

Important changes to monthly property transaction statistics:

Last year we initiated an operational review of and consulted on the use made of the property transaction statistics published on the HMRC website. Following the responses we received to the consultation questions, and the meetings we held with some users, we have been working on amendments to the published monthly property transaction series. Additionally we needed to make further important changes because as from Budget day 2008 HMRC no longer receives transactions information in respect of property transactions under £40,000 (the new notification threshold for SDLT). This change has been introduced in order to reduce the administrative burden on purchasers and their agents when buying a low value property. The press notice announcing the change is at <http://www.hmrc.gov.uk/budget2008/bn57.pdf> and an impact assessment of the change can be found at http://www.hm-treasury.gov.uk/media/E/5/bud08_impact_147.pdf

In order to give users a consistent time series from which they can infer short-term trends in the property market, we have published a back series on the new (£40,000 plus) as well as the old (all transactions) basis back to April 2005 (from which point the SDLT administrative system was collecting data on 100% of transactions). The old series (with revised seasonal adjustment factors) is based on figures for England and Wales and the new series is based on figures for the United Kingdom. These changes, which affected data published in April, and subsequent changes, are discussed below. The timetable for publication of property transaction information since April 2008, indicating the changes and when they occurred, follows:

- April 21: Published normal England and Wales transaction series from April 2005 to February 2008 with revised seasonally adjusted figures following the annual review of the data.
- April 21: Published new UK non seasonally adjusted series and seasonally adjusted series with counts from April 2005 to March 2008 inclusive for transactions of £40,000 and more, still based on counts of transactions processed, as measured by certificates issued.
- July 22: Published report following the National Statistics review of property transactions. Report includes more detailed analysis and discussion of issues aired below.
- July 22: Published further additional tables as indicated below. All tables have moved from counts of transactions processed to counts of transactions completed and cover transactions priced at £40,000 and over.
 - UK counts further split into residential and non residential components with seasonally adjusted as well as non seasonally adjusted figures for the components from April 2005 to June 2008.
 - Separate counts for the countries which make up the UK (not seasonally adjusted) from April 2005 to June 2008.
 - Subdivisions of the UK will be based on the improved geographical variable discussed below.

The main changes are:

Change of monthly series to UK coverage and revised seasonal adjustment procedure

This change was implemented in April 2008.

From then onwards seasonal adjustment of the counts of transaction processed has been based on a simplified moving average method based on UK counts over £40,000, since April 2005. Until July the published series has been based on stamp duty land tax certificates issued. However in July the published series was changed to counts of completions – this is further discussed below. The seasonal adjustment will improve as more months' data becomes available but for the first couple of years there may be larger revisions to the seasonally adjusted data. Separate counts for the countries which make up the UK, published from July, now use a geographical variable based on the completed local authority code rather than the postcode of the property, which is not as well completed on the SDLT form.

Change to a count of transactions valued at £40,000 or higher

This change was implemented in April 2008.

By removing transactions at the very bottom end of the market we are moving closer, for residential transactions, to counting the sales of dwellings, rather than counts of all transactions, which will be an improvement for most customers. When property prices are rising (falling), however, the movements in transactions will display a small upward (downwards) bias, as even when total transactions are completely static there will be a boost to or decline in the published figures due to very low-priced transactions crossing the £40,000 threshold.

Change to month of transaction based on completion date

This change is now implemented with July 2008 the first month when figures are published on this basis.

The SDLT database records both the date a given transaction was completed and the date a SDLT certificate was issued. The previous published series recorded the numbers of certificates issued in a given month. Most respondents to the consultation were in favour of defining the month we associate with a transaction by reference to the date a transaction is completed rather than the date a SDLT certificate is issued. This results in a series that reflects underlying property market activity more closely, removing the variability due to, for instance, bottlenecks in the processing of transactions by HMRC. The new series will also be less volatile as a result.

The disadvantage of this change is that the lag between the completion of a transaction and the registration of the transaction on the SDLT database is longer than the lag between the issue of a certificate and the registration of that transaction. In order to produce an unbiased estimate of the previous month's completed transactions in the first release (21st day of the following month) we include an allowance for the transactions which were completed in the previous month but which have not yet been recorded on the SDLT database. We then need to revise the published series in the subsequent month (and possibly also the following month). The delay to July in making this change was to give us enough data to estimate final monthly figures for property transactions completed from the incomplete count taken the month after the month of interest. The accuracy of the adjustment is expected to increase as more months contribute to the adjustment factor. The changes for the most part are consistent with views expressed in the consultation and are intended to lead to property transaction figures which are more useful to most users. If you have any comments on the new series or the methods for producing it, please contact me on 020 7147 2910 or by email to peter.smedley@hmrc.gsi.gov.uk.

