

An aerial photograph of a city skyline at sunset. The foreground shows a dense suburban neighborhood with many houses featuring red-tiled roofs. In the distance, a city skyline with numerous skyscrapers is visible against a sky filled with orange and pink clouds. White, wavy lines are drawn across the right side of the image.

The importance of revisionary home price indices



PropTrack

PropTrack provides consumers, industry and governments with a robust and reliable view of the Australian property market.

That is why we have invested heavily in our best-in-class approach to measuring home price movements in Australia with the PropTrack Home Price Index.

Here we discuss the benefits of an important feature of the PropTrack Home Price Index - its revisionary approach.



The importance of revisionary home price indices

Introduction

The PropTrack Home Price Index is revisionary. This allows it to reflect all available data, in line with best practice for other economic statistics.

Revisions are particularly important for the measurement of home prices in Australia. Given how property sale data are received, revisions are needed to avoid home price indices overstating, or understating, home price falls and gains.

Home price index data

There are two sources of home price data: official sale records from State and Territory Valuer Generals (VG), and reported sale information.

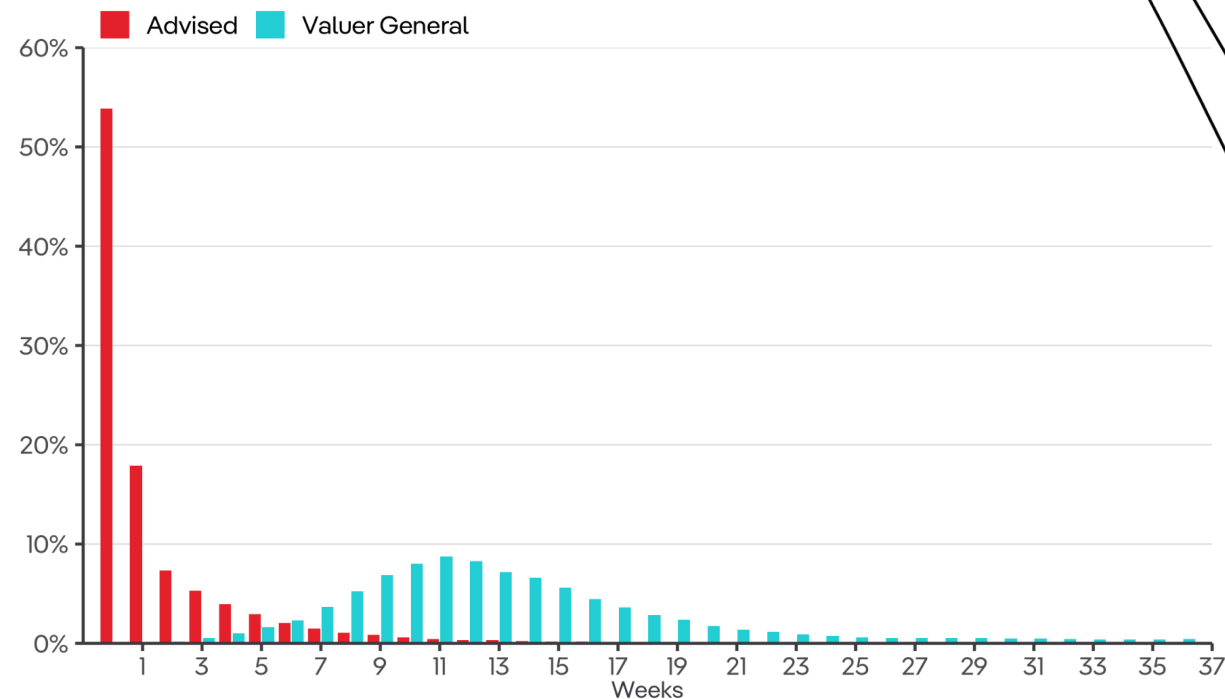
In Australia, all property sale records are available from VGs – but only after sales are settled and titles are exchanged.

This typically occurs 12 weeks after contracts are signed for existing homes (the date a sale is deemed to occur), but can vary by state.

Any timely view on the housing market therefore relies on reported sale information after contracts are signed.

Sale information delay

Proportion by week from sale contract date



Source: PropTrack

The importance of revisionary home price indices

At PropTrack, we receive reported sales data from realestate.com.au for more than half of property sales. Over half of these sales are reported within a week of contract signing. This allows an up-to-date view on changes in home prices, with the PropTrack HPI released the day after each month ends.

Early reported sales tend to be higher-priced

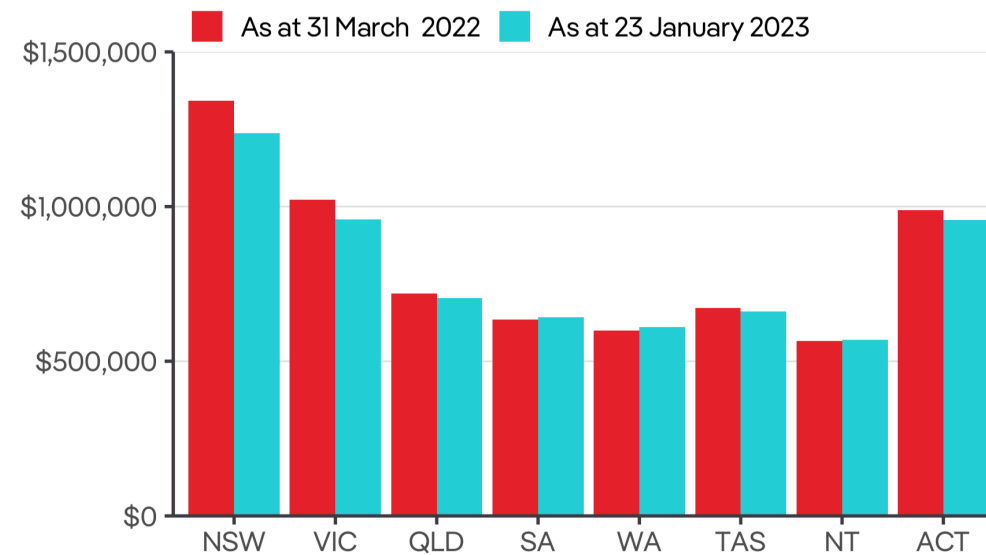
However, higher-priced sales are generally reported sooner.

For example, in March 2022 sale prices reported by the end of the month averaged almost 8% higher than the full set of sales reported by the VG in New South Wales.

The fact that higher-priced sales are generally received sooner makes it important to update home price measurement over time as more data are received.

Average estimated sale prices

March 2022, by date estimate taken



Source: PropTrack

The importance of revisionary home price indices

Non-revisionary home price indices can overstate price falls

This flow of data affects all home price indices. Home price indices constructed at the end of a month are likely to show a higher price level than when all data are received.¹

As an example, the chart on the right compares home prices each month from March to September 2022. The first estimates, in red, are based on data available at the end of each month. Updated estimates made in January 2023, in teal, show how updated data has led PropTrack to revise price levels down.

As new data have been received, we have updated our view on where the market was earlier in the year.

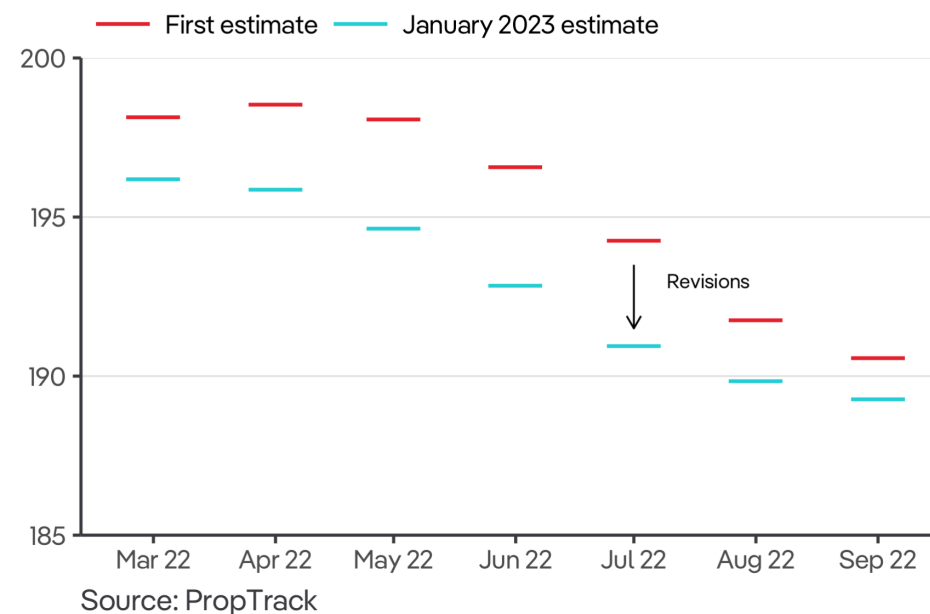
This matters for reported home price growth.

If we did not revise down our estimate of where prices were at earlier in the year, then reported price falls would have been larger over 2022.

¹ If differences in average prices persist after accounting for the attributes of properties controlled for in the relevant home price index methodology.

Home price index levels

Changes to estimates over time



The importance of revisionary home price indices

The PropTrack HPI – based on all available data at the end of January 2023 – records prices fell 1.9% nationally over the September 2022 quarter.

By contrast, if we did not update our view of the market by revising our index, prices would be reported to be down 3.0%.

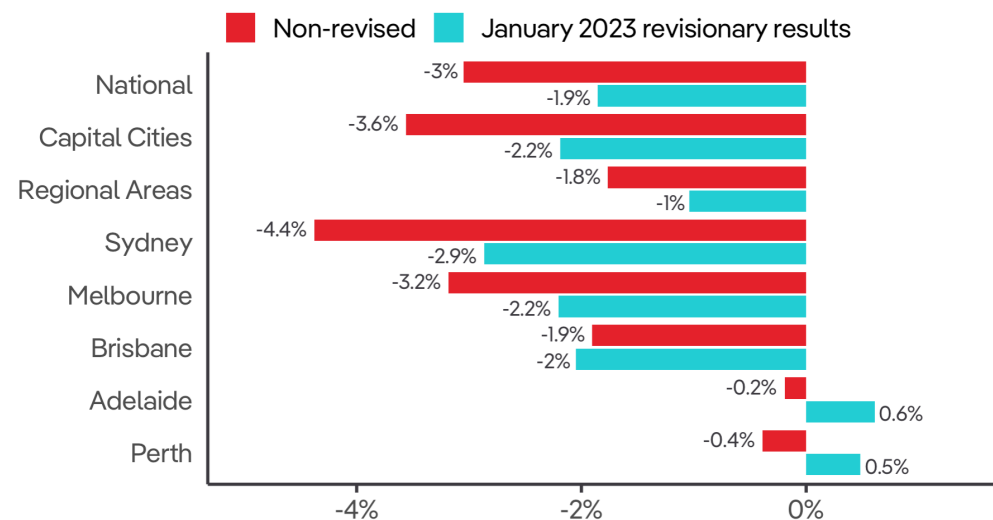
These differences matter.

In this example a non-revisionary index would report 50% larger falls than the revised index.

All home price indices in Australia will be influenced by the flow of sales data, particularly when providing a real-time index. This is why it is important to use revisionary home price indices in Australia. This gives the most up-to-date view on conditions in the market using all available data.

September quarter 2022 growth

PropTrack Home Price Index



Note: Non-revised shows growth rates based on first index level estimates

Source: PropTrack



PropTrack Home Price Index Methodology

Index representation

The PropTrack HPI series are presented in nominal terms, with no adjustment for general price inflation. The indices can therefore be interpreted as the average change in the prices paid for homes across Australia, excluding observed compositional changes, in current dollar terms.

Temporal coverage

The PropTrack HPI is recalculated at the end of every calendar month.

The PropTrack HPI series is indexed to on 31 January 2010, with indices set to 100 for that date.

All PropTrack HPI indices commence as early as January 1990, where data availability allows.

Geographic coverage

The PropTrack HPI is calculated for every spatial SA4 across Australia (excluding SA4s in Other Territories) – a total of 88 regions. It is calculated for each dwelling type (houses and units), and an all dwellings aggregation is additionally provided.

In some cases there is insufficient sales evidence to enable the production of unit indices. This occurs in regional areas of South Australia and the Northern Territory.

The PropTrack HPI is aggregated to Greater Capital City Statistical Areas [1], which cover the capital city and rest of state regions within each state and territory.

Each month, aggregate indices for Capital Cities (which includes all eight capital cities), Regional Areas (which includes all rest of state regions) and a National index are produced.

Revisions

The PropTrack HPI is a revisionary index. The entire history of the indices are recalculated each month. The revisionary nature of the index guarantees that as soon as sales transactions are observed, they are incorporated into the index to provide the most complete and accurate assessment of the change in dwelling values over time.

This is an important and distinguishing feature of the PropTrack HPI because it compensates for the delay in receiving the official records of sales transactions, after they settle, from State and Territory Valuer General offices.

Calculations of the Index for the most recent month are based primarily on agent advised sale information. Once sales transactions are provided by the Valuer Generals, the official prices replace the agent advised prices.

The revisionary Index therefore avoids significant revisions when new data are incorporated.

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