



IHS Markit™

# IHS Markit Benchmark Administration Ltd. (IMBA UK) Consultation on Temporary Methodology Change for the Halifax House Price Indices

12 June, 2020

## 1. IHS Markit's Administration

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IHS Markit Benchmark Administration Ltd. ("IMBA UK") was authorised by the UK FCA as Benchmark Administrator under the European Benchmark Regulation ("BMR") and is the sole Administrator (as defined by BMR) of the Halifax House Price Index (HHPI) family of Indices. The list of Halifax House Price Indices currently administered by IHS Markit can be found [here](#).

## 2. Background

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IMBA UK is the Administrator of the Halifax House Price Index family of Indices.

The Halifax House Price Index is the UK's longest running house price index series. The Halifax House Price Index is a key barometer of UK house prices and has been calculated since January 1983. It is closely watched by economists, central banks, financial markets and the media.

On a monthly, quarterly and annual basis, "Mortgage Transaction Data" from Lloyds Banking Group are run through the Halifax House Price Index 1983 (HHPI 1983) and Halifax House Price Index 2019 (HHPI 2019) models in order to determine standardised indices covering different categories of houses.

## 3. Analysis and conclusion

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Measures introduced by the UK Government to contain the spread of Covid-19 have had an adverse impact on the UK housing market, in particular reducing the volume of new mortgage approvals made by UK lenders such as Lloyds Banking Group – who is the sole contributor to the Halifax House Price Index family of Indices.

While the performances of both HHPI 1983 and HHPI 2019 have held up well at the UK *national* level in the face of a drop in mortgage transaction volumes of over 80% from average levels through April and May, the decline in transaction volumes has presented models for both HHPI 1983 and HHPI 2019 with greater challenges when calculating house price data at the UK *regional* level.

Analysis of stress scenarios that assume the volume of mortgage transactions available for use in HHPI 1983 and HHPI 2019 through Q2 2020 as a whole are down by around 70% from average levels, points to a deterioration in model performance for almost all regions using HHPI 1983 and for one region (Northern Ireland) for HHPI 2019. The disparity in model performance between HHPI 1983 (where most regions are impacted) and HHPI 2019 (where only one region is impacted) reflects both the broader sample of transactions included in HHPI 2019 compared to HHPI 1983 and also the methodological enhancements associated with HHPI 2019 following user consultation in September 2019.

## 4. Proposal

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In order to address the issue of lower than normal transaction volumes through Q2 2020 at the UK regional level, we are proposing the following temporary methodological changes. The expectation is that these temporary changes would impact only the Q2 2020 UK regional house price index data, and calculation of Q3 2020 UK regional house price index data would be based on a standard calendar quarter for all regions as is normally the case.

### **Halifax House Price Index 1983**

In order to boost the volumes of mortgage transactions for Q2 2020 to levels sufficient to generate robust data for all UK regions, we would include March 2020 mortgage transaction data along with calendar Q2 2020 transactions prior to calculating regional HHPI 1983 indices for all 12 UK regions. This would mean that Q2 2020 UK regional HHPI 1983 indices would be calculated using mortgage transaction data from 1 March 2020 to 30 June 2020.

### **Halifax House Price Index 2019**

In order to boost the volume of mortgage transactions for Q2 2020 in Northern Ireland to a level sufficient to generate robust data for Northern Ireland, we would include March 2020 mortgage transaction data for Northern Ireland along with calendar Q2 2020 Northern Ireland transactions prior to calculating HHPI 2019 indices for Northern Ireland. This would mean that Q2 2020 Northern Ireland HHPI 2019 indices would be calculated using mortgage transaction data from 1 March 2020 to 30 June 2020. Each of the other 11 UK regional house price indices would be calculated using a standard Q2 calendar quarter – so calculated using mortgage transaction data from 1 April 2020 to 30 June 2020. Although this creates a temporary inconsistency between HHPI 2019 data calculated for Northern Ireland and the other 11 UK regions in Q2 2020, we believe the benefits of calculating data for 11 UK regions using a “pure” calendar quarter outweighs this.

## 5. Consultation timetable

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IMBA UK can provide the following timetable for the user consultation. While it is IMBA UK's preference to allow a four-week period for consultation with users, the shorter consultation period (around 8 days) indicated here reflects the need for us to properly assess the flow of mortgage transaction volumes into June as the housing market began to open up.

- 12 June 2020 – Consultation opens
- 19 June 2020 – Consultation closes
- 23 June 2020 – The Index Advisory Committee reviews stakeholders' feedback
- 26 June 2020 – A decision is communicated to all users and the wider market
- 10 July 2020 – The earliest date for implementation of the proposed change, this is the publication date of Q2 2020 regional HHPI data.

## 6. Consultation process

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The participation of stakeholders in this consultation is important as IMBA UK seeks to gather views on the proposals herein and the suggested timetable for implementation of those proposals. IMBA UK may publish summaries of stakeholders' comments along with IMBA UK's responses to those comments unless the stakeholder in question expressly requests confidentiality.

To participate in this consultation please respond to IMBA's Index Administration Services at [MK-IndexAdminConsultation@ihsmarkit.com](mailto:MK-IndexAdminConsultation@ihsmarkit.com).

Please be advised that all comments will be reviewed and considered before a final decision is made; however, IMBA UK makes no guarantee and is under no obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. An announcement will be posted on our website accordingly. IMBA UK reserves the right to make a final decision on the proposal, and this will be ratified by the Index Advisory Committee and, if appropriate, IHS Markit's Benchmark Oversight Committee.

## 7. Key question

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**Do you have any feedback on IMBA UK's proposal to effect a temporary change to the methodology used to calculate Q2 2020 UK Regional Halifax House Price Indices as described in this consultation paper?**

## 8. Appendix

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To review our full analysis of the impact of reduced mortgage transaction volumes on the UK Regional Halifax House Price Indices please view:

[HHPI Scenario Analysis for UK Regions](#)

If you have any other questions, please contact [MK-IndexAdminConsultation@ihsmarkit.com](mailto:MK-IndexAdminConsultation@ihsmarkit.com).