

Methodology of PropertyPal's 'micro-area' analysis.

The micro-areas provide a different set of statistics to NISRA's standardised residential property price index (RPPI) for local council house price estimates.

NISRA's RPPI is weighted to reflect the mix of the properties sold in the previous year, which is broadly representative of the mix of properties in the overall dwelling stock. This means that the RPPI provides a measure of the changing value of properties in the housing market and is specifically designed to reflect market values.

The micro-areas are not mix-adjusted but use annual transactional data to better reflect the actual mix of properties sold. This is particularly useful when identifying the change in price for properties sold in a given period and area. All micro-area analysis is compiled annually to avoid seasonal effects.

The micro-areas and the RPPI follow similar trends, but as the RPPI is a mix-adjusted index it reflects the actual mix of dwellings in the housing stock while the micro-areas report based on actual transactional of all sold properties rather than the change in the value of the overall housing stock.

The micro-areas report the median sales price in the respective area. The median is the value determined by putting all the house sales for a given year, area and type in order of price and then selecting the price of the house sale that falls in the middle, such that an equal number of transactions lie above and below that value.

The median is less susceptible to distortion by the presence of extreme values than is the mean. It is the most appropriate average to use because it best takes account of the skewed distribution of house prices. This (unadjusted) median is also appropriate to use because the raw data used to calculate it comprise almost 100% of all residential property transactions and is therefore an accurate representation of the true median.

The methodology is in line with that used by the Office for National Statistics for reporting on house price statistics for small areas in England and Wales. For full methodology see: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/methodologies/housepricestatisticsforsmallareasqmi>

Uses and users

House prices are localised and policies on planning for housing are made by local authorities in order to meet housing demand in their areas.

As the micro-areas provide a uniquely localised view of housing market activity and price, we hope they will be used by housing policy-makers including central and local government. In particular they may be used for assessing housing needs and in developing and monitoring housing policies by local, regional and national government.

Central government

Monitoring housing trends, supply and demand in society, policy-making and regulation.

Local government

Monitoring and developing their housing policies to meet the current and future needs of their areas and to understand how changes and policies at the national level affect housing at the local authority level.

Devolved administrations

Supporting policy-making and monitoring changes at the country level, similar to those requirements of central government; also used for comparisons with wider UK policies.

Banks and building societies

House price statistics are used for mortgage lending to make decisions on whether to lend, how much to lend and setting interest rates.

House-builders

House-builders are interested in whether and where demand for new housing exists and the returns received on homes built or converted.

Housing industry specialists

These include organisations such as larger estate agents seeking information on small area trends.

Housing bodies

These include organisations such as the Construction Employers Federation.

Media

Make use of the data to inform and aid journalistic coverage of local housing markets.

Social researchers

Data may be indicative of social status and may be used in the development of further statistics and social analysis.

Academics

Include geographers and sociologists who make use of these statistics for study and analysis.