

Comparison of the Price Indexes for Houses Sold and Houses Under Construction

In general terms, an index is the ratio of house prices where, mathematically speaking, the proportions of amenities are held constant, and the prices for those amenities vary. Inflation can be determined from the change in the total price.

We publish indexes for new one-family houses sold and indexes for new one-family houses under construction. The sold indexes are Laspeyres type indexes. The under construction indexes include Laspeyres and Fisher Ideal type indexes. Paasche indexes are computed for houses under construction, but they are not published.

Sample size considerations permit the publishing of national sold indexes quarterly and annually and under construction indexes for any time period. We only publish monthly and annual under construction indexes.

Sample size considerations permit the publishing of regional sold indexes annually. No regional under construction indexes are computed due to a lack of interest.

Sold indexes are based on data for a sample of houses that are built for sale with the land upon which the house is situated. The indexes are computed for all houses sold during a given time period.

Under construction indexes are based on data for a sample of all one-family houses. Land and other nonconstruction costs are not included in the data. The indexes are computed for all houses that are started in the given time period or houses with a start date no more than eleven months before the time period.

The following are true for both sold indexes and under construction indexes:

1. Price factors are derived from multiple linear regression models.
2. National indexes are a combination of indexes for five strata – detached houses by Census region and all attached houses.
3. All data come from the Census Bureau's Survey of Construction.

In addition, the same house characteristics are used in both sold and under construction regression models in all strata with the exception of an indicator in the under construction indexes for contractor-built houses.