

House Prices: provisional data

II Quarter 2018

The House Price Index (HPI) measures the evolution of market prices of all residential properties that are purchased by households (flats, detached houses, terraced houses, etc.), both new and existing, independently if bought for own-occupancy or as an investment.

In 2018, the entire HPI time series has been revised to reflect the shift to a new database provided by Tax Office that improves the accuracy of the indices and their timeliness. Moreover, the new data source allows the production of HPIs for geographical areas and for a few big towns: these new indicators are disseminated starting from the second quarter data (for details refer to Italian version).

According to preliminary estimates, in the second quarter of 2018:

- the House Price Index (IPAB) increased by 0.8% compared with the previous quarter and decreased by 0.2% in comparison to the same quarter of the previous year (it was -0.5% in the first quarter of 2018, table 1);
- prices of new dwellings increased by 1.7% compared to the previous quarter and by 1.6% with respect to the same quarter of 2017 (up from +1.0% observed in the last quarter); prices of existing dwellings increased by 0.7% compared to the previous quarter and decreased by 0.7% with respect to the same quarter of the previous year.

TABLE 1. HOUSE PRICE INDICES (HPI)

2010 Q1 – 2018 Q2, indices and percentage rate of changes (base year 2015=100) (a) (b)

Period	Total			New dwellings			Existing dwellings		
	Indices	Rate of change %		Indices	Rate of change %		Indices	Rate of change %	
		On the previous period	On the same period of the previous year		On the previous period	On the same period of the previous year		On the previous period	On the same period of the previous year
2010									
Q1	116.8	-	-	99.5	-	-	125.4	-	-
Q2	117.9	+0.9	-	99.9	+0.4	-	127.0	+1.3	-
Q3	118.8	+0.8	-	101.0	+1.1	-	127.8	+0.6	-
Q4	118.9	+0.1	-	102.6	+1.6	-	126.8	-0.8	-
2011									
Q1	118.3	-0.5	+1.3	102.3	-0.3	+2.8	126.0	-0.6	+0.5
Q2	120.7	+2.0	+2.4	104.0	+1.7	+4.1	128.9	+2.3	+1.5
Q3	120.3	-0.3	+1.3	104.4	+0.4	+3.4	128.0	-0.7	+0.2
Q4	119.5	-0.7	+0.5	105.1	+0.7	+2.4	126.3	-1.3	-0.4
2012									
Q1	119.0	-0.4	+0.6	105.9	+0.8	+3.5	125.1	-1.0	-0.7
Q2	118.1	-0.8	-2.2	106.8	+0.8	+2.7	123.3	-1.4	-4.3
Q3	115.9	-1.9	-3.7	106.1	-0.7	+1.6	120.5	-2.3	-5.9
Q4	113.6	-2.0	-4.9	106.5	+0.4	+1.3	116.8	-3.1	-7.5
2013									
Q1	110.5	-2.7	-7.1	105.4	-1.0	-0.5	112.7	-3.5	-9.9
Q2	110.2	-0.3	-6.7	105.3	-0.1	-1.4	112.2	-0.4	-9.0
Q3	108.6	-1.5	-6.3	104.8	-0.5	-1.2	110.1	-1.9	-8.6
Q4	107.1	-1.4	-5.7	103.7	-1.0	-2.6	108.4	-1.5	-7.2
2014									
Q1	105.7	-1.3	-4.3	102.7	-1.0	-2.6	107.0	-1.3	-5.1
Q2	104.7	-0.9	-5.0	102.3	-0.4	-2.8	105.6	-1.3	-5.9
Q3	103.5	-1.1	-4.7	101.8	-0.5	-2.9	104.1	-1.4	-5.4
Q4	101.9	-1.5	-4.9	101.3	-0.5	-2.3	102.1	-1.9	-5.8
2015									
Q1	99.7	-2.2	-5.7	99.3	-2.0	-3.3	99.8	-2.3	-6.7
Q2	99.8	+0.1	-4.7	98.8	-0.5	-3.4	100.2	+0.4	-5.1
Q3	100.7	+0.9	-2.7	101.6	2.8	-0.2	100.4	+0.2	-3.6
Q4	99.8	-0.9	-2.1	100.3	-1.3	-1.0	99.6	-0.8	-2.4
2016									
Q1	99.8	+0.0	+0.1	100.3	+0.0	+1.0	99.7	+0.1	-0.1
Q2	100.5	+0.7	+0.7	100.5	+0.2	+1.7	100.5	+0.8	+0.3
Q3	100.7	+0.2	+0.0	100.8	+0.3	-0.8	100.6	+0.1	+0.2
Q4	100.0	-0.7	+0.2	101.3	+0.5	+1.0	99.6	-1.0	+0.0
2017									
Q1	99.1	-0.9	-0.7	98.9	-2.4	-1.4	99.1	-0.5	-0.6
Q2	99.6	+0.5	-0.9	100.0	+1.1	-0.5	99.5	+0.4	-1.0
Q3	99.2	-0.4	-1.5	99.6	-0.4	-1.2	99.0	-0.5	-1.6
Q4	98.8	-0.4	-1.2	101.5	+1.9	+0.2	98.1	-0.9	-1.5
2018									
Q1	98.6	-0.2	-0.5	99.9	-1.6	+1.0	98.1	0.0	-1.0
Q2	99.4	+0.8	-0.2	101.6	+1.7	+1.6	99.8	+0.7	-0.7

(a) Data for the second quarter of 2018 are provisional.

(b) Istat makes available HPI data, from the indices referred to 2010, on the data warehouse I.Stat, in the Theme "Prices", Subtheme "House price index".

TABLE 2. HOUSE PRICE INDICES (HPI)

2010 – 2017, indices and percentage rate of change (base year 2015=100) (a) (b)

PERIOD	TOTAL		NEW DWELLINGS		EXISTING DWELLINGS	
	Indices	Rate of change %	Indices	Rate of change %	Indices	Rate of change %
		On the same period of the previous year		On the same period of the previous year		On the same period of the previous year
2010	118.1	-	100.8	-	126.8	-
2011	119.7	+1.4	104.0	+3.2	127.3	+0.4
2012	116.7	-2.6	106.3	+2.3	121.4	-4.6
2013	109.1	-6.5	104.8	-1.4	110.9	-8.7
2014	104.0	-4.7	102.0	-2.7	104.7	-5.6
2015	100.0	-3.8	100.0	-2.0	100.0	-4.5
2016	100.3	+0.3	100.7	+0.7	100.1	+0.1
2017	99.2	-1.1	100.0	-0.7	98.9	-1.2

For more detailed information, please refer to the Italian version

Date of last release: 9 July 2018

Date of next release: 10 January 2019

*Contact person:***Orietta Patacchia**

DIPS/DCSS/SSD

ISTAT – Italian National Institute of Statistics

Via C. Balbo, 16 – 00184 Rome, Italy

Phone +39 06 4673.2290

House Price Index Methodological note

Introduction and regulatory framework

The House Price Index (HPI, see Italian IPAB) measures the evolution of market prices of all residential properties that are purchased by households (flats, detached houses, terraced houses, etc.) both new and existing, independently if bought for own-occupancy or as an investment. The observation field also includes all the transactions from household to household or from another institutional sector to household. The compilation of HPI is based on final market prices that are paid by households and the price of land is included.

HPI is released quarterly and it is composed by the following two sub-indices:

- ▶ the price index of new dwellings;
- ▶ the price index of existing dwellings.

The production of the house price indices is governed by the Commission Regulation (EU) No 93/2013 and by the Regulation (EU) No 2016/792 of the European Parliament and of the Council of 11 May 2016 on the harmonized indices of consumer prices and on the house price index. The first experiments are part of the Owner-Occupied Housing (OOH) project, promoted by the Statistical Office of the European Commission Union (Eurostat), and aimed at producing price indices of dwellings that are new to the household sector, purchased by households for own use (Owner- Occupied Housing Index-OOH). More specifically, the OOH index is constructed following the net acquisitions approach. OOH index concerns the transactions that modify the stock of dwellings owned by the household sector, in accordance with the main purpose of the harmonized indices of consumer prices (HIPC) that is to provide a measure of the inflation, intended as a monetary phenomenon for the transactions performed by households with other sectors.

Therefore, the OOH index, unlike the House Price Index (HPI), does not concern all residential property purchases, as real estate sales from household to household are not included in the observation field. In addition, the land price is excluded. The HPI series are calculated and released having, as reference base year 2015=100, in line with the other countries of the European Union and in compliance with the Regulation (EU) No 2016/792. The production of the HPI is performed on the basis of the “Survey on Residential Housing Prices (OOH Project)”, which is part into of the 2017-2019 National Statistical Programme approved by decree of the President of the Republic of 31 January 2018 and published in the Official Journal - general series - nr. 66 of 20 March October 2018.

The guidelines provided by Eurostat were followed for the construction of the HPI in order to ensure the comparability of results between countries; recommendations are contained in a Technical Manual defining a conceptual framework and calculation methods which are common as well as consistent with the standards at the base of the HIPC calculation.

HPI indices are constructed using data from administrative sources; in particular data of the notarial deeds of sales held by the Agenzia delle Entrate (Tax Office) that has incorporated Agenzia del Territorio (Land Agency) from 1 December 2012 (art. 23c of Law Decree No 95/2012). In particular, the provision of the data occurs in the context of a Memorandum of Understanding between the Ministry of Economy and Finance, Fiscal Agencies and ISTAT, aimed at the management and development of the statistical information exchange system. Finally, the current procedure for the production of the indices could benefit and still benefits from the collaboration of the Central Directorate for Real Estate Market Observatory and Estimating Services (OMISE) of the former Land Agency.

The Database

The notarial deeds of sales constitute the information source on which ISTAT bases the construction of the house price indices. The data of the deeds of sale have gained statistical importance for the purposes of calculation of the new indicators, thanks to the effects of important regulatory innovations that determine a greater consistency between the declared price and that effectively paid (art. 1, paragraph 497, Finance Law 2006; art. 1, paragraph 309, Finance Law 2007; art. 1, paragraphs 164 and 165, Finance Law 2008). In addition, notaries have to transmit online data on the real estate act using the Unified Online Form (MUI) within thirty days from the date of the act. This ensures the availability of a database promptly updated.

Starting from indices for the first quarter of 2018 Istat produces HPI using a new database more complete and timeliness than the previous coming from Tax Office. The availability of data for previous years allowed the revision of the entire time series (starting from the year 2010) and the production of HPI more detailed at territorial level.

The new data source is the “Database of property transaction”. Microdata starts from Tax register; information on subjects and characteristics of building coming from the Land Registry are provided by Tax Office. The company in charge of managing all the IT system of Tax Office arranges ad-hoc integration procedure. Also data coming from the real estate market observatory are provided.

The advantages of the administrative database lie in the possibility to identify the contractor, allowing the exact definition of the field of observation for both OOH and HPI, and the calculation of the HPI separately for new and existing dwellings.

The compilation of HPI is based on a subset of transactions involving Italian residential properties excluding those relating municipalities having a different cadastral system in particular: provinces of Trento and Bolzano; some municipalities of Veneto (2 municipalities), Lombardia (2 municipalities) and Friuli Venezia Giulia (44 municipalities).

Data used to estimate HPI concerns transactions involving residential properties and relating outbuildings (Land Registry categories from A1 to A11, excluding A10; categories C2, C6, C7 that is garage, parking spaces and basements). In accordance with OMI criteria, a new classification of outbuildings has been adopted

The availability of true prices registered into real estate acts excludes the possibility of evaluating the evolution of the prices established during the compromise (first binding contract); anyway, it remains an acceptable solution although it is known that time generally passes between the fixing of the property price and the signing of the contract. However, the price registered in the act fully satisfies the definitions of the HIPC, that require the price registration of the purchased property at the moment in which the buyer takes possession, specifically, at the moment in which the contract is signed.

From the territorial point of view, the coverage of the indices is nearly total and equal to 98% of the resident population in Italy on 1 January 2018.

Index calculation methodology

The process followed for the construction of the new indicators is consistent with recommendations set out in the Eurostat technical manual. In particular, administrative data are subject to control procedures with the aim to identify missing data and outliers. The crucial phase of the HPI production process is represented by the quality adjustment that become necessary given the nature of the property for which the price is monitored. The dwelling, in fact, is a unique asset whose price may be observed only at the transaction moment; in addition, the heterogeneity of purchased dwellings is high and the geographic location contributes greatly to the formation of the market price. Problems of comparability of prices over time therefore arise and one of the fundamental prerequisites for the calculation of the consumer price indices (the necessity to follow the prices of properties with homogeneous characteristics) falls. The quality adjustments, therefore, allow the elimination of the qualitative variations of the property because the movement of “pure prices” can be measured.

Among the approaches that may be adopted, the joint use of the stratification and the hedonic method of *re-pricing* is considered the most appropriate (the method is classified as category A by Eurostat)¹.

The *re-pricing* method entails the use of a hedonic function to clean the prices from the influence of the qualitative characteristics that may cause differences not due to real inflation. This hedonic function is estimated every year, at the time of re-basing, with a regression model that uses the previous year data; the estimated regression coefficients are maintained constant for the entire reference year.

In detail, a model is estimated for 15 geographic areas and separately for the two housing categories (new and existent)².

¹ Category A methods are those “which are considered to deliver the most reliable results, in terms of precision and bias” (Commission Regulation No 1334/2007 of 14 November 2007).

² In more details: Piemonte, Val d'Aosta and Liguria; Veneto and Friuli Venezia Giulia; Umbria and Marche; Abruzzo and Molise; Puglia, Basilicata and Calabria; Sicilia and Sardegna; Lombardia; Emilia Romagna; Toscana; Lazio; Campania; Roma, Milano, Torino and Palermo. Previously a regression model is estimated for each of the 4 geographical areas (North-West, North-East, Center, South and Islands) and for existing and new dwellings separately.

Among the characteristics of the dwellings used as explanatory variables, in addition to the location variables (including OMI zone), there are:

- the natural logarithm of the surface;
- the amount of outbuildings surface relative to the dwelling;
- dwelling type;
- floor level.

With reference to the size of properties, according to new criteria adopted by OMI, the surface data have been treated to take into account inconsistencies and anomalies.

The dependent variable is the natural logarithmic of the price per square meter.

The criteria adopted for the stratification differs between new and existing dwellings and guarantees a minimum number of observations per stratum. In total, the identified stratum are 104, of which 29 refer to new dwellings and 75 to existing dwellings.

The total index is obtained as a weighted average of stratum elementary indices; the used weighting coefficients reflect the weight, in terms of cost, of each stratum on the total weight. The weighing system is updated annually. The same database is used for the calculation of weights and of elementary price indices.

The formula for the calculation of the elementary price indices, for each stratum, adjusted for quality changes, using the *re-pricing* method is as follows³:

$$(1) \quad I_s^q = \frac{I_s^{\text{non aggiustato}}}{I_s^{EQI}} = \frac{\sqrt[n_q]{\prod_{i_s=1}^{n_q} p_{i_s}^q}}{\sqrt[n_0]{\prod_{i_s=1}^{n_0} p_{i_s}^0}} \bigg/ \frac{\exp(\sum_{j=1}^k \bar{X}_{j,s}^q \cdot \hat{\beta}^{ref})}{\exp(\sum_{j=1}^k \bar{X}_{j,s}^0 \cdot \hat{\beta}^{ref})}$$

Where the quality unadjusted price index ($I_s^{\text{non aggiustato}}$), calculated as the ratio between geometric averages of observed prices, is corrected with the explicit index of quality change (I_s^{EQI}) estimated using the results of the hedonic regression. In the previous formula:

- 0 is the base period (fourth quarter of the prior year);
- q is the reference quarter;
- s is the stratum;
- n_q is the number of dwellings observed in quarter q;
- n₀ is the number of dwellings observed in quarter 0;
- $p_{i_s}^0$ is the price of the dwelling i belonging to the stratum s in the base period;
- $p_{i_s}^q$ is the price of the dwelling i belonging to the stratum s in the reference period;
- $\bar{X}_{j,s}^0$ is the average of the k characteristics in the stratum s of the base period;
- $\bar{X}_{j,s}^q$ is the average of the k characteristics in the stratum s of the reference period;
- $\hat{\beta}^{ref}$ is the vector of the coefficients of the hedonic regression.

HPI is calculated using the Laspeyres-type annually chained index; the chaining occurs by multiplying the quarterly indices based on calculation (fixed to the fourth quarter of the previous year) of a given year, rounded to six decimal places, for the fourth quarter indices of the previous year expressed in the reference

³ The formula makes reference to the index based on calculation that is then linked relative to 2015, which is the year used as reference base.

base, also to six decimal places. The HPIs (general index and new and existing dwellings indices) in the reference base derive from the chaining of the corresponding series of indices based on calculation; by consequence, the general reference based HPI is not the result of the aggregation of the reference based price indices of the existing and new dwellings. For this reason, and since the reference indices are rounded to one decimal place, in some cases the index level and the percentage variation of the general HPI may be outside of the range defined by the level of the indices and by the percentage variations of the HPI of the two components.

Weighting structure

Every year, at the moment of the release of the first quarter indices, the weights for new and existing dwellings, used for HPI calculation, are updated on the basis of the sold and purchased dwellings. In particular, the data used is that of the notarial deeds for the year prior to the index reference year.

Table 1 shows the structure of the weights separately for the new and existing dwellings.

TABLE 1. WEIGHTS FOR NEW AND EXISTING DWELLINGS

Years 2010-2018, percentage values

TYPE	WEIGHTS*								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
New dwellings	34.84	31.61	29.63	30.15	29.02	24.68	20.95	20.23	18.70
Existing dwellings	65.16	68.39	70.37	69.85	70.98	75.32	79.05	79.77	81.30
Total index	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* The year is the index reference year; the structure of the weights is based on data of the notarial deeds of the prior year

Publication: timeliness and databases

The HPI dissemination by ISTAT occurs on a quarterly basis and in two successive time slots according to different data issue methods: preliminary estimate and definitive estimate. The release of the provisional indices occurs 90/100 days after the end of the reference quarter, while the issue of the definitive data occurs approximately three months later. The house price indices of the reference quarter are provisional and subject to revision since the entire database is not available at the moment of their first release.

The indices, both provisional and definitive, are released on a quarterly basis through the “Housing price” press release, available on the ISTAT website at <https://www.istat.it/en/information-and-services/journalists/release-calendar>. The release calendar is defined on the basis of the deadlines provided by the Regulations and in accordance with the publication standards (SDDS plus - Special Data Dissemination Standard plus) defined by the International Monetary Fund. The calendar is made available in December each year for the following year on the ISTAT website.

Revised indices are released next quarterly press release; HPI indices are also available on the ISTAT data warehouse (<http://dati.istat.it>) under the theme “Prices”, sub-theme “Housing prices”. The short-term and trend percentage variations, the average annual indices, the average annual variations and the annually calculated weights are released together with the quarterly indices.

Summary data and comments on the trend of housing prices are also contained in some editorial products published annually by Istat, such as the Statistical Yearbook and the publication Noi Italia.

In compliance with the [European Regulation No 792/2016](#), the data of the survey on housing prices are transmitted to Eurostat within 85 days from the end of the reference quarter. The main indicators, stored in the Eurostat database, are accessible at <http://ec.europa.eu/eurostat/data/database> (Theme “Economy and finance”, “Prices” and subject “Housing price statistics”).

The indices that measure the variation over time of housing prices have a widely recognized role for economic and monetary policies purposes and for the evaluation of financial stability. In fact, HPI is one of the indicators provided by the “Macroeconomic Imbalance Procedure” (MIP) Scoreboard (the control system developed at European level by the EU Commission together with the European Central Bank and the Member States, for the purposes of prevention and correction of macroeconomic imbalances). Moreover HPI is one of the *Principal European Economic Indicators* (PEEIs), a set of short-term indicators for the analysis and monitoring of the European short-term.