

The Jersey House Price Index

First quarter of 2007

Headlines

- **The average price of dwellings sold in Jersey in the first quarter of 2007 was about 3½% higher than the average for 2006;**
- **the average (mix-adjusted) price of dwellings sold in Jersey during Q1 2007 was £371,000;**
- **2- and 3- bedroom houses recorded the highest average prices seen in the five years that the Jersey House Price Index has been produced;**
- **on a quarterly basis the average price increased by 3% between the fourth quarter of 2006 and the first quarter of 2007;**
- **turnover of properties in Q1 2007 was the highest experienced for a first quarter in at least six years.**

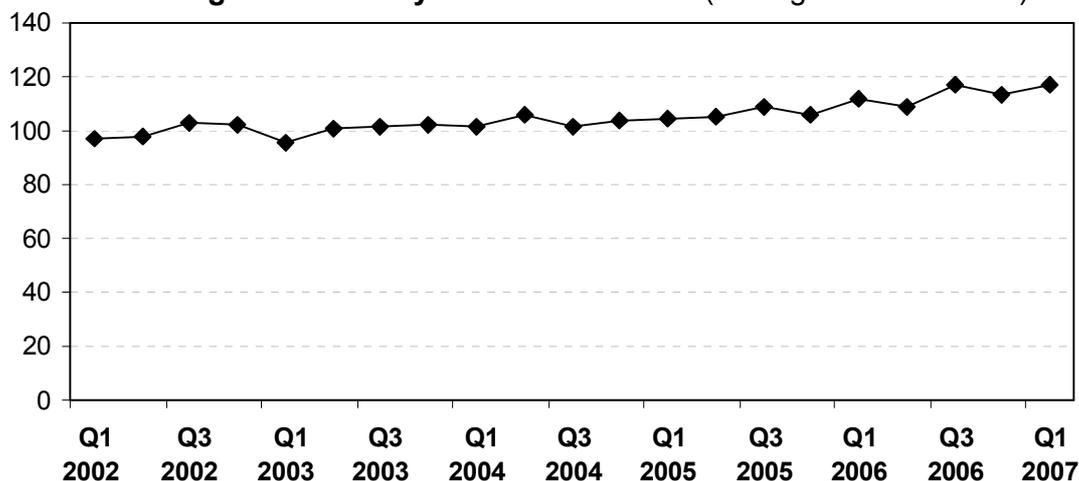
Overall mix-adjusted Index

The Jersey House Price Index measures the combined average price of 1- and 2-bedroom flats and 2-, 3- and 4-bedroom houses¹.

In considering house prices, longer term analysis is more informative than looking at movements between specific quarters, which can be influenced by a range of factors. Figures 1 and 2 illustrate that the mix-adjusted average price of dwellings in Jersey, as measured by the Jersey House Price Index, was essentially flat during 2002 and 2003, increased at a rate of around 3% per annum in both 2004 and 2005 and then increased at a higher rate (about 6.5%) in 2006.

The Index for the first quarter of 2007 was 3.5% higher than the average for all 2006 (corresponding to about £13,000).

Figure 1 - Jersey House Price Index (Average for 2002 = 100)



¹ A full description of the index and methodology is given in the Notes.

**Figure 2 - Annual % Change in average (mix-adjusted) price
2002 - 2006**

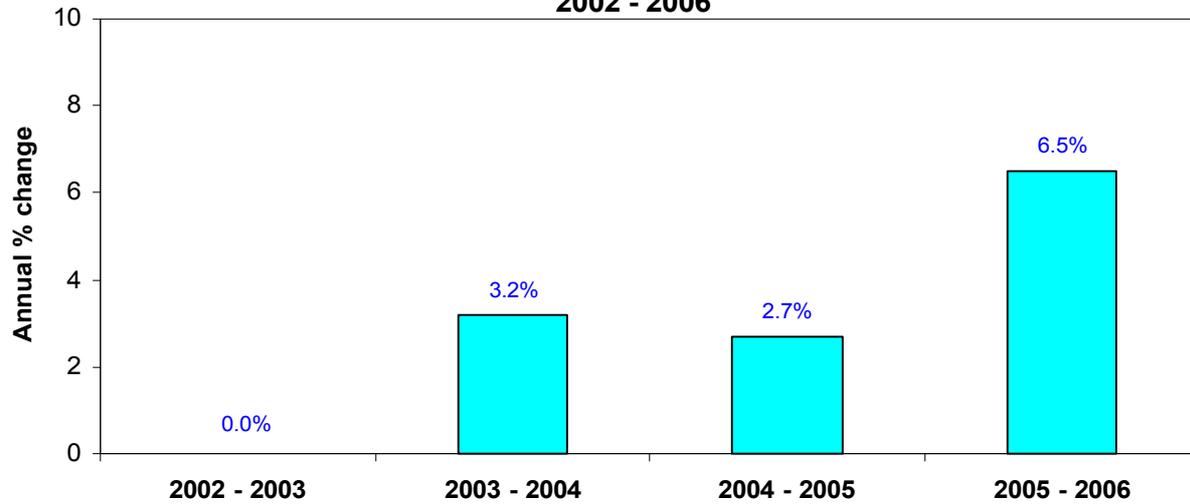


Table 1: Mix-adjusted average dwelling price and Jersey House Price Index.

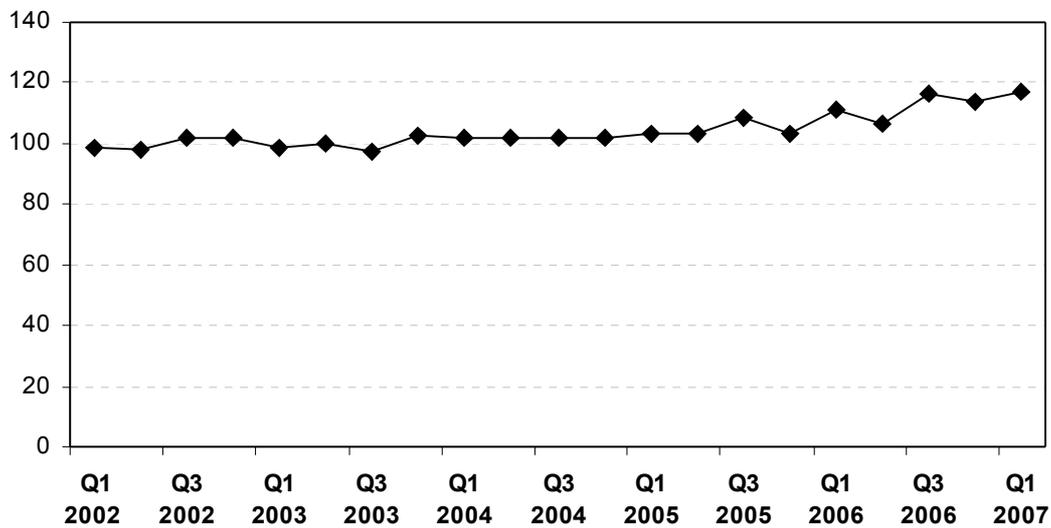
	Period	Average price (£,000)	Index (2002=100)
2002	Q1	309	97.3
	Q2	310	97.6
	Q3	327	103.1
	Q4	324	102.0
	Average	317	100.0
2003	Q1	304	95.7
	Q2	319	100.5
	Q3	322	101.3
	Q4	325	102.5
	Average	317	100.0
2004	Q1	323	101.7
	Q2	335	105.7
	Q3	322	101.5
	Q4	330	103.9
	Average	328	103.2
2005	Q1	331	104.3
	Q2	334	105.2
	Q3	345	108.8
	Q4	335	105.7
	Average	336	106.0
2006	Q1	355	111.8
	Q2	346	109.0
	Q3	372	117.2
	Q4	360	113.5
	Average	358	112.9
2007	Q1	371	116.8

Prices are rounded to the nearest £1,000.

On a **quarterly** basis, between Q4 2006 and Q1 2007, the Jersey House Price Index increased by 3%. This follows a similarly sized decrease between Q3 and Q4 2006 and demonstrates that although the overall trend in recent years has been upward, the Index does exhibit fluctuations between quarters. Such fluctuations occur as a result of the actual characteristics of individual properties sold within each property type in a given quarter, as well as seasonal factors. This intrinsic behaviour further reinforces the importance of taking **annual** changes as the key indicator.

The general stability in price of the majority of the Jersey housing market between 2002 and 2004 is indicated by Figure 3, which shows the House Price Index calculated *excluding the traditionally more volatile category of 4-bedroom houses*. Although this index itself has been somewhat more volatile over the past eighteen months, the trend has been upward and at a similar rate of increase as the full Jersey House Price Index. Prices in Q1 2007 were about 4% higher than those for all of 2006.

Figure 3 - Jersey House Price Index excluding 4-bedroom properties (average for 2002 = 100)



Individual property types

The mean prices for the individual categories of dwelling are shown in Table 2 and Figure 4.

Figure 4 - Mean prices (£,000) for individual property types

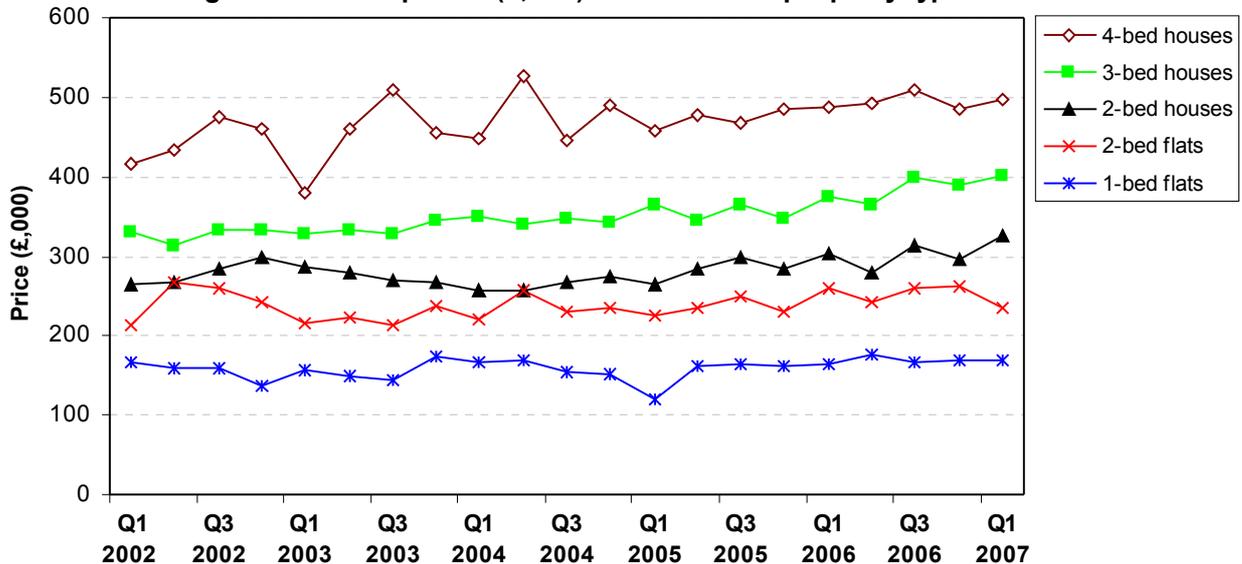


Table 2: Mean prices (£,000) for individual property types.

Period	Flats		Houses			
	1-bed	2-bed	2-bed	3-bed	4-bed	
2002	Q1	166	213	265	332	416
	Q2	160	268	268	314	432
	Q3	160	259	284	332	474
	Q4	137	242	300	333	459
2003	Q1	156	216	285	328	380
	Q2	150	222	278	333	461
	Q3	145	213	270	328	510
	Q4	173	237	266	345	454
2004	Q1	166	219	257	351	448
	Q2	169	256	258	340	526
	Q3	153	230	266	347	446
	Q4	152	236	274	343	489
2005	Q1	121	224	264	364	458
	Q2	161	236	284	346	477
	Q3	164	250	298	366	467
	Q4	161	229	284	348	484
2006	Q1	163	259	303	375	486
	Q2	176	243	278	364	492
	Q3	168	259	315	398	509
	Q4	169	262	296	388	485
2007	Q4	170	235	326	402	496
Annual average prices						
2002		156	246	279	328	446
2003		156	222	275	333	451
2004		160	235	264	345	477
2005		152	235	282	356	472
2006		169	256	298	381	493

Prices are rounded to the nearest £1,000.

Notwithstanding a degree of volatility which can occur quarter-on-quarter in the mean prices of individual property types, some themes are apparent from the data:

1-bedroom flats

The average price of 1-bedroom flats has been substantially flat for the last three years and the mean price for the latest quarter (£170,000) was very similar to the average for 2006.

2-bedroom flats

The mean price of 2-bedroom flats was essentially flat during 2004 and 2005; prices then increased at a higher rate during 2006. The mean price recorded for Q1 2007 was £235,000 which corresponds to a decrease of 8% on the average for 2006. Further data points are required to determine whether this latest point merely represents a statistical fluctuation.

2-bedroom houses

The trend in prices has been broadly upward for the past three years. The mean price of 2-bedroom houses sold during the first quarter of 2007 was £326,000, 9% higher than for calendar 2006 and representing the highest average price recorded for this category since the index was introduced in 2002.

3-bedroom houses

This category of property accounts for almost half of all residential transactions in Jersey. Following a gradual rise in prices from 2002 to 2004, a degree of volatility was observed in 2005 though the trend was still upward at a rate of about 3% per annum. 2006 saw a faster rate of increase, with the mean price of properties sold being 7% above that of 2005. The mean price recorded in the latest quarter was £402,000, 5½% higher than 2006 and representing the first occasion that the mean price went above £400,000.

4-bedroom houses

Traditionally this has been the most volatile category, being somewhat sensitive to the broad range of characteristics encompassed within this size of property, although the trend has been broadly upward since 2002. The mean price recorded for the first quarter of 2007 (£496,000) was similar to that seen overall in 2006 (£493,000).

Turnover

224 eligible properties (see Notes) were reported as being sold in Q1 2007. However, some interpretation is required in making comparisons between quarters due to variation in the frequency of sittings of the Royal Court and hence in the number of Jersey Property Bulletins published per quarter. Taking this point into account, and acknowledging that first quarter turnover tends to be lower than that for other quarters (see Figure 5), turnover in the latest quarter, at about 37 properties per bulletin, was the highest experienced for a first quarter in six years.

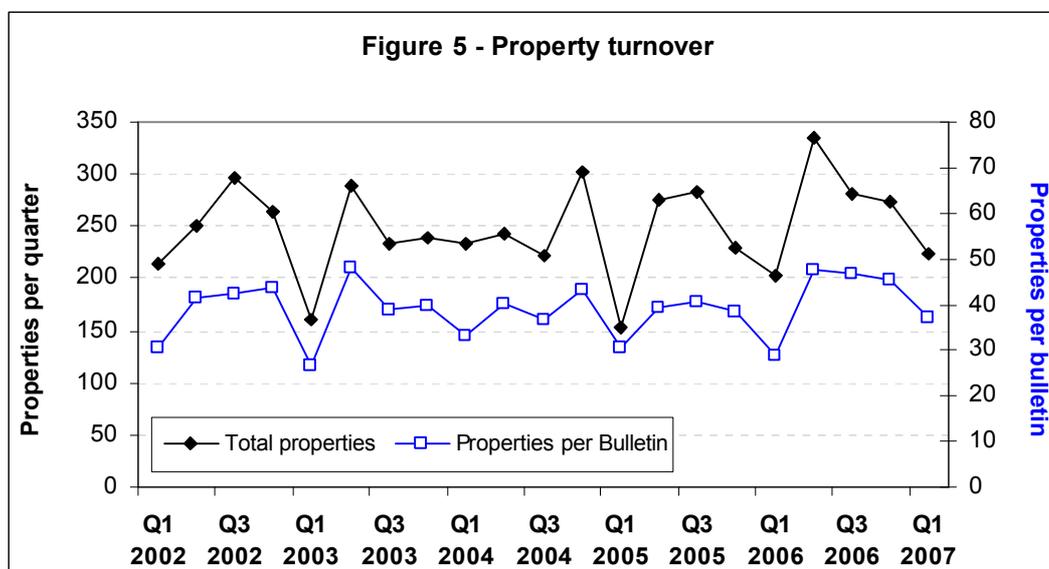


Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).

Period	Flats		Houses			Total	Property Bulletins published
	<u>1-bed</u>	<u>2-bed</u>	<u>2-bed</u>	<u>3-bed</u>	<u>4-bed</u>		
2002 Q1	23	22	30	106	34	215	7
Q2	12	36	42	120	40	250	6
Q3	20	36	57	139	44	296	7
Q4	16	33	34	129	51	263	6
Average	18	32	41	124	42	256	7
2003 Q1	16	22	20	70	33	161	6
Q2	22	25	48	130	63	288	6
Q3	12	28	47	96	51	234	6
Q4	21	30	31	108	49	239	6
Average	18	26	37	101	49	231	6
2004 Q1	16	31	43	98	46	234	7
Q2	21	27	44	109	41	242	6
Q3	20	18	41	101	41	221	6
Q4	28	26	47	136	66	303	7
Average	21	26	44	111	49	250	7
2005 Q1	11	20	19	83	20	153	5
Q2	20	26	47	127	55	275	7
Q3	10	18	44	155	57	284	7
Q4	17	29	35	101	48	230	6
Average	15	23	36	117	45	236	6
2006 Q1	11	25	31	92	43	202	7
Q2	21	33	53	165	62	334	7
Q3	17	28	49	133	54	281	6
Q4	16	23	42	124	69	274	6
Average	16	27	44	129	57	273	7
2007 Q1	13	26	37	107	41	224	6

First Time Buyers

There are a number of sites in Jersey which have had dwellings built exclusively to be available at a more affordable price to First Time Buyers (FTB). Due to the relatively small number of such transactions taking place in a given quarterly period, FTB properties are presented in Table 4 on an annual basis and only at a combined flat and a combined house level (see Note 6).

The fluctuations in the annual mean price of FTB properties seen for both types of property may be ascribed to two factors: firstly, there is a relatively small number of transactions of such properties taking place each year; secondly specific FTB sites vary somewhat in designated price and since the majority of each site is made available to purchase at a similar time, the annual figures reflect which site has come onto the market in a given year. For example, flats in Woodville Apartments in 2002 were available at a lower price, generally, than those in Albert Place in 2003 and 2004.

As a result of these factors it is more difficult to calculate precise price levels for this housing sub-sector. However, the average prices recorded do point to a lower price growth for FTB properties than that seen in the rest of the market.

Initial estimates of average prices for FTB properties sold in 2007 will be published in the Q2 report.

Table 4: First Time Buyers' properties, 2002-2006.

	2002	2003	2004	2005	2006
Flats					
Mean price	160	185	215	201	205
Transactions	59	52	23	8	13
Principal sites	<i>Woodville Apartments</i>	<i>Albert Place</i>	<i>Albert Place</i>	<i>Various & re-sale</i>	<i>Woodville & Albert Place resale</i>
Houses					
Mean price	222	242	292	270	260
Transactions	44	18	11	129	71
Principal sites	<i>Clos Le Breton</i>	<i>Les Serres</i>	<i>Various & re-sale</i>	<i>Various & re-sale²</i>	<i>Clos des Charmes, various & re-sale²</i>

Comparison with the UK, Guernsey and the Isle of Man

Guernsey

Guernsey publishes house price information on a quarterly basis. Historically, average Guernsey "local" market house prices were calculated using a mean average of a truncated ("top and tailed") distribution of house price transactions. In the third quarter of 2006 the methodology was changed, to be based on the median value of the un-truncated distribution. However, the resulting average (median) does not take into account the particular mix of properties sold in each period and as such is not strictly comparable with the Jersey methodology.

On an annual basis, the overall average price of dwellings sold in Guernsey³ in Q1 2007 was 2% higher than in 2006. The first quarter of 2007 recorded a median price of £305,000 which was 5% higher than for the same quarter in 2006.

Isle of Man

The most up-to-date published information on dwelling prices in the Isle of Man⁴ is for calendar year 2005; the simple average (i.e. not mix-adjusted) dwelling price was £231,000, representing an increase of 6% on 2004.

² Properties on the La Cambrette and the La Selliere sites have been excluded from the First Time Buyers analysis. These sites constitute refurbished properties sold by the Housing Department to States tenants at a price lower than private development sales and are thus not reflective of the First Time Buyers' market.

³ Guernsey Policy and Research Unit: Guernsey House Price Index 1981-2007.

⁴ Isle of Man, Digest of Economic and Social Statistics 2006; house price data for 2005 are provisional.

United Kingdom

Mix-adjusted average prices of dwellings sold in the last five quarters in Jersey and the UK (overall and by region)⁵ are shown in Table 5.

The average (mix-adjusted) price of dwellings sold in Jersey during the first quarter of 2007 was about 80% higher than that in the UK as a whole and about a fifth (19%) higher than in Greater London.

Table 5: Mix-adjusted average price of dwellings sold in Jersey and the UK.

	Mix-adjusted average price £,000				
	2006				2007
	Q1	Q2	Q3	Q4	Q1
Jersey	355	346	372	360	371
UK	185	190	197	199	206
England	193	198	205	207	213
Northern Ireland	140	148	166	186	211
Wales	148	153	158	160	161
Scotland	130	136	144	146	150
Greater London	269	279	287	292	311
South East (excl. London)	232	237	245	247	256
East	204	208	216	217	224
South West	200	204	210	213	217
West Midlands	165	167	173	175	175
East Midlands	158	160	165	167	168
North West	147	151	156	157	158
Yorkshire & Humber	147	150	156	158	159
North East	134	138	142	144	144

Prices are rounded to the nearest £1,000.

Although quarter to quarter comparisons should be used with a degree of caution, especially with the smaller housing markets of Jersey and Guernsey, comparing Q1 2007 to the same quarter in 2006 shows that the Jersey and Guernsey housing market saw similar moderate rates of increase (4% and 5%, respectively) whilst the UK saw a considerably higher rate of increase (11%).

⁵ Figures for the UK are derived from: Department for Communities and Local Government, Release HPI-05-07. These UK figures are based on mortgaged purchases, and hence do not include purely cash purchases; the Jersey figures include both mortgaged and cash purchases.

Notes

1. The principal data source for the Jersey House Price Index is the Jersey Property Bulletin, supplemented by information on type and size of property provided by the States of Jersey Housing Department.

2. Excluded properties:

Derelict buildings, commercial properties with associated residential units, apparent intra-family transactions, retirement community developments and properties designated by the States of Jersey solely for purchase by first-time buyers are excluded from the final data set from which the average prices and the Index are determined. Furthermore, due to the small numbers of properties and high variability of prices, the following categories of dwelling are also excluded: bedsits; 3 or more bedroom flats; 1- and 5 or more bedroom houses; and multi-dwelling properties. New dwellings, other than those removed by the above exclusion criteria, are implicitly included in the final data set.

3. Share transfers:

Sales occurring via share transfer are not processed through the Royal Court and hence do not appear in the Jersey Property Bulletin. Share transfer transactions are estimated to have constituted about three-fifths of all sales of flats since Q1 2002, with the proportion varying between half and two-thirds at the quarterly level as new developments come onto the market.

Since the transaction prices of properties purchased by share transfer are not readily available such properties are currently not included in the compilation of the Jersey House Price Index. However, as such properties are a part of the Jersey housing market, the level and change in price of this element of the market are governed by economic forces in the same way as the purchase of comparable properties which proceed via the Royal Court. Therefore, the coverage of flat purchases recorded through the latter process, and used in this analysis, provides a robust indicator of the state of the overall market for flats in Jersey. Nevertheless, the Statistics Unit is continuing to work with the Housing Department and other potential sources in order to investigate the possibility of including share transfer properties in the future.

4. The average price of dwellings is calculated by weighting together the average price for each of the following five categories: 1- and 2-bedroom flats; 2-, 3- and 4-bedroom houses ("houses" includes houses and bungalows). The resulting mix-adjusted average dwelling price (see Note 5) is converted into the Jersey House Price Index (based to 100 for calendar year 2002).

The margin of uncertainty on any quarter's average price is \pm £10,000; that on the difference between the average prices for any two quarters is \pm £14,000. The margin of uncertainty on any quarter's index is \pm 3 percentage points.

5. Mix-adjustment

In order that the average price in a given period is independent of the particular "mix" of properties sold in that period, a "mix-adjusted" average is calculated for each period by weighting each property type by a constant proportion. Prior to the first quarter of 2005, the weights for calculation of the mix-adjusted averages were derived from the proportion that each property type accounted for of all transactions in calendar year 2002. Revised property-type weights were introduced in Q1 2005, derived from the full preceding three-year period.

Property type	Weight
1-bedroom flats	0.077
2-bedroom flats	0.113
2-bedroom houses	0.164
3-bedroom houses	0.456
4-bedroom houses	0.190

The slight changes in weights produced no material discontinuity in the Index series; the difference in mix-adjusted average price between the two sets of weights was £1,000.

6. First Time Buyers:

Due to the very the small number of 4-bedroom First Time Buyer (FTB) properties, the analysis presented for FTB houses in Table 4 comprises 2- and 3- bedroom FTB houses combined. Otherwise, almost all First Time Buyer properties are included in the analysis underpinning the table. In a small number of cases the only data available is the “plot” price of a property; such transactions are not included.

Statistics Unit

16 May 2007