

Jersey House Price Index

Second Quarter 2008

Statistics Unit: www.gov.je/statistics

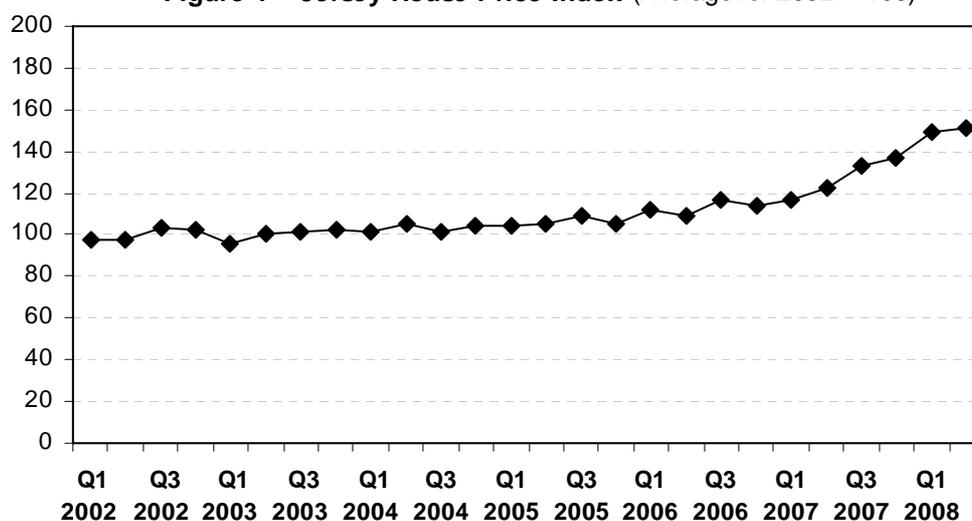


Headlines

- In the second quarter of 2008, the average price of dwellings sold in Jersey was about a quarter (24%) higher than the average in Q2 2007;
- this overall annual change was similar to, but marginally less than, that reported for the previous quarter;
- the average prices of **2- and 3-bedroom houses** were about a **fifth higher** than a year earlier, whilst **4-bedroom houses** were **more than a quarter higher**;
- the average prices of **1 and 2-bedroom flats** sold in Q2 2008 were about a **quarter** and a **third** higher, respectively, than in Q2 2007;
- **the average (mix-adjusted) price** of dwellings sold in Jersey during Q2 2008 was **£480,000**;
- average **turnover** of properties (seasonally adjusted) in Q2 2008 was slightly lower than the quarterly average seen throughout 2007, largely as a result of lower turnover of 3- and 4-bedroom houses;
- the **Jersey Private Sector Rental Index** indicates that the mean rents of new rental consents in the private sector in Q2 2008 were about 13% higher than a year earlier.

Overall mix-adjusted Index

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



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 dwelling prices, longer term analysis is generally more informative than looking at movements between specific quarters, which can be influenced by a range of factors. Table 1 and Figure 1 show that 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, at about 6½% in 2006 and at 13% in 2007 on a year-on-year basis. However, it is apparent from Figure 1 that since the latter half of 2007 a greater rate of price growth has occurred.

The mix-adjusted average price for the latest quarter, Q2 2008, was about a quarter (24%) higher than that recorded for Q2 2007 (corresponding to more than £90,000). This latest annual rate of increase is similar to, but marginally less than, that recorded in the previous quarter, which saw an annual rate of increase of 28%.

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

Period	Average price (£,000)	Index (2002=100)
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
Q2	388	122.2
Q3	421	132.7
Q4	435	137.0
Average	404	127.2
2008 Q1	474	149.5
Q2	480	151.3

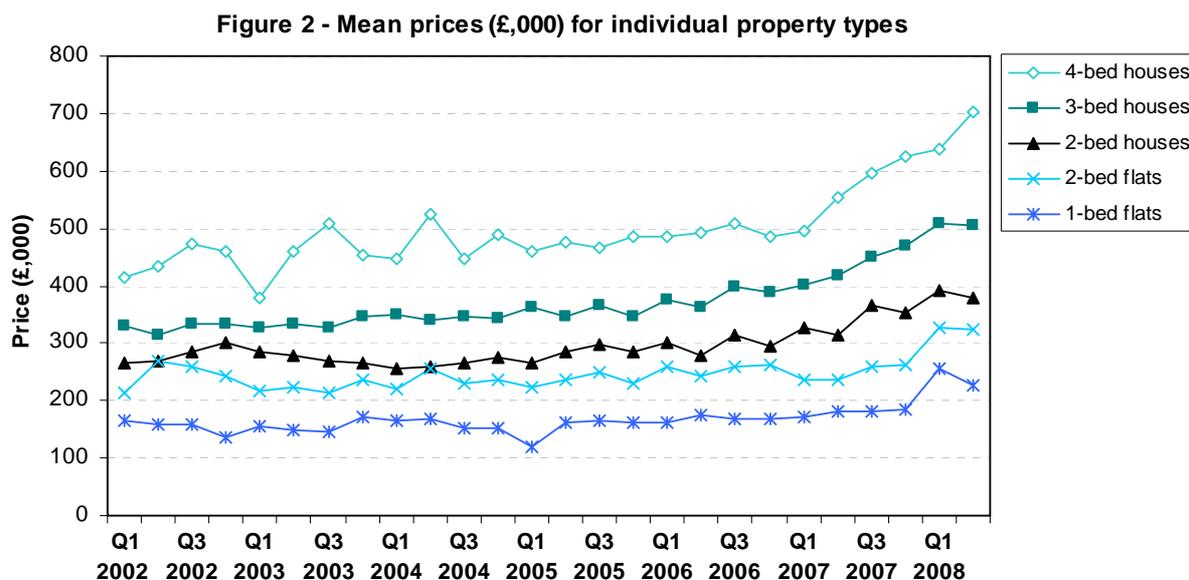
Prices are rounded to the nearest £1,000.

On a **quarterly** basis, between Q1 and Q2 2008, the Jersey House Price Index remained essentially stable, increasing by 1%. However, the Index does tend to 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 the *annual* percentage change of the underlying trend as the key indicator.

Individual property types

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

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



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 increased throughout 2007 and notably in the first quarter of 2008. This latest quarter recorded a mean of £226,000, about a quarter (25%) higher than that seen in Q2 2007.

2-bedroom flats

The mean price of 2-bedroom flats remained essentially stable during 2007. However, the level of mean price has been higher in 2008 to date, with Q2 2008 recording an average price of £323,000, more than a third higher than Q2 2007. It is worth noting that the higher mean price level seen since 2008 has particularly been driven by new sites coming onto the market.

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 second quarter of 2008 was £378,000. This mean price is a fifth (20%) higher than that for Q2 2007.

3-bedroom houses

This category of property accounts for almost half of all residential transactions in Jersey. Following a small ongoing increase in average price from 2002 to 2005, 2006 saw a greater annual increase, of about 7% and 2007 saw the rate rise again (to about 14%). The mean price exceeded half a million pounds for the first time in Q1 2008 and the latest quarter recorded a mean price of £506,000, about a fifth (21%) higher than in Q2 2007.

4-bedroom houses

The trend in average price has been broadly upward since 2002, however the rate of increase has accelerated most recently with the latest quarter experiencing an annual increase of 27%. The mean price recorded for the second quarter of 2008 was £704,000.

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 Q1	170	235	326	402	496
Q2	181	236	316	417	554
Q3	182	259	366	449	596
Q4	185	262	354	470	626
2008 Q1	255	327	391	510	638
Q2	226	323	378	506	704
Annual mean 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
2007	179	248	340	435	568

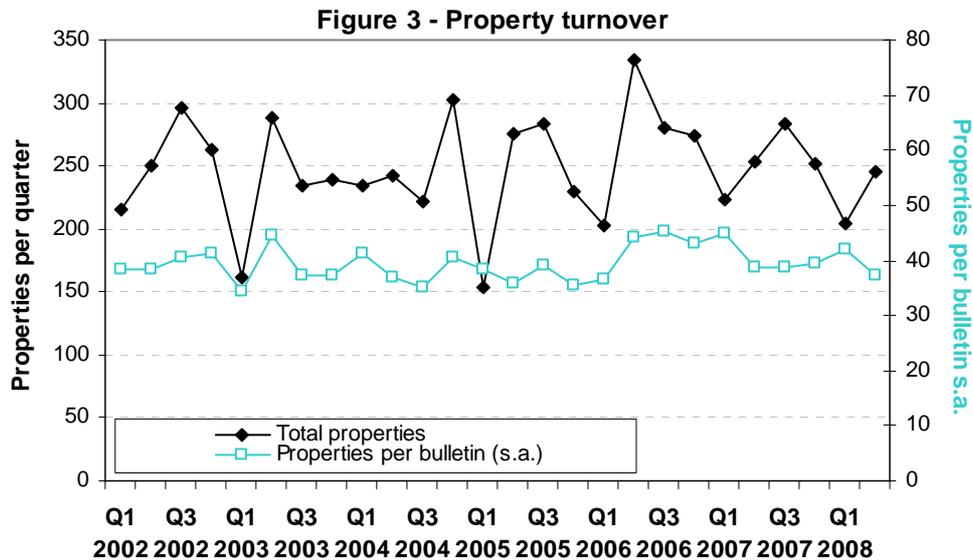
Turnover

Table 3 illustrates that 245 eligible properties (see Notes) were reported as being sold in Q2 2008.

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	Bulletins published
	1-bed	2-bed	2-bed	3-bed	4-bed		
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
Q2	20	20	43	119	51	253	6
Q3	33	29	38	128	55	283	7
Q4	18	42	37	107	48	252	6
Average	21	29	39	115	49	253	6
2008 Q1	16	29	35	90	35	205	6
Q2	22	28	43	111	41	245	6

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. It is also necessary to account for the marked seasonal nature of the raw data (apparent in Figure 3).



s.a. = seasonally adjusted.

The seasonally adjusted turnover in the latest quarter (37 properties per bulletin) was slightly lower than the quarterly average seen throughout 2007 (41 properties per bulletin). This decrease was predominately a result of lower turnover of 3- and 4-bedroom houses in Q2 2008 compared with the second quarters of the three previous years.

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 7).

Table 4: First Time Buyers' properties, 2004-2007.

Year	Flats		
	Mean price	Transactions	Principal sites
2002	160	59	Woodville Apartments
2003	185	52	Albert Place
2004	215	23	Albert Place
2005	201	8	Various & re-sale
2006	205	13	Woodville & Albert Place resale
2007	195	22	Clos des Charmes / Various & re-sale
Year	Houses		
	Mean price	Transactions	Principal sites
2002	222	44	Clos Le Breton
2003	242	18	Les Serres
2004	292	11	Various & re-sale
2005	270	129	Various & re-sale ²
2006	283	60	Various & re-sale ²
2007	312	12	Clos des Charmes / Various & re-sale ²

² Properties on the La Cambrette have been excluded from the First Time Buyers analysis, since these were 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.

The fluctuations apparent 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.

Over the past three years the average price of FTB flats has remained relatively stable at around £200,000 whereas the average price of FTB houses surpassed £300,000 in 2007.

Comparison with the UK

United Kingdom

Mix-adjusted average prices of dwellings sold in the last five quarters in Jersey and the UK (overall and by region)³ are shown in Table 5.

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

Region	Mix-adjusted average price £,000				
	2007			2008	
	Q2	Q3	Q4	Q1	Q2
Jersey	388	421	435	474	480
UK	211	219	219	219	217
England	218	227	227	226	224
Northern Ireland	233	247	231	222	221
Wales	163	167	169	167	163
Scotland	158	163	165	163	167
Greater London	325	342	339	342	342
South East (excl. London)	263	274	275	275	272
East	227	236	237	238	235
South West	222	230	229	226	223
West Midlands	176	182	181	179	175
East Midlands	171	175	176	174	169
North West	161	164	165	162	161
Yorkshire & Humber	162	166	167	164	164
North East	147	151	151	149	148

Prices are rounded to the nearest £1,000.

³ Figures for the UK are derived from: Department for Communities and Local Government, House Price Index June 2008. 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.

In 2008 to date the annual rate of increase in the average (mix-adjusted) price of dwellings sold in the UK as a whole has declined compared to previous quarters, the average price in the latest quarter being about 3% greater than a year earlier.

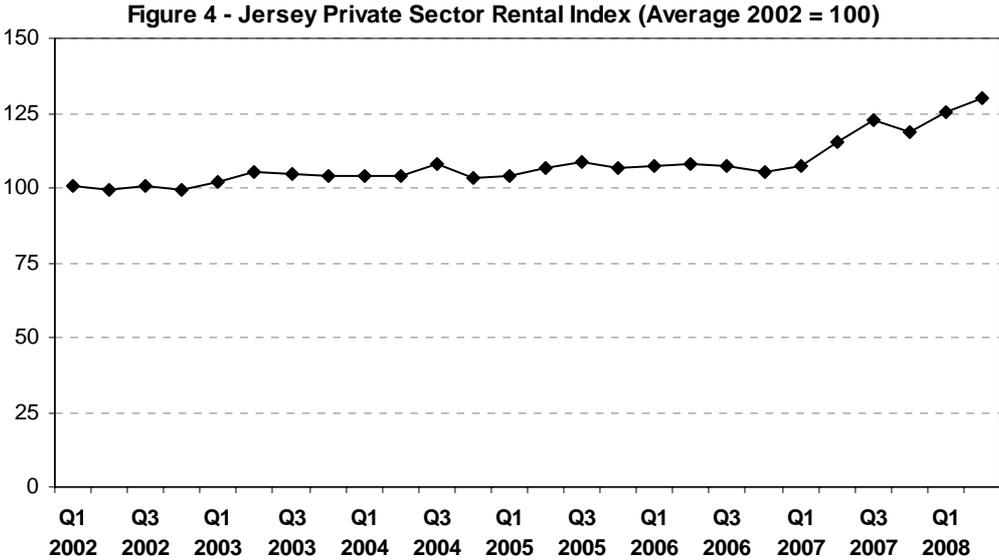
The average (mix-adjusted) price of dwellings sold in Jersey during the second quarter of 2008 was more than double that for the UK and more than a third higher than in Greater London.

Jersey Private Sector Rental Index⁴

The Private Sector Rental Index was introduced for Jersey in the third quarter of 2007 (see Table 6).

It is important to note that this index is derived from the average rent of those properties for which rental consents have been granted during each quarter and not from all private sector rents in the Island.

As well as an overall mix-adjusted index, separate indices are also produced for “Flats” (bedsits, 1-, 2- and 3-bedroom) and “Houses” (1-, 2-, 3-, and 4-bedroom).⁵ On average, there are about 1,800 and 660 private sector lease transactions per year for flats and houses respectively. The index is weighted accordingly, with flats accounting for around three-quarters of the total index.



Average rents in the private sector, as measured by the Jersey Private Sector Rental Index, increased by about 4% between 2002 and 2003. Rents were then essentially stable between 2003 and 2006 and then the annual rate of increase rose in 2007 to about 8%.

Average rents for the second quarter of 2008 were about 13% higher than the average for the second quarter of 2007. The average rent of flats increased by about 7% over this period, whereas the average rent of houses increased by over a fifth (22%).

⁴ The Jersey Private Sector Rental Index is published as an experimental index.
⁵ A full description of the Jersey Private Rental Index and methodology is given in the Notes.

Table 6: Jersey Private Rental Index (Average 2002 = 100).

Period	Flats	Houses	Jersey Private Sector Rental Index
2002 Q1	99.9	102.8	100.9
Q2	99.7	98.8	99.2
Q3	102.2	98.1	100.5
Q4	98.1	101.9	99.4
2003 Q1	101.5	103.4	102.1
Q2	104.0	108.2	105.5
Q3	103.9	106.9	104.9
Q4	105.3	101.6	103.7
2004 Q1	103.1	106.2	104.1
Q2	104.5	103.6	104.0
Q3	107.5	108.7	107.8
Q4	102.4	105.1	103.3
2005 Q1	103.2	104.9	103.7
Q2	106.2	107.7	106.6
Q3	108.0	110.6	108.8
Q4	104.5	110.1	106.5
2006 Q1	106.4	108.6	107.1
Q2	108.1	109.0	108.3
Q3	109.0	104.4	107.1
Q4	107.1	103.6	105.6
2007 Q1	108.7	105.9	107.5
Q2	116.2	113.6	115.0
Q3	120.0	127.9	122.9
Q4	116.5	123.2	118.9
2008 Q1	121.3	131.5	125.1
Q2	124.9	138.4	129.9

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 Population Office.
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.

If share transfers are included at the weight of three-fifths of all sales of flats, the annual percentage change of the overall mix-adjusted index (25%) is similar to the headline annual change figure stated previously in this report (24%) and is consistent with statistical integrity.

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. Trend Analysis

Trend analysis (and seasonal adjustment) is performed on the various indices in order to measure the change in the underlying behaviour. By determining the functional form of the trend, the annual rate of change at any given point in time can be determined.

7. 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.

8. Jersey Private Rental Index:

The principal data source for the Jersey Private Rental Index is the States of Jersey Population Office. Due to the small numbers of properties and high variability of rents, the following categories of dwelling are excluded: 4 or more bedroom flats and 5 or more bedroom houses. All non-domestic dwellings are also excluded. The average (mean) rental price of dwellings is calculated by weighting together the average rents for each of the following categories: bedsits, 1-, 2- and 3-bedroom flats and 1-, 2-, 3- and 4-bedroom houses (“houses” includes houses and bungalows).

As in the methodology for the Jersey House Price Index, to ensure the average rental cost in a given period is independent of the particular “mix” of properties recorded in that period, a “mix-adjusted” average is calculated for each period by weighting each property type by a constant proportion. The weights for calculation of the mix-adjusted averages are derived using the proportion that each property type accounted for during the three-year period 2002 to 2005.

The resulting mix-adjusted average rental price is converted into the Jersey Private Rental Index (based to 100 for calendar year 2002).