8	-6,0	-8,3
Comunitat Valenciana	102,2	-0,6	-0,4	0,8
Extremadura	104,2	-0,7	1,9	2,9
Galicia	103,8	-0,1	0,5	2,4
Madrid (Comunidad de)	94,7	-2,0	-3,0	-7,0
Murcia (Región de)	103,9	0,2	0,3	2,1
Navarra (Comunidad Foral de)	96,4	-3,9	-3,3	-5,3
País Vasco	95,0	-4,3	-5,4	-6,3
Rioja (La)	99,1	-2,5	-3,6	-1,9
Ceuta	99,7	-3,1	-3,2	-0,8
Melilla	102,6	0,2	-0,7	1,0

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 merchandising 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 merchandising 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
