

Technical Note

OFHEO's January 2008 research paper titled, "Revisiting the Differences between the OFHEO HPI and the S&P/Case-Shiller Indexes: New Explanations" provided an attribution analysis explaining causes of recent divergence between the two house price measures. OFHEO has decided to update the primary results table from that analysis with each quarterly HPI release in the future. The reconciliation table for periods through the fourth quarter of 2007 is available for download at: http://www.ofheo.gov/hpi_download.aspx. The table reveals that the divergence between the two indexes was larger in the four quarters ending in the fourth quarter than it was in the 2006Q3-2007Q3 interval, but that the primary explainers of the difference remain the same.

Whereas OFHEO's four-quarter price change estimates were on average about 6.9 percent points above those for the ten original S&P/Case-Shiller cities, once three changes are made to the OFHEO model and data sample to harmonize the two approaches, the gap shrinks to about 0.3 percentage points. The three alterations involve: removing appraisal valuations from OFHEO's estimation data, weighting homes with lengthy intervals between valuations in a manner more consistent with the S&P/Case-Shiller weighting system, and adding to the OFHEO sample low and moderately priced homes not financed with conforming mortgages.

The reconciliation table for the first quarter, as well as for future quarters, will be provided at the same website and will be published approximately two weeks after the release of the S&P/Case-Shiller® indexes. The reconciliation table will only be updated for quarterly, not monthly data.