

S&P/Case-Shiller[®] Home Price Indices

Frequently Asked Questions

This page provides answers to Frequent Asked Questions about Standard & Poor's Home Price Indices.

1. What do the S&P/Case-Shiller[®] Home Price Indices measure?

The indices are designed to be a reliable and consistent benchmark of housing prices in the United States. Their purpose is to measure the average change in single-family home prices in a particular geographic market. They cover ten major metropolitan areas, which are also aggregated to form a national composite.

The indices are based on observed changes in home prices. They are designed to measure increases or decreases in the market value of residential real estate in the 10 defined MSAs. In contrast, the indices are, specifically, not intended to measure recovery costs after disasters, construction or repair costs, or other such related items.

2. What types of homes are included in the index calculations?

To be eligible to be included in the indices, a house must be a single-family dwelling. Condominiums and co-ops are specifically excluded. Houses included in the indices must also have two or more recorded arms-length sale transactions. As a result, new construction is excluded.

3. Which geographic regions are included in the S&P/Case-Shiller Home Price Indices?

The ten regions are:

- Boston
- Chicago
- Denver
- Las Vegas
- Los Angeles
- Miami
- New York City
- San Diego
- San Francisco
- Washington DC

Eight of the ten are based on the Metropolitan Statistical Areas (MSAs) defined by the U.S. Office of Management and Budget. The New York City region is expanded from the New York MSA to include counties in New York State, Connecticut, New Jersey and Pennsylvania that are within commuting distance of New York City. The same holds for Chicago and surrounding Illinois counties.

The ten regional indices are combined to form the S&P/CS® Composite Home Price Index, which measures the weighted-average change in the value of the residential housing markets across these 10 areas.

4. What are the indices based on?

The indices are based on the Fiserv Case-Shiller indices for tracking home price movements and trends. Karl Case and Robert Shiller created these indices in the 1980s. At that time, Case and Shiller developed the repeat sales pricing technique. This methodology is recognized as the most reliable means to measure housing price movements and is used by other home price index publishers, including the Office of Federal Housing Enterprise Oversight (OFHEO). The indices were sold to Fiserv in 2002.

5. How are the indices calculated?

The indices use the “repeat sales method” of index calculation – an approach that is widely recognized as the premier methodology for indexing housing prices – which uses data on properties that have sold at least twice, in order to capture the true appreciated value of each specific sales unit.

To calculate the indices, data are collected on transactions of all residential properties during the months in question. The main variable used for index calculation is the price change between two arms-length sales of the same single-family home. Home price data are gathered after that information becomes publicly available at local recording offices across the country.

Data are collected on sales of specific single-family homes. Each sale price is considered a data point. When a specific home is resold, months or years later, the new sale price is matched to the first price creating a sale pair. The difference in the value of this sale pair is measured and recorded. Sales are screened to exclude transactions that would make the index not representative of the market, for example a sale between family members (see question 6, below). The screened sales pairs are then weighted to control for atypical changes in particular homes. All the qualified, weighted sale pairs are aggregated into the corresponding index.

For a complete description of the methodology, please refer to the index methodology posted on the Standard & Poor’s Web site.

6. What housing sales are excluded from the index calculation?

The indices measure changes in housing market prices given a constant level of quality. Changes in the types and sizes of houses or changes in the physical characteristics of houses are specifically excluded from the calculations to avoid incorrectly affecting the index value.

Filters are used to maintain the integrity of the index as an indicator of market trend. These filters identify and exclude: non-arms length transactions (e.g., property transfers between family members); transactions immediately preceding or subsequent to substantial physical changes to a property; transactions where the property type designation is changed (e.g., properties originally recorded as single-family homes are subsequently recorded as condominiums); and suspected data errors where the order of magnitude in values appears unrealistic.

7. Why create a housing price index?

Residential real estate represents a significant portion of many investors' net worth. In 2005, the value of U.S. residential real estate totaled US\$ 21.5 trillion compared to US\$ 15 trillion in domestic equities. The S&P/Case-Shiller Home Price Indices capture and measure this important asset class. Besides tracking this critical asset class, these indices can support investors wishing to add real estate exposure without buying actual real residential property.

8. How often are the indices calculated?

The indices are calculated monthly, using a three-month moving average algorithm. Home sales pairs are accumulated in rolling three-month periods, on which the repeat sales methodology is applied. The index point for each reporting month is based on sales pairs found for that month and the preceding two months. For example, the December 2005 index point is based on repeat sales data for October, November and December of 2005. This averaging methodology is used to offset delays that can occur in the flow of sales price data from county deed recorders and to keep sample sizes large enough to create meaningful price change averages.

9. When are index data updated?

The S&P/Case-Shiller Home Price Indices are published monthly, on the last Tuesday of each month at 2:15 p.m. Eastern Time. The latest data are reported with a two-month lag. For example, on Tuesday April 25, 2005, Standard & Poor's published February index data.

Each month, in addition to contract settlement indices for the latest reported month, Standard & Poor's will publish restated data for each Metro Area and the Composite indices.

Restated data will be made available for the prior 24-months of reported data. Home price data are often staggered, due to the reporting flow of sales price data from individual county deed recorders. Data are restated to take advantage of additional information on sales pairs found each month.

Consequently, new data received in the current month may result in a new sales pair previously unreported during the last 24 months, creating a new pair and providing additional data, resulting in a restatement. Experience shows that these restatements tend to be moderate and almost non-existent in periods older than two years.

10. How many years of history is available?

Historical data for the indices are available back to January 1987. The indices have a base value of 100 on January 2000.

11. Where can I get data?

Data can be obtained from the Standard & Poor's Web site.