

How the indices measure up

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Every measure of house prices is constructed differently, producing considerable short-term discrepancies that may mislead homeowners and policymakers alike, writes Simon Briscoe .

One big weakness of the Halifax and Nationwide indices is that they are only samples of the housing market - based on the mortgages they have offered. This is a worry. Not only are three-quarters of properties bought without mortgages, the sample of mortgages is also shrinking because only half the number of loans is being made compared with the peak earlier in the decade.

The sample's dwindling size means it could be more easily distorted by fluctuating market demand or the changing policies of individual lenders. The other factor that could blur the picture is the rise in repossessions, generally sold at a discount.

Indices based on surveyor estimates of prices can be subject to bias since, when prices are rising, surveyors feel they can be more generous with their valuations. There is also concern, denied by the lenders, over regional bias in the figures - Halifax is said still to favour the north and Nationwide the south, reflecting their origins. It is also unclear whether all the respective groups' sales, from all subsidiaries, are included in the calculations.

A comparison of the recent data from all major indices, including the FTHPI, is available from the "house price data" link on www.ft.com/houseprices

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