

1 October 2008

Housing Price Index (HPI). Base 2007
First and second quarters of 2008

General index

	Quarterly variation	Year-to-date variation	Interannual variation
First quarter 2008	-0.4	-0.4	2.8
Second quarter 2008	-0.3	-0.7	-0.3

Main results

- The INE is publishing, for the first time, the results of the new Housing Price Index (HPI).
- The **annual variation** rate of the **HPI** for the **first quarter of 2008** stands at **2.8%**.
- In the **second quarter of 2008**, the **annual variation** rate of the **HPI** decreases more than three points, down to **-0.3%**.
- The **quarterly variation** rates for the first two quarters stand at **-0.4%** and **-0.3%**, respectively.
- **New housing** registers a decrease of almost two points in its annual rate between the first quarter and the second, dropping from **7.2%** to **5.3%**. On the other hand, the interannual variation of **second-hand housing** decreases more than four points, from **-0.7%** in the first quarter, to **-4.9%** in the second.
- The data referring to the **third quarter of 2008** will be published next **30 December 2008**.

Results for the country as a whole

The interannual rate of the general Housing Price Index (HPI) in the second quarter of 2008 decreased somewhat more than three points, going from 2.8% in the first quarter of 2008 to -0.3%, thereby standing at negative levels.

By type of housing, **the greatest decrease corresponded to second-hand housing**, whose annual rate went from -0.7% in the first quarter to -4.9% in the second. New housing also decreased, from a 7.2% annual variation in the first quarter of 2008 to 5.3% in the second.

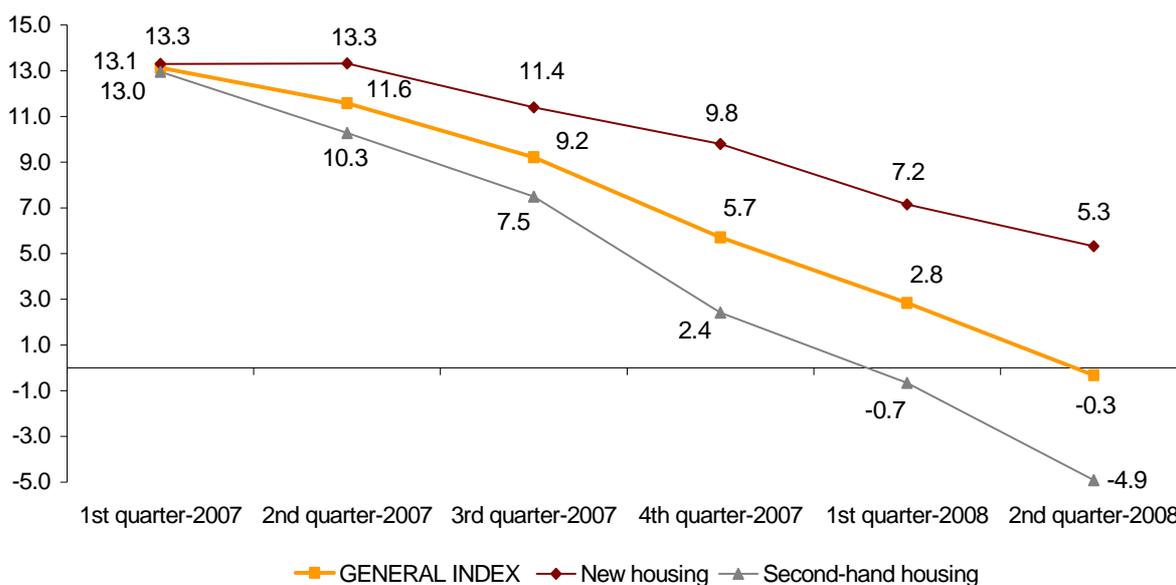
	Interannual rate (%) First quarter 2008	Interannual rate (%) Second quarter 2008
GENERAL INDEX	2.8	-0.3
New housing	7.2	5.3
Second-hand housing	-0.7	-4.9

In the last year-and-a-half, the annual rate of the HPI decreased more than 13 points, from 13.1% in the first quarter of 2007 to -0.3% in the second quarter of 2008.

This decrease was more significant in second-hand housing, which went from a rate of 13.0% in the first quarter of 2007 to -4.9% in the last quarter. For new housing, the descending trend was less pronounced, in such a way that it registered positive values throughout the period considered (from 13.3% in the first quarter of 2007 to 5.3%).

Annual evolution of the HPI, base 2007

General, new housing and second-hand housing



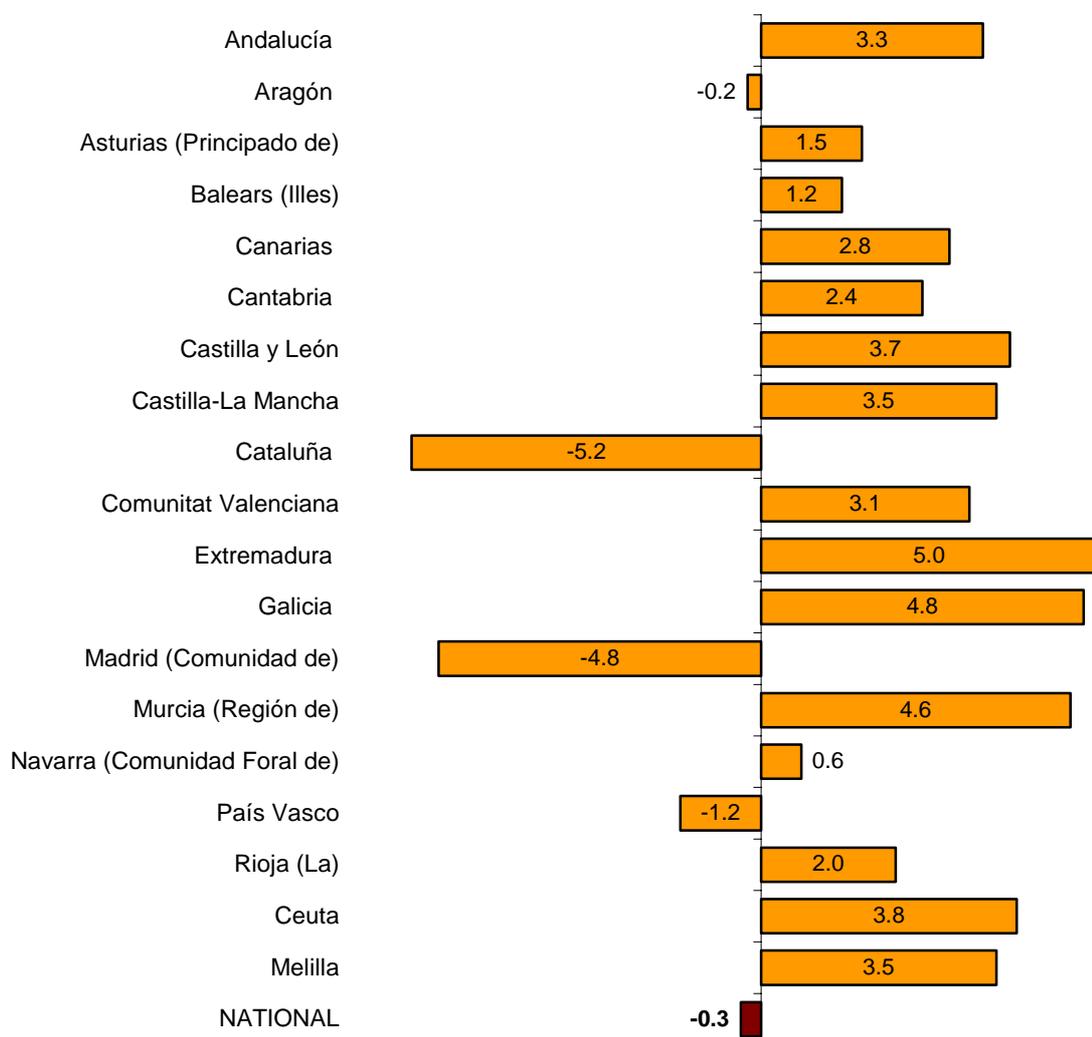
Results by Autonomous Community

The highest interannual variation rates of the HPI in the second quarter of 2008 were observed in Extremadura (with a rate of 5.0%), Galicia (4.8%) and Murcia (4.6%).

In turn, Cataluña (-5.2%), Comunidad de Madrid (-4.8%), País Vasco (-1.2%) and Aragón (-0.2%) presented negative annual rates.

Annual evolution of the HPI by Autonomous Community

Second quarter of 2008



Housing Price Index. Base 2007

Second 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	100.0	-0.3	-0.7	-0.3		
New housing	104.6	1.2	1.6	5.3	0.583	0.759
Second-hand housing	96.2	-1.7	-2.7	-4.9	-0.892	-1.438

General index by Autonomous Community

Housing	Index	% variation		
		Over previous quarter	Year-to- date	Interannual
NATIONAL INDEX	100.0	-0.3	-0.7	-0.3
Andalucía	102.5	-0.4	-0.4	3.3
Aragón	99.7	0.3	-0.1	-0.2
Asturias (Principado de)	101.2	-0.9	-0.7	1.5
Balears (Illes)	101.2	0.9	-0.4	1.2
Canarias	102.4	-0.4	0.0	2.8
Cantabria	102.0	-0.5	0.0	2.4
Castilla y León	102.7	-0.9	-0.3	3.7
Castilla-La Mancha	103.1	1.0	1.3	3.5
Cataluña	96.3	-1.2	-2.3	-5.2
Comunitat Valenciana	102.8	-0.2	0.3	3.1
Extremadura	105.0	1.7	2.7	5.0
Galicia	103.9	0.7	0.6	4.8
Madrid (Comunidad de)	96.6	0.1	-1.0	-4.8
Murcia (Región de)	103.6	-0.2	0.1	4.6
Navarra (Comunidad Foral de)	100.3	0.7	0.6	0.6
País Vasco	99.3	0.0	-1.1	-1.2
Rioja (La)	101.6	-1.3	-1.2	2.0
Ceuta	102.9	-1.5	-0.1	3.8
Melilla	102.4	-1.9	-1.0	3.5

Housing Price Index. Base 2007

First 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	100.3	-0.4	-0.4	2.8		
New housing	103.3	0.4	0.4	7.2	0.178	0.178
Second-hand housing	97.9	-1.0	-1.0	-0.7	-0.549	-0.549

General index by Autonomous Community

Housing	Index	% variation		
		Over previous quarter	Year-to- date	Interannual
NATIONAL INDEX	100.3	-0.4	-0.4	2.8
Andalucía	102.9	0.0	0.0	6.8
Aragón	99.5	-0.4	-0.4	0.1
Asturias (Principado de)	102.2	0.2	0.2	6.0
Balears (Illes)	100.3	-1.3	-1.3	3.8
Canarias	102.8	0.4	0.4	6.5
Cantabria	102.6	0.5	0.5	5.4
Castilla y León	103.7	0.6	0.6	7.4
Castilla-La Mancha	102.1	0.3	0.3	5.0
Cataluña	97.5	-1.2	-1.2	-1.2
Comunitat Valenciana	103.0	0.5	0.5	6.9
Extremadura	103.2	1.0	1.0	6.9
Galicia	103.1	-0.1	-0.1	7.3
Madrid (Comunidad de)	96.5	-1.0	-1.0	-2.7
Murcia (Región de)	103.8	0.3	0.3	8.5
Navarra (Comunidad Foral de)	99.7	-0.1	-0.1	0.9
País Vasco	99.3	-1.0	-1.0	1.5
Rioja (La)	102.9	0.1	0.1	6.5
Ceuta	104.4	1.4	1.4	7.3
Melilla	104.4	0.9	0.9	8.7

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.

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 Laspayres 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

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