

Additional Highlights: Comparing House Price Indexes of Select Metropolitan Areas with Delineation Changes

Before producing the current index estimates for this report (2025Q1 HPI) based on the newly adopted OMB delineations, FHFA performed a test using the newly delineated list of metropolitan areas with the preexisting source data batches for the 2024Q4 HPI report. As noted in the earlier Technical Note, there were various delineation changes to many of the existing metropolitan areas. The resulting impact on indexes for respective areas varied depending on the nature of changes. In this section, we highlight a few examples where those changes contributed to changes in the indexes.

1. *Hartford-West Hartford-East Hartford, CT* (CBSA Code 25540, formerly named as *Hartford-East Hartford-Middletown, CT*)

All CBSAs within Connecticut had boundary adjustments. The new 2023 OMB delineations recognized Connecticut's planning regions as county-equivalent entities instead of legacy counties. For example, *Hartford-East Hartford-Middletown, CT* was previously an MSA defined over the boundary of Fairfield County. Under the changes, it has been replaced with a similarly named MSA, *Hartford-West Hartford-East Hartford, CT*, that now consists of two planning regions: Western Connecticut and Greater Bridgeport. While the resulting geographical area largely overlaps with its predecessor, it now excludes the City of Shelton proper of Fairfield County/Northwest Hills Planning Region and added two municipalities from Litchfield County/Greater Bridgeport Planning Region (See Figure 1).

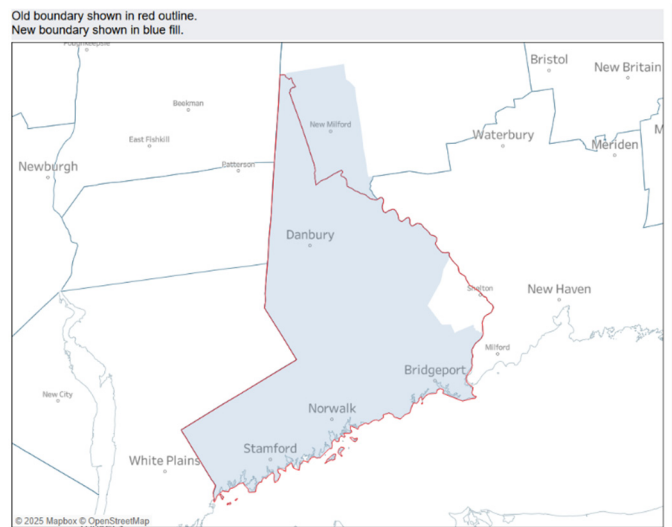


Figure 1. Old and New Boundaries of MSA containing Hartford, CT

The HPI series for this metropolitan area has changed very little with this definition update since the geographical scope of change in the sample was minor. Figure 2 shows seasonally adjusted time series for Purchase-Only indexes where the two series based on different

delineations almost overlap with each other. The invariability may also reflect housing market trends that have not significantly differed across these adjacent geographical segments.

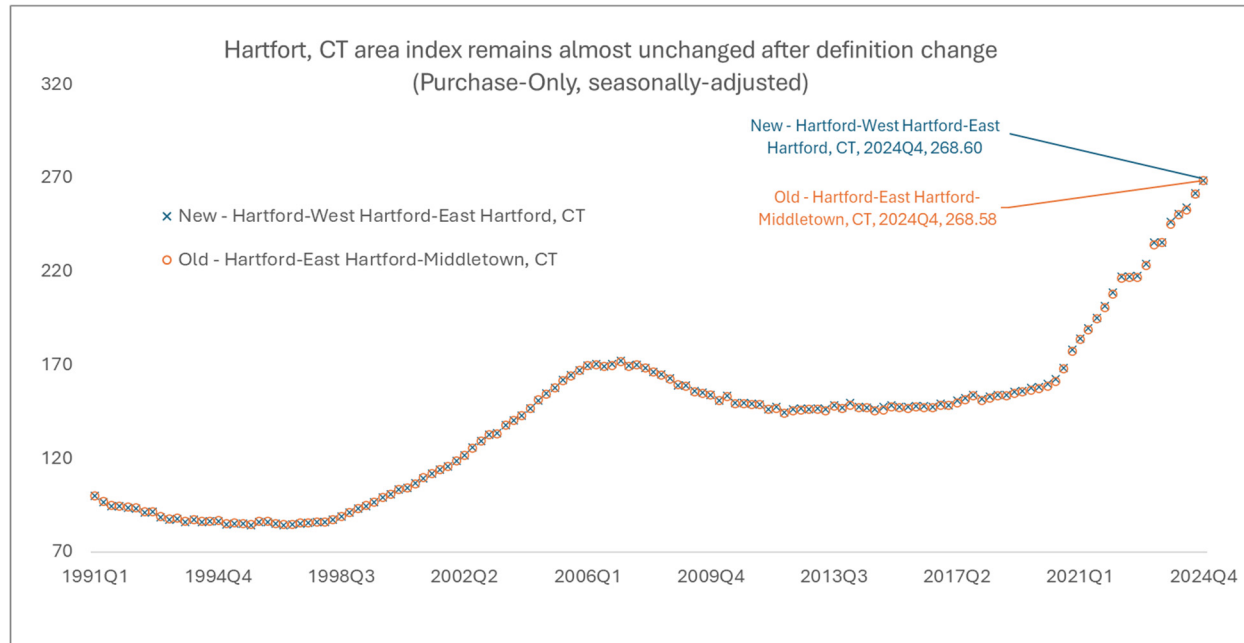


Figure 2. Index Comparison between the Old and New Definitions of MSA containing Hartford, CT

2. Tampa, FL (MSAD, 45294) and St. Petersburg-Clearwater-Largo, FL (MSAD, 41304) split from Tampa-St. Petersburg-Clearwater, FL (MSA, 45300)

Tampa-St. Petersburg-Clearwater, FL was one of the MSAs that was split into new divisions. The MSA itself continues to consist of four counties (Hernando, Hillsborough, Pasco and Pinellas), but Pinellas County now forms a new Metropolitan Division named *St. Petersburg-Clearwater-Largo, FL*, and the remaining three counties constitute another division, *Tampa, FL*.

Across all HPI index types, these two areas moved largely in tandem throughout the published index window. Still, the index levels differ considerably between the two since there had been notable historical episodes where the price appreciation was significantly steeper in *St. Petersburg-Clearwater-Largo, FL* than in *Tampa, FL*. Figure 3 highlights two five-year periods with such divergence: 1) Between the fourth quarters of 1998 and 2003, and 2) between the fourth quarters of 2014 and 2019. Because these two geographic areas make up a combined MSA, they were previously covered by a single common price index. Going forward, there will be a separate MSAD-level price index for each area.

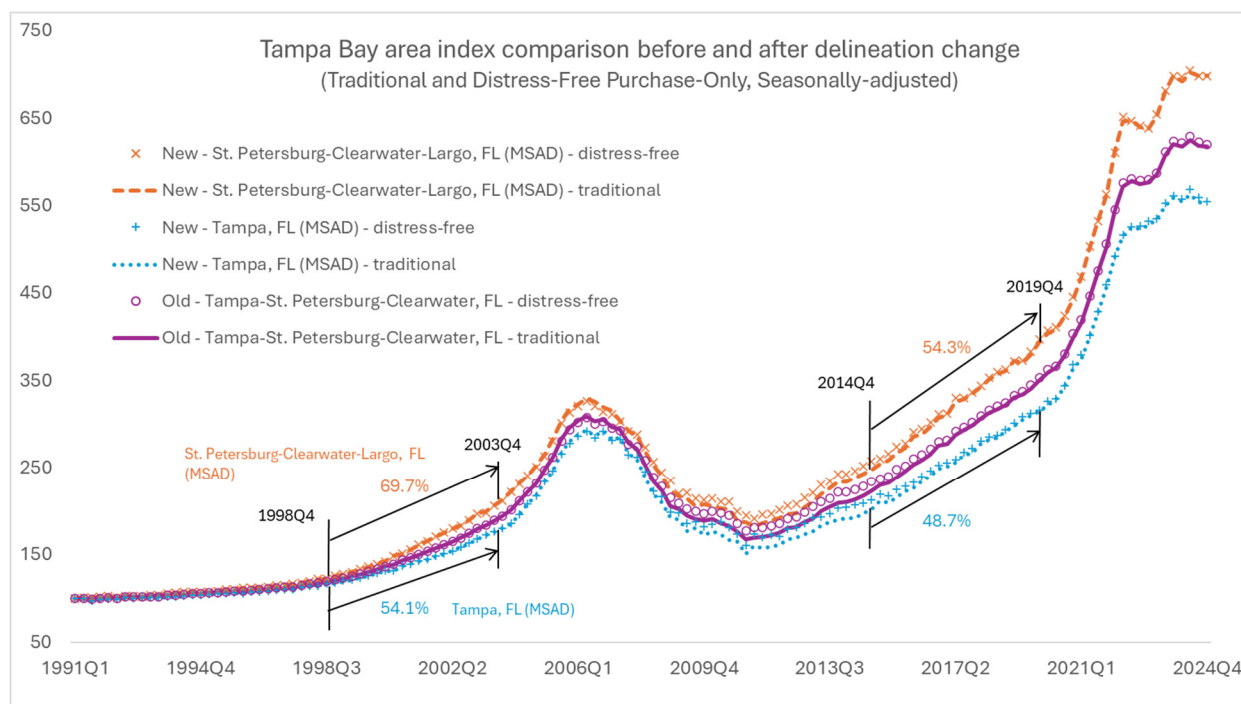


Figure 3. Index Comparisons between New MSADs in the Tampa-St. Petersburg-Clearwater, FL Area

Tampa Bay was among the areas of interest in our effort to estimate an alternative Purchase-Only index that isolates away potential noise from distressed home sales.⁹ With the new Metropolitan Divisions for the area, both divisions are now included in this developmental index (Distress-Free HPI) that FHFA continues to publish.¹⁰ Figure 3 additionally plots Distress-Free version of the new division-level series.

3. *Arlington-Alexandria-Reston, VA-WV* (MSAD, 11694) and *Washington, DC-MD* (MSAD, 47764) split from *Washington-Arlington-Alexandria, DC-VA-MD-WV* (MSAD, 47894)

Some of the existing Metropolitan Divisions were also further split into more divisions, and *Washington-Arlington-Alexandria, DC-VA-MD-WV* was one such case. The geographical area is now covered by two different Metropolitan Divisions: *Arlington-Alexandria-Reston, VA-WV* and *Washington, DC-MD*.

The updated indexes that are now separately estimated for the two areas show that the house prices in these adjacent markets have moved differently. During the national housing market crash in the mid-2000s, price declines started earlier in *Arlington-Alexandria-Reston, VA-WV* from the fourth quarter of 2006 while the indexes continued to climb in *Washington, DC-MD* for four more quarters (Figure 4). The previously published indexes for *Washington-Arlington-*

⁹ For additional background, see https://www.fhfa.gov/sites/default/files/2023-10/2012Q2_HPIFocus_N508.pdf.

¹⁰ *Atlanta-Sandy Springs-Roswell, GA* (formerly *Atlanta-Sandy Springs-Alpharetta, GA*) is another MSA in the Distress-Free HPI list that is now published as two division-level indexes: *Atlanta-Sandy Springs-Roswell, GA* (MSAD) and *Marietta, GA* (MSAD).

Alexandria, DC-VA-MD-WV tracked the prices from the broader sample and showed 2006Q4 peak as *Arlington-Alexandria-Reston, VA-WV* did.

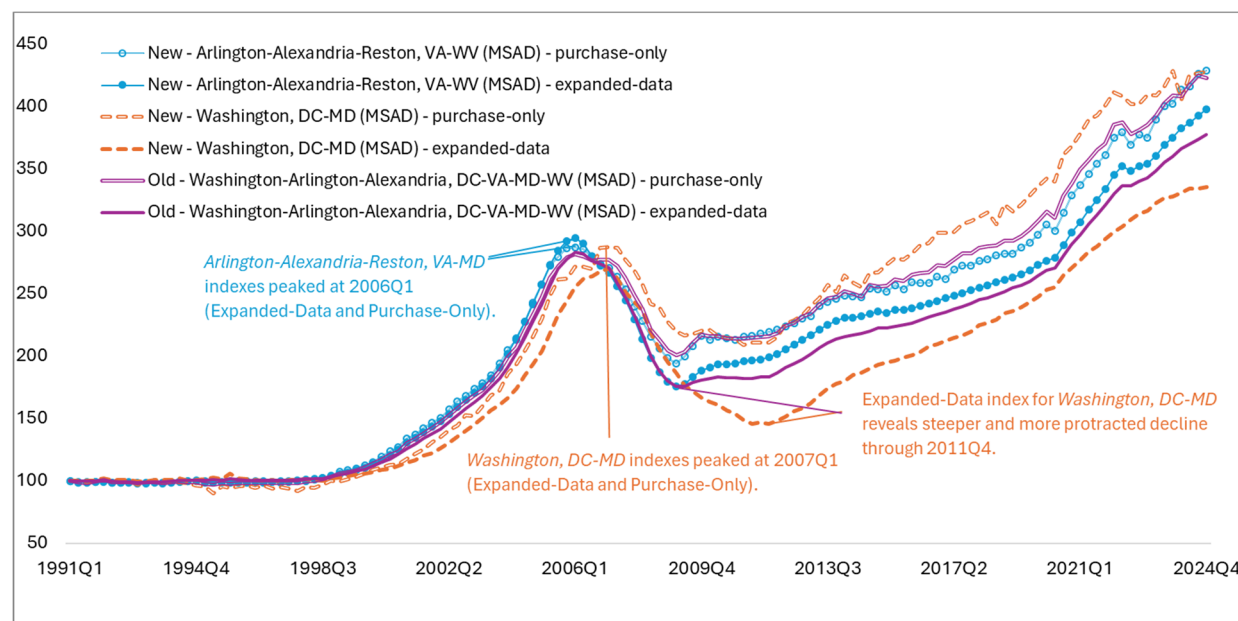


Figure 4. Index Comparisons between New and Old Metropolitan Divisions containing Washington, DC and Arlington-Alexandria, VA.

The extent and duration of the subsequent housing market crash are also revealed to be sizably different for *Washington, DC-MD*. The Expanded-Data index further accentuates the contrast that was not as evident before the delineation split. In *Washington, DC-MD*, it took a cumulative Expanded-Data index decline of 46.1 percent for five years since the peak until the recovery started, whereas the rebound was just after a 37.9 percent, three-year period decline from the peak in the broader area *Washington-Arlington-Alexandria, DC-VA-MD-WV*. This pronounced disparity likely points to distinctive market behaviors that were concentrated specifically in Expanded-Data sample for the new and narrowly defined *Washington, DC-MD* area and thus potential selection issues concerning Purchase-Only index for the same area.¹¹

¹¹ Purchase-Only HPI sample is constructed from single-family house purchase mortgages that are backed by Fannie Mae and Freddie Mac. Expanded-Data sample additionally captures FHA-backed mortgages and public sales records from licensed county recorder offices.