

# Preface

## Introduction

The aim of this Handbook is to facilitate the setting-up of residential property price indices in countries where these are still missing and the improvement of existing price indices where this is deemed necessary. It is designed to give practical guidance on the compilation of house price indices, both in developed and less developed countries, and to increase international comparability of residential property price indices. It explains the different user needs, gives details on data and methods that can be used to compile residential property price indices and provides recommendations. The production of the Handbook was funded and supported by Eurostat.

## Background

The need for property price indices that are fit-for-purpose was recognised at a conference organised jointly by the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) in Washington DC, October 2003. As a result, a chapter on residential property price indices was added to the IMF's "Compilation Guide of Financial Soundness Indicators". The idea of a more detailed Handbook dates back to a workshop organised by the Organisation for Economic Co-operation and Development (OECD) and the IMF on Real Estate Price Indices in Paris, November 2006. The Handbook would complement the existing international manuals on consumer price indices, producer price indices and import-export price indices that were produced under the auspices of the Inter-Secretariat Working Group on Price Statistics.

Eurostat agreed to take this initiative forward by supporting and funding the preparation of the Handbook, given the strong links to its ongoing work on the inclusion of owner-occupied housing in the Harmonized Index of Consumer Prices (HICP) and the role that house price indices have in the set of "Principal European Economic Indicators".

At the Eurostat-IAOS-IFC conference on residential property price indices, held in Basel, 11-12 November 2009, the Handbook plan was discussed. Preliminary versions of the Handbook were presented and discussed at several occasions, in particular at the UNECE-ILO Meeting on Consumer Price Indices in Geneva, 10-12 May 2010, a workshop held in The Hague, 10-11 February 2011, and the twelfth Ottawa Group meeting in Wellington, 4-6 May 2011.

## A Guide to Readers

Although not all of the chapters are self-contained, the Handbook is not designed to be read from cover to cover. For example, some of the chapters can easily be skipped by compilers who are particularly interested in methodological issues. Further details on the contents of the Handbook are given in Chapter 1.

The Handbook cannot be too prescriptive for two reasons. Firstly, it is not always possible to give practical guidance as some of the solutions to conceptual problems are not always clear-cut and there are choices to be made about precisely how a practical solution is implemented. Secondly, what is applicable and what can be achieved will depend on the data and resources available to the individual national statistical institute (or other compiling institute).

## Acknowledgements

The writing of the Handbook was led by Statistics Netherlands; Bert M. Balk co-ordinated the project activities. Jan de Haan and W. Erwin Diewert acted as main editors. The authors of the individual chapters are as follows:

*Preface* Bert Balk, Jan de Haan and David Fenwick

1. *Introduction* Bert Balk

2. *Uses of Residential Property Price Indices* David Fenwick

3. *Elements for a Conceptual Framework* Erwin Diewert

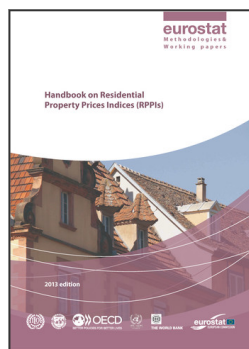
4. *Stratification or Mix Adjustment Methods* Jan de Haan and Erwin Diewert

5. *Hedonic Regression Methods* Jan de Haan and Erwin Diewert
  6. *Repeat Sales Methods* Jan de Haan
  7. *Appraisal-Based Methods* Jan de Haan
  8. *Decomposing an RPPI into Land and Structures Components* Erwin Diewert
  9. *Data Sources* David Fenwick
  10. *Methods Currently Used* David Fenwick
  11. *Empirical Examples* Marc Prud'homme and Erwin Diewert
  12. *Recommendations* David Fenwick, Erwin Diewert and Jan de Haan
- Glossary* Jan de Haan

The quality of the Handbook was increased by the valuable contributions of many individuals and organisations, including input from both compilers and users of residential property price indices in different parts of the world. The number of contributors is, of course, too great to mention them all by name.

The BIS (and in particular Paul Van den Bergh) have been excellent hosts for the Basel workshop in 2009. Many thanks go to UNECE (and in particular Carsten Boldsen) who were also heavily involved in the organisation of the Basel workshop, and of the special session on the RPPI Handbook during the joint UNECE/ILO CPI meeting in 2010.

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