

TECHNICAL NOTES

Residential Real Estate Price Indices (RREPI)

1. Introduction

The Residential Real Estate Price Index (RREPI) is an indicator of change in the prices of residential properties in the Philippines over a period of time. The growth rate of the index measures the house price inflation.

2. Coverage

The RREPI is computed for the National Capital Region (NCR) and areas outside National Capital Region (AONCR) as well as for different types of housing units such as single detached houses, townhouses, and condominium units to be able to measure real estate price changes across different areas and types of housing units. The RREPI is computed for new housing units only.

3. Source of Data

The data used in the construction of the RREPI is obtained from the Bank Quarterly Report on Residential Real Estate Loans (RRELs). As per BSP Circular No. 892 dated 16 November 2015, all universal/commercial banks (UBs/KBs) and thrift banks (TBs) are required to submit reports on RRELs granted in a given quarter to individual households for the purpose of financing the acquisition of housing units and any associated land. For each RREL granted, the following information were included in the said report:

- a. Location of property;
- b. Type of property (whether new, pre-owned, or foreclosed);
- c. Information about the housing unit such as type (i.e, single detached house, duplex, townhouse, apartment, and condominium unit), appraised value per square meter, floor area, number of floors, number of bedrooms, and effective age in years;
- d. Appraised value per square meter and area of lot;
- e. Total appraised value of the property;
- f. Housing segment based on price ceiling as defined under the existing guidelines of the Housing and Urban Development Coordinating Council (i.e, socialized, economic, low cost, medium cost, open market);
- g. Acquisition cost; and
- h. Name of Developer.

4. Frequency and Schedule of Release

The RREPI is computed by the BSP on a quarterly basis. It is posted in the BSP website every last Friday of the quarter.

5. Glossary of Terms

Acquisition Cost

The acquisition cost refers to the contract price or the actual selling price agreed upon between the purchaser and seller at the time the contract was signed or the deposit was made.

Appraised Value of Housing Unit/Lot/Property

The appraised value of a housing unit/lot/property refers to the real estate appraiser's estimate or opinion of the current worth of a housing unit/lot/property based on factors such as area, location, improvements, and amenities at a given point in time. Generally, this value is arrived at by using one of three methods: (1) Cost approach, (2) Income approach, or (3) Market comparison approach.

Effective Age of Housing Unit

The effective age of the housing unit refers to the appraiser's estimate of the physical condition of a building. The actual age of a building may be shorter or longer than its effective age.

Housing Segments

The housing segments are based on the price ceilings based on existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC), defined as follows:

Socialized Housing

The selling price of the house is PHP 450,000.00* and below.

Economic Housing

The selling price of the house is above PHP 450,000.00* to PHP 1,700,000.00** (BP 220 standard).

Low Cost Housing

The selling price of the house is above PHP 1,700,000.00 to PHP 3,000,000.00 (PD 957 standard).

Medium Cost Housing

The selling price of the house is above PHP 3,000,000.00*** up to PHP 4,000,000.00.

Open Market Housing

The selling price of the house is above PHP 4,000,000.00.

Notes:

*per HUDCC MC No. 1, 19 Feb 2014

**per HUDCC MC No. 2, 8 Jun 2015

***per HUDCC MC No.4, 27 Sep 2006

Number of Floors

The number of floors refers to the number of storeys of the housing unit that is used for residential purposes excluding the rooftop terrace, lofts and basements.

Number of Bedrooms

The number of bedrooms refers to the number of rooms in the housing unit excluding living room, kitchen (cooking area), dining room, bathroom, and hallways. Quarters for the household helpers are included in the number of bedrooms.

5. Glossary of Terms (continued)

Real Estate Appraiser

A real estate appraiser is a duly registered and licensed person who, for a professional fee, compensation or other valuable consideration, performs or renders, or offers to perform services in estimating and arriving at an opinion of or acts as an expert on real estate values, such services of which shall be finally rendered by the preparation of the report in acceptable written form.

Real Estate Developer

A real estate developer refers to a company that invests in and develops the urban or suburban potentialities of real estate, especially by subdividing the land into home sites and then building houses and selling them.

Total Floor Area

The total floor area refers to the floor area of enclosed and open floor areas of the housing unit.

Total Lot Area

The total lot area refers to the total area of a tract or parcel of land where the housing unit is built including lawns, walkways, and driveways.

Type of Property

Foreclosed property

Housing units repossessed by bank due to owners' default payments on the housing loan.

New property

Newly-built or never been occupied housing units excluding foreclosed properties.

Pre-owned property

Previously owned and occupied housing units excluding foreclosed properties.

Type of Housing Unit

Apartment

A room, suite of rooms in a building, or row houses that is/are being rented out as housing units.

Condominium

A structure, usually a high-rise building, consisting of multiple dwelling units which are owned individually but the land, and other areas and facilities are commonly owned.

Duplex

A single structure divided into two separate dwelling units by a common wall extending from the floor to the ceiling.

Single attached house

A dwelling unit with at least one side attached to a wall (usually a firewall).

5. Glossary of Terms (continued)

Single detached house

A dwelling unit with all four walls not attached to any other dwelling or structure (except its own garage or shed). It has open space on all sides, and has no dwellings either above it or below it.

Townhouse/Accessoria/Detached row house

A structure, usually of two to three storeys, made up of a row of dwelling units entirely separated by walls with independent entrance from the outside for each dwelling units or separated by open spaces.

6. Index Formulation

The overall RREPI at quarter t is computed as follows:

$$J_t = RREPI_t = \prod_{i=1}^2 J_{t,i} \frac{1}{2} \left[\frac{\sum_{k=1}^4 Q_{t-1,i,k}}{\sum_{i=1}^2 \sum_{k=1}^4 Q_{t-1,i,k}} + \frac{\sum_{k=1}^4 Q_{t,i,k}}{\sum_{i=1}^2 \sum_{k=1}^4 Q_{t,i,k}} \right]$$

where $J_{t,i}$ = RREPI of the i th area at quarter t ;

Q = total floor area of the k th type of housing unit in the i th area at quarter t .

\prod = index of multiplication

The RREPI by area are aggregated multiplicatively and weighted by the arithmetic averages of quantity shares of all types of housing unit in the i th area to grand totals for both areas in the previous and current periods.