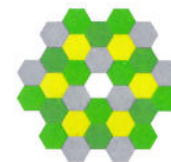


# Land Registry

## Head Office

Malcolm Dawson, OBE  
Chief Land Registrar and Chief Executive



Sir Michael Scholar KCB  
Chair of the UK Statistics  
Authority  
1 Drummond Gate  
London  
SW1V 2QQ

Date  
30 March 2012

Your Ref

Our Ref

*Dear Sir Michael,*

### Land Registry House Price Index

Thank you for your letter dated 23 January. I apologise for the delay in responding.

I am aware that there are differing views about the various methodologies used in calculating average house prices in the UK. In using a different methodology from many other organisations, we believe Land Registry provides a legitimate and independent view of property prices in England and Wales, which ultimately benefits the citizen.

Turning to the specific questions raised in the note attached to your letter, you may be aware of a peer-reviewed paper prepared by Calnea Analytics and published in the RICS research journal. I attach a copy and it can be found at



National Price  
Index.pdf

<http://info.mouseprice.com/articles/property-valuation/an-improved-national-price-index-using-land-registry-data/>

Land Registry  
Head Office  
Trafalgar House  
1 Bedford Park  
Croydon  
CR0 2AQ

Tel 0300 006 7457  
Fax 0300 006 7339  
Email [malcolm.dawson@landregistry.gsi.gov.uk](mailto:malcolm.dawson@landregistry.gsi.gov.uk)

DX No 8888  
Croydon (3)  
[www.landregistry.gov.uk](http://www.landregistry.gov.uk)

As you will know, Calnea prepare the Land Registry House Price Index on our behalf. Whilst this paper will, I believe, address the questions raised in detail, I will briefly summarise our position on each in turn.

- 1. The results published in the monthly Land Registry House Price Index are produced using repeat sales regression. Does this method include any adjustment to provide a constant mix of property types? If not, is there any advice offered by the Land Registry as to how the results should be interpreted?**

As the paper explains, Repeat Sales Regression (RSR) itself is a quality adjustment procedure. By comparing the same property with itself, by definition we are always ensuring a constant mix.

- 2. Does the method include any adjustments to ensure that other aspects of quality are constant - for example, if a property undergoes major improvement or deterioration before it is re-sold?**

We believe RSR includes as many quality control adjustments as other methodologies. By comparing a property with itself, the methodology can control for almost every qualitative and quantitative difference that can account for price differentials. However, there is no reliable data source for home improvement or deterioration over time in the UK market. As such, RSR cannot control for any impact this might have on re-sale prices.

- 3. We have been told that within each local authority area, the price change for each of the four property types is the same. Could you confirm the reason for this and explain how these local, standardised prices are intended to be used? In which circumstances would they provide a better measure than simple average prices derived from the price paid dataset?**

There are natural limitations, due to sample size, in the provision of local indices. Unfortunately, it is not possible to create a reliable quality adjusted monthly price index at a level of granularity much beyond London Borough level. Indeed, the Land Registry HPI to my knowledge is the only index that provides quality adjusted price appreciation data below the level of the ten Government Office Regions. Land Registry are able to achieve this because of the comprehensive datasets we hold and the application of the repeat-sales regression method.

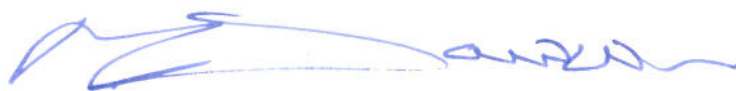
The household type breakdown on Land Registry's website at London Borough/County/Regional level is provided to enable reference to absolute levels rather than to explore differential movements. The absolute values simply represent an indexation of the initial geometric mean price by the appropriate London Borough/County/Regional index because a more granular index would lack sufficient sample size to provide meaningful results.

This approach is preferred to providing a simple average of prices in almost all circumstances. This is because simple averages would demonstrate extreme volatility and would show price changes that would be highly misleading to the end user.

- 4. The Land Registry website says that the HPI "is the most accurate independent house price index available". Is there evidence to support this statement? Would it be better to put the emphasis on the range of different sources available?**

Land Registry's HPI is based on the Land Registry price paid database. This is a record of all residential property transactions in England and Wales since 1995. At present, it contains details on approximately 17.4m sales, of which 6.2m are identifiable matched pairs. This is by some distance the single largest set of such observations. However, I acknowledge other organisations using different methods of analysis may have concerns about our statement. In view of this we will be amending our explanatory notes to make clear that this accuracy derives from the comprehensive nature of our dataset, so as to better reflect the unique characteristics of our House Price Index.

*Yours sincerely,*



**MALCOLM DAWSON**