

House Price Index 1st Quarter of 2014

House prices up by 4.0% in the first quarter of 2014 comparing with the same period of 2013

In the first quarter of 2014, the House Price Index (HPI) increased 4.0% when compared with the same quarter of the previous year. This figure was 3.4 percentage points (p.p.) higher than the rate recorded in the last quarter of 2013, a result which reversed the series of annual price reductions observed between the fourth quarter of 2010 and the third quarter of 2013. In the quarter under analysis, the annual rates of change for the existing and new dwellings market segments were 4.7% and 2.9%, respectively. Compared to the previous quarter, the HPI recorded a price variation of 1.3% in the first quarter of 2014 (2.3% in the fourth quarter of 2013). The rolling 4-quarter average rate of change was 0.3% in the first quarter of 2014 (-1.9% in the fourth quarter of 2013).

In the first three months of 2014 18,590 house transactions were recorded, 16.7% more than in the same period of the last year.

1. Introductory note

The present press release is the start of the regular dissemination of the House Price Index (HPI) base 2010 = 100. With the production of the HPI, Statistics Portugal seeks to meet new statistical needs associated with the measurement of price developments in the Portuguese housing market.

The HPI, whose series begins in 2009, is a quarterly indicator that follows the conceptual and methodological framework developed within a project of the European Statistical System, which promoted the production of harmonized official statistics on the housing market at the European level. The production of this index is defined in the European Union by Regulation (EU) No 93/2013 of the Commission on February 1, 2013.

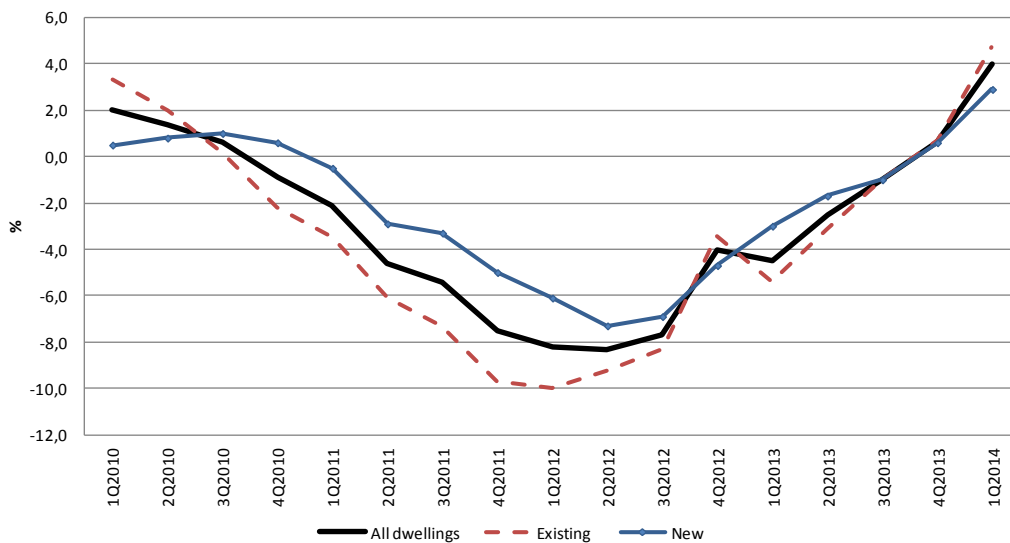
More information about the HPI can be obtained in the methodology of the HPI, which can be accessed through Statistics Portugal's website (available only in Portuguese). (The link is presented in the section of this press release that contains explanatory notes.)

The complete HPI series and the annual, quarterly and annual average rates of change, together with the figures on the number of house sales, are available at the end of the present press release. All figures are available for total dwellings, existing and new dwellings aggregates.

2. House Price Index

The HPI registered a growth rate of 4.0% in the first quarter of 2014, 3.4 percentage points higher than in the previous quarter. This result extended the upward trend in the annual rate of change, which the HPI had been signalling since the second quarter of 2012 (see the chart below).

**House Price Index, Annual rate of change
(1Q2010 - 1Q2014)**



On a quarter-to-quarter basis, the HPI increased by 1.3% in the first quarter of 2014 (change rate of 2.3% in the previous quarter). This was the third consecutive quarter in which the HPI showed a positive quarterly rate of change. Over the same period, the HPI for new dwellings increased more than the HPI for existing dwellings (2.7% and 0.5%, respectively).

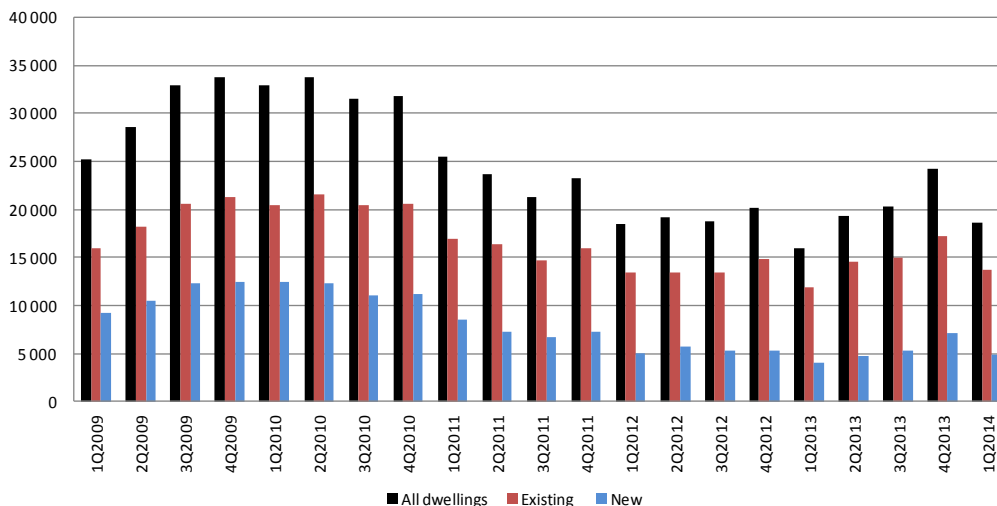
In the first quarter of 2014, the rolling 4-quarter average rate of change was 0.3%. This result was 2.2 p.p. higher than the observed for 2013 (-1.9%) and indicates the first annual average price increase since the fourth quarter of 2010.

3. Number of House Sales

The house sales indicator counted a total of 18,590 house transactions in the first three months of 2014 (74% of which were related to transactions of existing dwellings).

The quarterly rate of change observed for the first quarter of 2014 (-23.4%) is consistent with dwelling sales behaviour observed in other years of the HPI series (e.g., -21% in 2012 and 2013). This reflects the existence of seasonal pattern in house sales, which can be observed in the next graph.

House Sales Indicator, All-dwellings, Existing and New Dwellings; number (1Q2009 - 1Q2014)



On an annual basis, the number of transactions in the first quarter of 2014 was 16.7% higher than in the same period of 2013 (15,927 transactions).

The average number of house sales observed from the first quarter of 2009 to the first quarter of 2014 was around 24 700 transactions. The maximum number of transactions was observed in the second quarter of 2010 (more than 33 800 transactions) and the minimum in the first quarter of 2013 (approximately 15 900 transactions). The average number of transactions for existing and new dwellings was approximately 16 670 and 8030, respectively.

EXPLANATORY NOTES

House Price Index

The House Price Index (HPI) measures the evolution of the acquisition prices of the dwellings purchased in the residential market in Portugal. The HPI is compiled using anonymised fiscal administrative information provided by the Tax and Customs Authority on the Municipal Property Transfer Tax (IMT) and the Municipal Property Tax (IMI).

The HPI is derived through the estimation of a functional relationship between the logarithm of the transaction prices of dwellings and their characteristics (e.g., area, location), being included in the probabilistic models of hedonic prices. The estimation is performed quarterly with data from two adjacent quarters. With this approach, it is possible to estimate the rate of change of prices controlling for changes in the quality of dwellings.

The HPI is a chained index with base 100 = 2010. The followed methodology enables the weighting structure to be updated annually with information on the value of dwelling transactions in the year immediately preceding the year in which the index refers.

Quarterly rate

The quarterly rate is the change in the index of a certain quarter compared with the index of the previous quarter expressed as a percentage. Although up-to-date, this measure can be affected by seasonal and other effects.

Annual rate

The annual rate is the change in the index of a certain quarter compared with the index of the same quarter in the previous year expressed as a percentage. In the presence of a stable seasonal pattern, seasonal effects do not influence this measure.

4-quarter average rate

The rolling 4-quarter average rate is the change in the average index of one year compared with the average index of the previous year expressed as a percentage. This moving average is less sensitive to transient changes in prices.

New dwellings

Dwellings that, at the time of the transaction, had never been used for residential purposes. Although largely corresponding to the group of totally new (or renewed / improved) dwellings, the group of new dwellings further comprises those situations where the purpose it was intended an existing dwelling is changed to housing.

Existing dwellings

Dwellings that, at the time of the transaction, had already been used for residential purposes.

House Sales Indicator

Indicator that estimates the number of housing transactions carried out in a quarter for the national total and the segments of new homes and existing homes. The compilation of this statistic is based on information from the IMT and is based on transactions of urban articles. In calculating this indicator are not considered, similarly to what happens with the estimation of the rate of change in prices between two successive quarters, transaction parts of dwellings (i.e., are considered only transactions of dwellings in full).

Additional information

Further methodological information on the HPI is available on the National Statistics Institute website (<http://smi.ine.pt/DocumentacaoMetodologica/Detalhes/1269>; available only in Portuguese).

Next press release

The HPI of the 2nd quarter of 2014 will be released on September 24th, 2014.

**Annex: House Price Index
(100 = 2010)**

Quarter	Indexes			Quarterly rate of change (%)			Annual rate of change (%)			Rolling 4-quarter average rate of change (%)			House sales (n.er)		
	All dwellings	Existing	New	All dwellings	Existing	New	All dwellings	Existing	New	All dwellings	Existing	New	All dwellings	Existing	New
1Q2009	98.43	97.59	99.39	-	-	-	-	-	-	-	-	-	25,214	15,972	9,242
2Q2009	99.34	99.11	99.61	0.9	1.6	0.2	-	-	-	-	-	-	28,550	18,135	10,415
3Q2009	99.39	99.65	99.12	0.1	0.5	-0.5	-	-	-	-	-	-	32,940	20,619	12,321
4Q2009	99.79	100.45	99.07	0.4	0.8	-0.1	-	-	-	-	-	-	33,727	21,235	12,492
1Q2010	100.36	100.79	99.88	0.6	0.3	0.8	2.0	3.3	0.5	-	-	-	32,849	20,386	12,463
2Q2010	100.75	101.07	100.39	0.4	0.3	0.5	1.4	2.0	0.8	-	-	-	33,805	21,495	12,310
3Q2010	99.96	99.85	100.09	-0.8	-1.2	-0.3	0.6	0.2	1.0	-	-	-	31,487	20,478	11,009
4Q2010	98.93	98.29	99.64	-1.0	-1.6	-0.4	-0.9	-2.2	0.6	0.8	0.8	0.7	31,809	20,583	11,226
1Q2011	98.23	97.24	99.34	-0.7	-1.1	-0.3	-2.1	-3.5	-0.5	-0.3	-0.9	0.4	25,430	16,944	8,486
2Q2011	96.11	94.93	97.44	-2.2	-2.4	-1.9	-4.6	-6.1	-2.9	-1.8	-2.9	-0.5	23,676	16,360	7,316
3Q2011	94.53	92.54	96.82	-1.6	-2.5	-0.6	-5.4	-7.3	-3.3	-3.3	-4.8	-1.5	21,313	14,682	6,631
4Q2011	91.51	88.80	94.65	-3.2	-4.0	-2.2	-7.5	-9.7	-5.0	-4.9	-6.6	-2.9	23,199	16,005	7,194
1Q2012	90.21	87.55	93.28	-1.4	-1.4	-1.4	-8.2	-10.0	-6.1	-6.4	-8.2	-4.3	18,440	13,370	5,070
2Q2012	88.16	86.17	90.31	-2.3	-1.6	-3.2	-8.3	-9.2	-7.3	-7.3	-9.0	-5.4	19,100	13,401	5,699
3Q2012	87.28	84.82	90.10	-1.0	-1.6	-0.2	-7.7	-8.3	-6.9	-7.9	-9.3	-6.3	18,755	13,422	5,333
4Q2012	87.85	85.75	90.16	0.7	1.1	0.1	-4.0	-3.4	-4.7	-7.1	-7.8	-6.3	20,103	14,768	5,335
1Q2013	86.11	82.81	90.44	-2.0	-3.4	0.3	-4.5	-5.4	-3.0	-6.2	-6.7	-5.5	15,927	11,891	4,036
2Q2013	85.93	83.53	88.76	-0.2	0.9	-1.9	-2.5	-3.1	-1.7	-4.7	-5.1	-4.2	19,278	14,522	4,756
3Q2013	86.39	83.99	89.23	0.5	0.6	0.5	-1.0	-1.0	-1.0	-3.0	-3.2	-2.6	20,295	14,984	5,311
4Q2013	88.39	86.31	90.68	2.3	2.8	1.6	0.6	0.7	0.6	-1.9	-2.2	-1.3	24,275	17,163	7,112
1Q2014	89.57	86.74	93.09	1.3	0.5	2.7	4.0	4.7	2.9	0.3	0.3	0.2	18,590	13,743	4,847