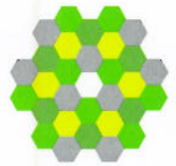


# Land Registry Head Office

Peter Collis CB HonRICS CCMI  
Chief Land Registrar and Chief Executive



Sir Michael Scholar KCB  
UK Statistics Authority  
Statistics House  
Islington  
LONDON  
EC1R 1UW

Date

14 January 2009

Your Ref

Our Ref

CLS/23/353/1/MWR/PC

*Dear Sir Michael*

## Press coverage of Land Registry's House Price Index

As you know, Jack Straw said in his acknowledgement to you of 12 January, that he was asking me to reply to your letter of 22 December.

Land Registry  
Head Office  
32 Lincoln's Inn Fields  
London  
WC2A 3PH

Land Registry has collected property price information since 1995. As part of the registration of any purchase, entries are made on the register of either the price paid for, or the stated value of, properties.

Tel 020 7166 4497  
Fax 020 7166 4339  
Email  
peter.collis@landregistry.gsi.gov.uk

Our price paid dataset, as your letter points out, only includes data from those house sales that fall within certain categories. Currently, only transfers of single residential properties in habitable condition and sold for open market value to private individuals **are included**. The data does not include, for example, sales made following a court order, or under a power of sale. At the time our index was created, such exclusions from an index (in what was then a much smaller family of indices) were the norm. This is presumably because such 'forced sales', generally lacking the full co-operation of the owner/occupier, are more likely to be sold for a 'discounted' price.

DX No 1098  
London/Chancery Lane WC2  
www.landregistry.gov.uk

Unlike other house price statistics for England and Wales produced by various institutions, the *Land Registry House Price Index* is based upon the Repeat Sales Regression Method. This



INVESTOR IN PEOPLE

measures house price growth by looking at houses, which have been bought or sold more than once. The use of repeat transactions for the same property provides a control for differences in the quality of the houses comprising the monthly sample – producing, as a result, a more constant quality comparison.

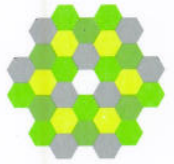
As you may know, house price indices using the repeat sales regression method have been published for more than forty years in other countries. They are based on the premise that a market-wide rate of movement for any given period can be obtained by averaging the data on individual movement of all properties that were sold twice in that time period. We believe that the methodology has gained popularity countries such as the United States, where sufficient relevant data is available.

We are, of course, aware of the current debate about the integrity of house price information. Some indices, such as the Halifax and Nationwide, have attracted criticism for the fact that their figures have been based on inflated mortgage valuations which did not necessarily reflect seller incentives such as gifted deposits, cash back offers or monthly mortgage contributions. Land Registry is playing its part, along with other key stakeholders such as the Law Society and the Royal Institute of Chartered Surveyors, in initiatives encouraging solicitors to record the true price paid and not the inflated price. This is then the price recorded on our registers.

Another current issue, as raised by you, is whether the exclusion of 'forced sale' data has a distorting affect on a house price index. This issue comes into focus now, partly because of the unprecedented fall in house values, at least in modern times, and partly because of the unprecedented current proportion of forced sales when compared to voluntary sales.

We have welcomed this debate, because it gives us the opportunity to re-examine both the validity and relevance of our current method of analysis. We are very keen that our house price index should continue to be regarded as reliable and authoritative. The current arrangements we have with our contractors, Calnea, come to an end later this year, and we need to commence a fresh tender process. It will be helpful to take a view about the correct methodology before we do this.

I would therefore be pleased to meet with colleagues from the Department of Communities and Local Government and with Karen Dunnell, the National Statistician, where the issues you raise can be taken forward. I will get in touch with Karen to take this forward.



I hope this is helpful, but do please get in touch with me if you have any further concerns.

*Yours sincerely*

*Peter Collis*

**PETER COLLIS CB Hon RICS CCMi**

