

When it comes to predicting the future of the property market, two distinct camps are emerging. Some sources say there are no signs of an imminent crash while other reports herald the end of the house-price boom.

HSBC economist John Butler says many new reports and surveys on the property market should be taken with a pinch of salt. He believes the most reliable sources are the Nationwide and Halifax, Bank of England and Office of the Deputy Prime Minister because they have a good track record.

Butler says: "These are good sources because they are comprehensive, they go back to the late 1980s boom and have been reliable in the past."

Referring to newer sources such as residential property research company Hometrack, he says: "There is a vast amount of new information we are getting on the housing market. Most of this is probably inaccurate because they have no track record, unlike older reports and surveys."

Butler maintains that the threat of a crash in the housing market has increased but does not believe it will happen in the immediate future.

But Hometrack housing economist John Wriglesworth says Butler is not considering areas such as affordability. He believes Butler should not make sweeping statements about newer surveys on the housing market, particularly if he is "not aware of all the facts".

"It is true that Halifax and Nationwide are well respected but it really depends on how you judge it," he says.

Nationwide group economist Alex Bannister believes older surveys are

The different methodology used by the various housing market analysts has led to arguments over which are the most reliable, reports
Kate Chambre

How surveys seek signs of subsidence



more reliable because they go back as far as 50 years, have a good track record at assessing trends and are more robust than other surveys.

To produce its price index, Nationwide uses information derived from its lending data for homes at the post-survey approval stage. House prices are mix-adjusted, which means a representative house price is tracked over time rather than taking the simple average price. The society says it does not use the simple average price because it is too easily influenced by a change in the mix such as the proportion of different property types and locations.

Bannister says: "Nationwide uses much more robust methodology. However, its service is not exactly the same as newer surveys such as Hometrack and property website Rightmove, who mainly look at asking prices in estate agent windows, whereas we are dealing with final set house prices. Two

main things about new surveys and reports are they have no track record and their methodology is less robust."

Halifax group economics head Gary Style believes the bank's long-term cycle is reassuring because it has been established since 1983. He says, while Hometrack and Rightmove are based on estate agent prices, the Halifax and Nationwide look at purchase prices.

He says another thing that has to be taken into account is the methodology used and whether the figures are generally mixed or seasonally-adjusted. "Halifax is double the size of Nationwide and is heavily used by the Bank of England. Halifax indices are smooth and state presently that the housing market is flowing," he says.

However, the figures point to an easing in the rate of house-price growth. Styles says: "New indices are untested until we have seen them go through a new cycle."

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