

What is the S&P / Case-Shiller Home Price Index and What Does It Tell Us?

In the 1980's three leading economists, Allan Weiss, Karl Case and Robert Shiller, got together and created an index, formally known as the S&P/Case-Shiller home-price index. Ever since then a number of indices are published monthly on the final Tuesday of each month. These include a 10 and a 20 city composite index as well as 20 individual metro area indices, one for each of the 20 cities included in the composite index. There is also a national home price index which covers the 9 major census divisions, but this index is only published quarterly.

There is a two-month lag time in the data that is reported, so the report issued today for the month of August only covers home sales through June.

Each index measures changes in the prices of single-family homes using the repeat sales method, which compares the sale prices of the same properties over time. New home sales are excluded as there is no way to calculate how their sale prices have changed until they have had two owners. And while condominiums and co-ops are not included in any of the major indices, there is a separate condo index that tracks condo prices in five major markets (Boston, Chicago, New York, Los Angeles and San Francisco).

The types of sales tracked by the Case-Shiller indices are called arms-length transactions. This means more or less that the homes were sold at market value and not in a situation where the seller was under duress or selling to a related-party at a price below market. By excluding non arms-length transactions the index is able to capture a more accurate snapshot of the housing market. It is important to note however that foreclosure sales are actually included in the indices because a sale between a bank and an individual is considered both arms-length and a repeat sale.

Source:

[Understanding The Case-Shiller Housing Index | Investopedia http://www.investopedia.com/articles/mortgages-real-estate/10/understanding-case-shiller-index.asp#ixzz4lopPPw5N](http://www.investopedia.com/articles/mortgages-real-estate/10/understanding-case-shiller-index.asp#ixzz4lopPPw5N)