

Construction Price Indexes

Price Index FAQs

1. What index should I use, the sold index or the under construction index?

It depends on what you will do with the index. The document, Comparison of the Houses for Sale and the Houses Under Construction Indexes describes the differences between the two types of index; also the document, General Information About Price Indexes might prove useful. From that information, choose the index most appropriate for your application.

2. How can I determine the price of a house equivalent to mine in another city?

Our price indexes are not designed to determine this price. Our indexes will allow one to compute a price representative of a region. The price in a region is an average for that region and can vary considerably from the price in a city in that region. For example, the average house price in the west may not be a good estimate of the price of a house in Los Angeles. The best thing to do is obtain price information from a source within the city.

3. How can I determine how the price of my house has changed since I bought it?

Our price indexes deal with regional averages and these may not provide a good estimate of the value of a specific house. Local area characteristics greatly impact house prices. You may use our regional indexes to estimate the inflation in the value of your house, but this method may give poor results. The procedure is as follows:

1. Divide the value of your house by the value of the index in the region where you live in the year you bought the house.
2. Multiply that quotient by the most recent value of the regional index.

4. Can I use a single-family house price index as an index for other types of construction such as office buildings?

This can be done with limitations. An index for office buildings will differ from an index for houses to the extent that changes in the materials, labor, and construction methods differ between the two types of construction. In the short term, the differences could be significant. Over the long term - ten or more years - the differences are probably small. Note that indexes for other types of construction are available from sources other than the Census Bureau.

5. What is the significance of the base year and how is it chosen?

The base year is chosen by the Bureau of Economic Analysis (BEA) after carefully considering many economic factors. Oftentimes it coincides with the year the Census Bureau conducted an Economic Census. The base year is significant for designating the base period prices and quantities in an average house. Depending on economic conditions, these prices and quantities could be quite different from those in neighboring years. These base prices and quantities have an effect on the index that is difficult to explain.

6. Are there measures of reliability for the single-family price indexes?

Yes. Refer to the section of documentation titled Definitions, Limitations, and Miscellaneous Statistical Methodology. Within that section see the paragraph on Sampling Error for an explanation and an example.