

## What is the MLS® HPI?

The MLS® Home Price Index (MLS® HPI) is one of several tools your REALTOR® uses to help you gain a solid understanding of the changes in home price trends and their impact on the market value of homes.

Developed using data from the Multiple Listing Service System, the MLS® HPI is used to compare trends locally — for specific housing types and neighbourhoods — or across Vancouver Island, the Lower Mainland, and in most major cities in Canada.

More importantly, it helps you approach one of life’s most important decisions – buying or selling a home – with greater confidence.

## How Does the MLS® Housing Price Index Work?

The MLS® HPI can help you gauge changes in housing prices over time, including changes in:

- Overall home prices for the market as a whole
- Prices for specific housing categories in a given area, or for the overall market.

This information will help you to more accurately understand pricing trends in your local market area.

## How is it Calculated?

The MLS® HPI concept is modeled after the Consumer Price Index, which measures the rate of price change for a basket of goods and services. A basket is the combination of goods and services that Canadians buy most such as food, clothing, transportation, etc.

Instead of measuring goods and services, the MLS® HPI measures the rate at which housing prices change over time, taking into account the types of homes sold. The HPI uses a number of baskets representing **benchmark** homes.

HPI identifies benchmark homes by using a set of quantitative and qualitative attributes that do not change over time, permitting apples-to-apples comparisons of price over time.

These features together become the **benchmark** house, townhouse or apartment in a given area. A benchmark property is designed to represent a typical residential property in a particular MLS® HPI housing market, such as Colwood, Oak Bay or Saanich.

The MLS® HPI tracks changes in home prices by comparing price levels at a point in time with price levels in a base (reference) period. The base period value is always 100.

For example, if the base period for single-family homes is 2005, and the MLS® HPI value for single-family homes in December 2011 is 149.1, you know that the value of single-family homes is up 49.1%, compared with 2005 ( $149.1 - 100 = 49.1\%$ ).



While the HPI shows us the percentage change since 2005, the system also determines values for benchmark homes during the same period. The values produced by the system track the prices of benchmark homes over the same period of time.

### **How is the MLS® HPI different from average and median home price calculations?**

The MLS® HPI is based on values assigned to various housing attributes, which tend to evolve gradually over time.

This means that price changes calculated using the MLS® HPI are less volatile than those derived using common measures like average and median, which can swing dramatically in response to changes with high-end or low-end sales prices from month to month.

It is often difficult to determine if average or median price fluctuations really reflect changes in buyers' willingness to pay for certain housing attributes, or just changes in the volume of very expensive or inexpensive home sales from one time period to the next. The MLS® HPI removes that uncertainty.

### **Is the idea of a Home Price Index new to Canada?**

A: An HPI is not new in Canada. The real estate boards of Greater Vancouver and Fraser Valley have had an HPI in place since 1996, when they hired economists to build a local housing price index for the BC Lower Mainland. *The HPI has been widely recognized as providing the most accurate indication of housing price trends in those markets.*

The MLS® HPI has been in use since January 2012. The Victoria and Vancouver Island Real Estate Boards are joining eight other boards to collaboratively use MLS® data to track trends in home prices in markets across Canada. We are 10 partners and growing!

### **How often is the MLS® HPI published?**

A: The MLS® HPI is published at or near the beginning of each month to reflect activity that occurred during the previous month.