RESIDENTIAL PROPERTY PRICE INDEX

3rd quarter 2014 – 2nd 2019

(Base period: Year 2017 = 100)

1. Introduction

Residential Property Price Index is an indicator of changes over time in the prices of residential properties (houses and apartments) purchased.

This Note on Residential Property Price Index presents the evolution of the quarterly indices from the third quarter of 2014 to the second quarter of 2019, with the year 2017 as base period.

The methodology used for compiling the index and its limitations are given in the annex. Figures have been rounded to one decimal place although they have been calculated to many decimal places. Note that the figures are provisional.

2. Evolution of the Residential Property Price Index in Q2 2019

The Residential Property Price Index increased by 0.4% in the second quarter of 2019 to reach 107.4 compared to 107.0 in the first quarter of 2019. Compared to the corresponding quarter of 2018, the index increased by 9.6%. The chart below gives the evolution of the index from the third quarter of 2014 to the second quarter of 2019.

Chart 1: Residential Property Price Index- Q3 2014 to Q2 2019

3. The table below gives the RPPI as calculated for the period Q32014 to Q22019.

Quarter	RPPI (2017=100)	Quarter	RPPI (2017=100)
Q314	121.4	Q117	110.6
Q414	139.1	Q217	91.4
Q115	111.7	Q317	97.1
Q215	123.4	Q417	100.9
Q315	167.2	Q118	101.5
Q415	161.2	Q218	98.0
Q116	160.1	Q318	98.8
Q216	184.3	Q418	107.6
Q316	120.6	Q119	107.0
Q416	127.8	Q219	107.4

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Technical Note

Methodology used for the computation of the Residential Property Price Index

(i)   Introduction

Residential Property Price Index (RPPI) is an indicator of changes over time in the prices of residential properties (houses and apartments) purchased.

(ii)   Uses

Residential Property Price Indices have a number of important uses:

a) as a macro-economic indicator of economic growth;
b) for use in monetary policy and inflation targeting;
c) as an input into estimating the value of housing as a component of wealth;
d) as a financial stability or soundness indicator to measure risk exposure;
e) as a deflator in the national accounts;
f) as an input into an individual citizen's decision making on whether to buy (or sell) a residential property;
g) as an input into the consumer price index, which in turn is used for wage bargaining and indexation purposes;
h) for use in making inter-area and international comparisons.

(iii)   Method

The index is compiled using the mix adjustment by stratification approach. The design of the index is based on two stratification variables, one for the type of property (Apartments and Houses) and the other one for region regrouping districts as follows:

- Pamplemousses and Rivière du Rempart;
- Moka, Flacq, Grand Port, Savanne and Port Louis;
- Plaine Wilhems;
- Black River.

However due to limitations as described in paragraph (vii) below, indices have been published at the country level only until complete data are available for each strata.

(iv)   Weighting scheme

The weights are based on the total value of transactions in year 2017 for each stratum.

(v)   Data source

The index is compiled based on transaction data obtained from Registrar General Department.

(vi)   Calculation of the Residential Property Price Index

The Residential Property Price Index is a weighted average of price relatives of houses and apartments, based on the modified Laspeyres formula:

$$It = \frac{\Sigma\, Wi\, (Pit\, /\, Pio) \; x \;\; 100}{\Sigma\, Wi}$$

where   It = index for current period t

Pio = price per meter square of item i at base period 0 (Year 2017)

Pit = price per meter square of item i at current period t

Wi = weight of item i

At the level of individual items, the Jevons formula is used to calculate price relatives, that is, the geometric mean is used to compute the lowest level indices.

(vii)   Limitations

a)   Not all transaction data from the Registrar General Department have been used in the computation, since many required fields are missing in the database. Users should therefore be cautious while using these indices since it is based at times on a few transactions only.

b)   The value of land could not be excluded from transactions where sales value cover both land and building.