

Home prices, home price index, Quarter 2 2011

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Introduction

In the first half of 2011, the prices of second-hand homes saw no significant change compared with 2010. New home prices continued to decrease in this period with a further 1.6% fall. Since 2008, an 8.5% decrease has been seen in the nominal prices of new homes and a 7% decrease in those of second-hand homes.

Homes sales continued to stagnate in the first half of 2011 with a known total of less than 40 thousand.

Changes in home sales

Since the meltdown of 2009, no recovery has been seen in the home market. The number of first half year transactions recorded until October 2011 was slightly lower year-on-year.

Number of homes sold

Table 1

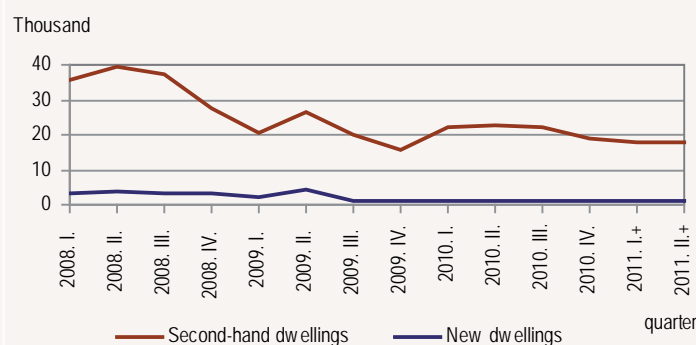
Year	Second-hand dwellings	New dwellings	Total
2007	191 200
2008	140 000	14 100	154 100
2009	82 900	8 300	91 100
2010	85 500	4 800	90 300
First half of 2011 ⁺	35 700	1 700	37 400

Since the beginning of 2010, the quarterly sales of second-hand dwellings have been stabilized at slightly over 20 thousand; then a new smaller decrease has been seen since quarter 4. In 2011 to date, the quarterly sales were less than 19 thousand. Within this, the number of new dwellings was less than 900 in each quarter.

⁺Preliminary data.

Figure 1

Quarterly changes in the number of dwellings sold



Annual price indices

In 2010, the price decrease of second-hand dwellings decelerated, that of new dwellings accelerated. In the first half of 2011, the price decrease of second-hand dwellings stopped, while that of the new ones slowed down. In the first half year, the former saw a small decrease of 0.2%, while the latter a 1.6% decrease in how the composition effect adjusted prices changed. Compared with 2007, second-hand and new homes are 5.3% and 6.6% cheaper respectively.

Table 2

Factors of yearly changes in prices

Year	New dwellings			Second-hand dwellings		
	Total change in prices	Pure change in prices	Composition effect	Total change in prices	Pure change in prices	Composition effect
Previous year=100%						
2008	102.6	102.2	100.4	90.0	102.1	88.2
2009	99.8	98.4	101.4	89.3	94.3	94.7
2010	96.6	94.4	102.3	108.4	98.6	109.9
First half of 2011 ⁺	96.9	98.4	98.4	96.4	99.8	96.6
2007=100%						
2008	102.6	102.2	100.4	90.0	102.1	88.2
2009	102.4	100.5	101.9	80.4	96.3	83.5
2010	98.9	94.9	104.2	87.1	94.9	91.8
First half of 2011 ⁺	95.8	93.4	102.5	84.0	94.7	88.7

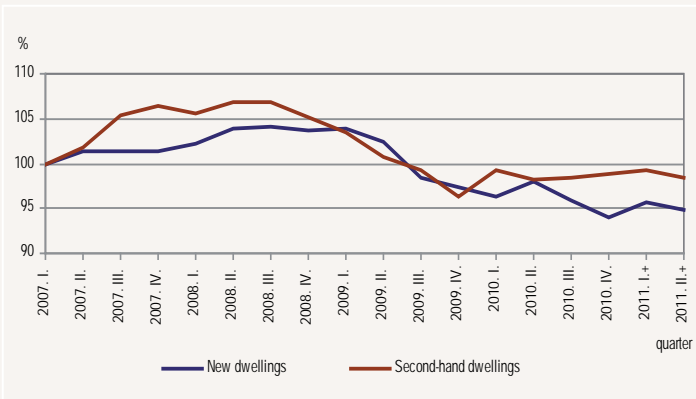
Quarterly pure price indices

The new home market has seen a decrease in the index of pure price changes since quarter 2 2009 and fell below the level of the base period by quarter 3 2009. Quarter 2 2010, following a small increase in prices, saw a more sharper fall than the previous one so the pure average price of new dwellings was 6% lower at the end of 2010 compared with quarter 1 2007. Quarter 1 2011 showed a 1.8% increase quarter-on-quarter with a very low number of transactions (870 homes sold). In the second quarter, the market of new dwellings continued to stagnate at 840 recorded sales. This low level of sales makes only a limited analysis possible for the price indices of this period (quarter 1 101.8%, quarter 2 99.1%).

The prices of second-hand dwellings started to decrease in quarter 4 2008. Quarter 1 2010 showed a smaller transitory increase in prices with a pure, quarter-on-quarter increase in prices of 3%. Then there was no significant change in the index over four quarters remaining in a range of quarter-on-quarter price changes of +/-1%.

Figure 2

Changes in home prices – pure change in prices (Quarter 1 2007 = 100%)

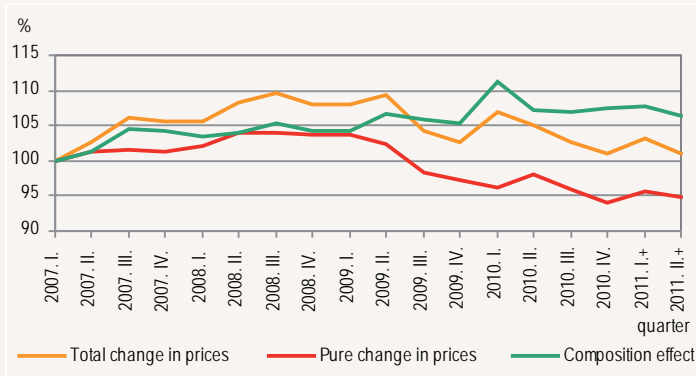


Factors of total change in prices

The total average price of new dwellings saw a transitory, quarter-on-quarter increase in prices in quarter 1 2010 completely as a result of a shift in the quality composition. The composition effect adjusted prices – disregarding a smaller rise in quarter 2 – continued to decrease until year-end 2010. In quarter 1 2011, a pure increase in prices of 1.8%, along with an essentially unchanged composition effect, resulted in a similar total increase (2.0%) in prices. In quarter 2, as a combined result of a slightly declining composition (98.8%) and a pure decrease in prices of only 0.9% a total price decrease of 2.1% was seen.

Figure 3

Factors of changes in the price of new dwellings (Quarter 1 2007=100%)



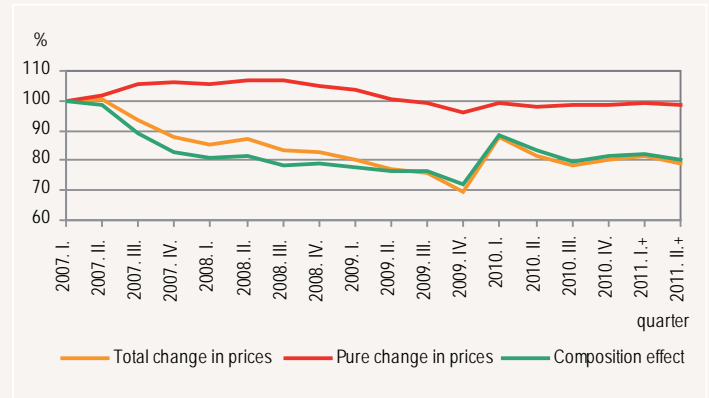
*Preliminary data.

The monitoring of the new home market was hampered not only by the already mentioned problem of the small number of sales, but by the fact that relatively few information is available to monitor changes in the quality composition of new dwellings as well as to filter out the composition effect.

In the sales of second-hand dwellings the suddenly increasing composition effect shows the effect of the stamp duty rule amendment put into effect at the beginning of 2010. The sudden increase of the total average price overwhelmingly results from this effect, but a small pure increase in prices can be seen as well. From this time on, the composition and total price level quickly returned to the proximity of the former state, while the pure price index showed a small increase. In quarter 1 2001, none of the factors of the price index showed a significant shift, then in the second quarter a smaller decrease in composition (2.5%) and a small rise in pure prices resulted in a 3.3% decrease in prices quarter-on-quarter.

Figure 4

Factors of changes in the price of second-hand dwellings (Quarter 1 2007=100%)



Regional characteristics of the home market

Since the beginning of the crisis, the construction of new homes for sale has increasingly concentrated to Budapest. During the crisis the fall in new home construction in the Budapest agglomeration was higher than average, in 2010 it was less than half of the level of 2008.

The construction of new homes for sale stagnated in 2009 – still increased in Budapest –, however, sales saw a sharp fall. In 2010, there was even a fall in the number of homes built. At that time 10 700 homes built for sale received put to use permit, out of which 5300 were in Budapest.

Table 3

Number of new homes built for sale and sold, 2008–2010

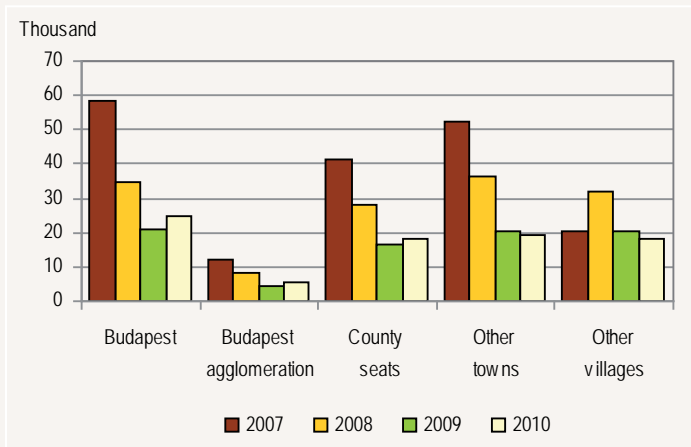
Territory	2008		2009		2010	
	built	sold	built	sold	built	sold
Budapest	7 600	5 800	8 400	3 100	5 300	2 000
Budapest agglomeration	3 700	2 900	3 200	1 800	1 800	1 100
County seats	2 800	2 600	2 900	1 600	1 900	900
Other towns	2 800	2 400	1 900	1 500	1 500	600
Other villages	500	400	500	300	200	100
Total	17 400	14 100	16 900	8 300	10 700	4 800

In 2009 8300, in 2010 fewer than 5000 new dwellings were identified based on the duty office data of homes sold. No doubt there were inaccuracies (the newly built homes are identified based on subsidies granted to buy a new home), the difference between the numbers of built and sold homes as well as an increase in this difference essentially showed problems in the sales of new homes. The difference, which was only 20% in 2008 increased above 50% in 2010. In Budapest, this year, out of 5300 newly built dwellings only 2000 were recorded in the home sales database.

After the low of 2009, in 2010, the market of second-hand homes saw a small rise in sales in the great cities. Out of the total sales of homes, the Budapest agglomeration accounted for a much smaller proportion than in case of new homes. As a result of the fact that the majority of home buyers in agglomeration settlements are non-local (arriving from Budapest or from the countryside) the building projects implemented here do not generate a significant local market for second-hand homes. In the previous years there were 6 second-hand home sales per a new dwelling in Budapest, this value was below three in the agglomeration. In 2010, the indicator calculated this way increased everywhere as a result of the low number of new dwellings, but the mentioned connection continued to exist: In Budapest there were 12 in the agglomeration 5 second-hand home sales per a new dwelling.

Figure 5

Changes in second-hand home sales by type of settlement, 2007–2010

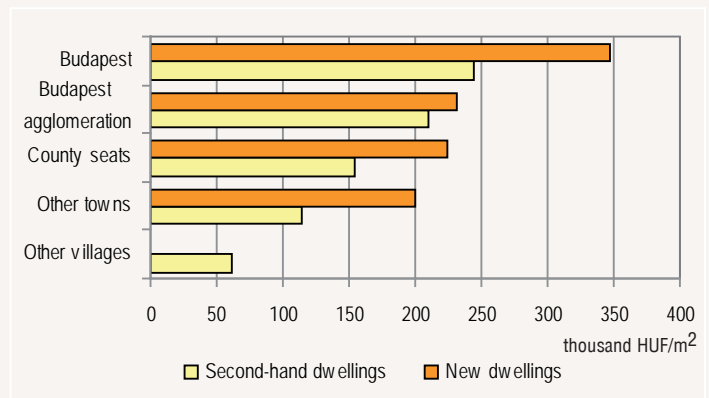


New homes sold in the first half of 2011 had an average price of HUF 16.1 million; that of second-hand ones was HUF 10.2 million. The average price of second-hand dwellings was the highest in the Budapest agglomeration – HUF 17.5 million – , which was higher than the price of new dwellings sold here (HUF 15.5 million). It results from the different composition of the two sub-markets: second-hand homes are basically detached houses with a larger floor area, while the new ones are relatively smaller condominium flats. The home market of the agglomeration settlements is special in that sense that both the second-hand and the new homes are larger compared with real estates sold in other settlements. Here the second hand homes sold were 80 m² large on average, against a Budapest figure of 57 m² and a national figure of 66 m². The typical size of a newly sold home in the agglomeration was 69 m². This value was 55 in Budapest and 62 m² nationally. It should be noted that the average size of dwellings in homes sales is lower than the sizes typical of the total stock of homes, while smaller dwellings are more frequently sold and in this way

overrepresented in the home market records. A similar connection can be seen in case of new dwellings: the size of homes built for sale (62 m² in 2010) is still lower than that of dwellings built for own use (123 m²). Analyzing specific prices, higher prices can be seen at new dwellings in each settlement category, however, the difference compared with the second-hand ones continued to be the lowest in the Budapest agglomeration at only 9%. The discrepancy between the specific prices of the two submarkets is 40% in the smaller towns and around 30% in Budapest and the county seats. (In villages outside the agglomeration the number of new homes sold was lower than 50, therefore no relevant average prices were published.)

Figure 6

Specific dwelling prices by type of settlement, first half of 2011



Methodological notes

The monitoring of changes in home prices is based on data on stamp duty receipts, which are provided by the Hungarian Tax and Financial Control Administration (NAV) on a quarterly basis. All home sales concluded by private individuals are subject to this data transfer including home sale prices and the most important characteristics. At present, there are data series of uniform structure comparable in every respect from 2007, which make it possible to analyze changes in home prices in a more detailed and exact way.

As a result of missing data 1.5% of all cases were excluded from calculations based on sales of 2010. In those cases, where there were no data on the floor area of the given dwelling, but all other data were available, the floor area was estimated using the home price and its other characteristics, then we used this estimated value to further calculate. Following this, a log linear regression model was used to analyze the data. Major data used in this model: floor area of the given dwelling, character of the building, specific geographical, administrative and income indicators of the given settlement (or district in Budapest). New dwellings were separated by NAV based on benefits used to buy a new dwelling. Until 2010 a database expanding since 2007 was used to model calculations, since 2011 data on 2007 were excluded to make three-year parameter estimations possible.

Based on the findings of the first model estimation a further 4.8% of dwellings were filtered out as outliers from further index calculations. After the exclusion of outliers, based on repeated model estimation, changes in prices were broken down by composition effect and pure changes in prices. As a result of the log linear method the released price indices were resulted from the geometrical average of the given prices in all cases. However, the average prices of this publication are always arithmetical averages.

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