

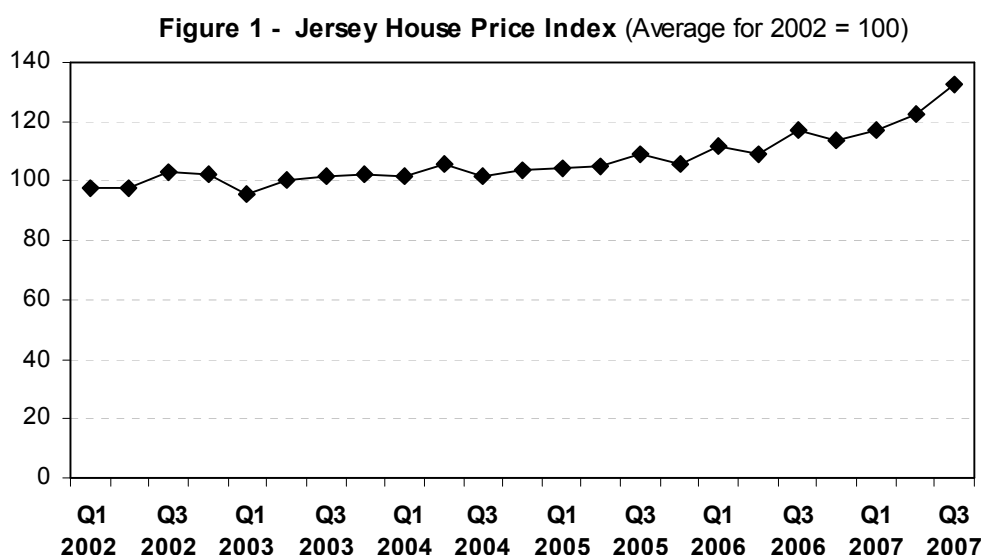
The Jersey House Price Index Third quarter of 2007

Headlines

- **The average price of dwellings sold in Jersey in the third quarter of 2007 was more than a sixth (18%) higher than that for 2006;**
- house prices in particular have seen a greater rate of increase than in previous years, with 2-, 3- and 4-bedroom **houses each up by about a fifth on their respective averages for 2006;**
- **flat prices** have remained **essentially static over the last 3 years;** though there is an indication that the price of 1-bedroom flats has risen more recently;
- **the average (mix-adjusted) price** of dwellings sold in Jersey during Q3 2007 was **£421,000;**
- on a **quarterly** basis the average price **increased** by **9%** between the second and third quarters of 2007;
- **turnover** of properties in Q3 2007 was at a similar level to the average quarterly turnover seen in 2006 and in the first half of 2007;
- the new **Jersey Private Sector Rental Index** indicates that average rents in the private sector have increased at a higher rate in 2007 to date than in each of the previous four years.

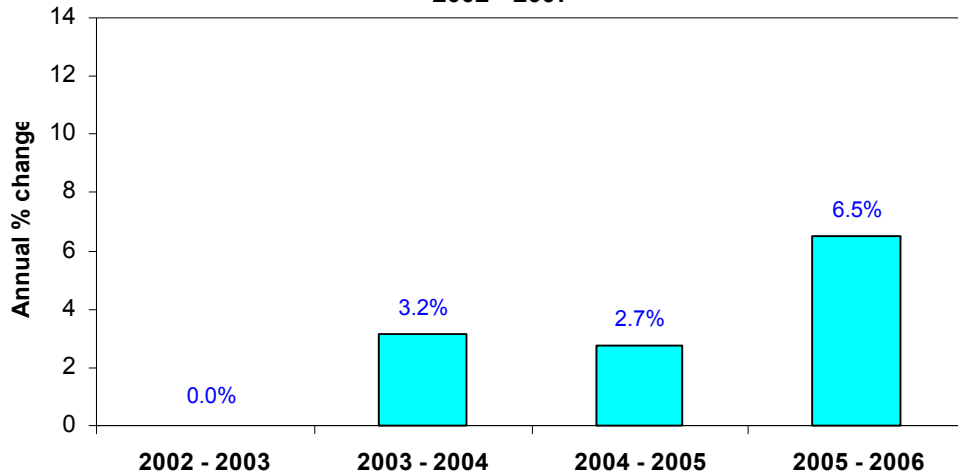
Overall mix-adjusted Index

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



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

**Figure 2 - Annual % Change in average (mix-adjusted) price
2002 - 2007**

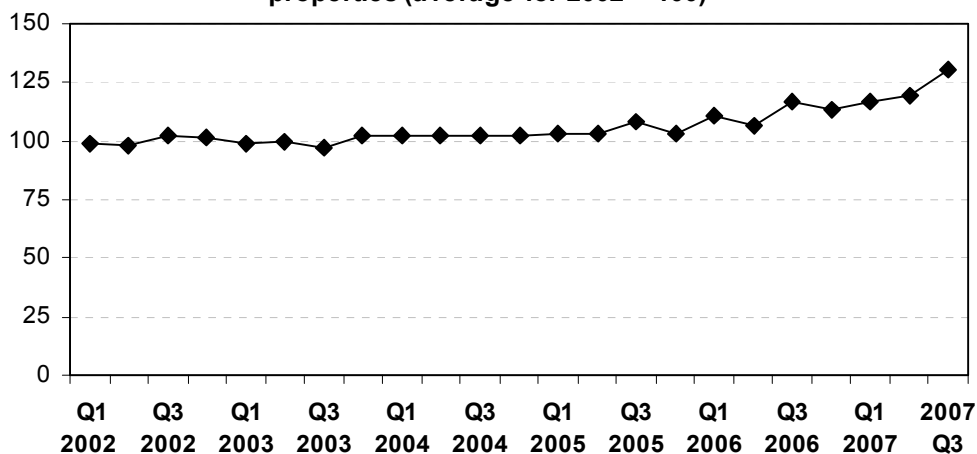


In considering house prices, longer term analysis is more informative than looking at movements between specific quarters, which can be influenced by a range of factors. Table 1 and Figures 1 and 2 illustrate that the mix-adjusted average price of dwellings in Jersey, as measured by the Jersey House 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 third quarter of 2007 was about 18% higher than the average for 2006, corresponding to an increase in average price of more than £60,000, and suggesting that we are now seeing a considerably higher rate of price growth.

On a **quarterly** basis, between Q2 and Q3 2007, the Jersey House Price Index increased by 9%. 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.

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



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 the third quarter of 2007 were about a sixth (16%) higher than those in 2006.

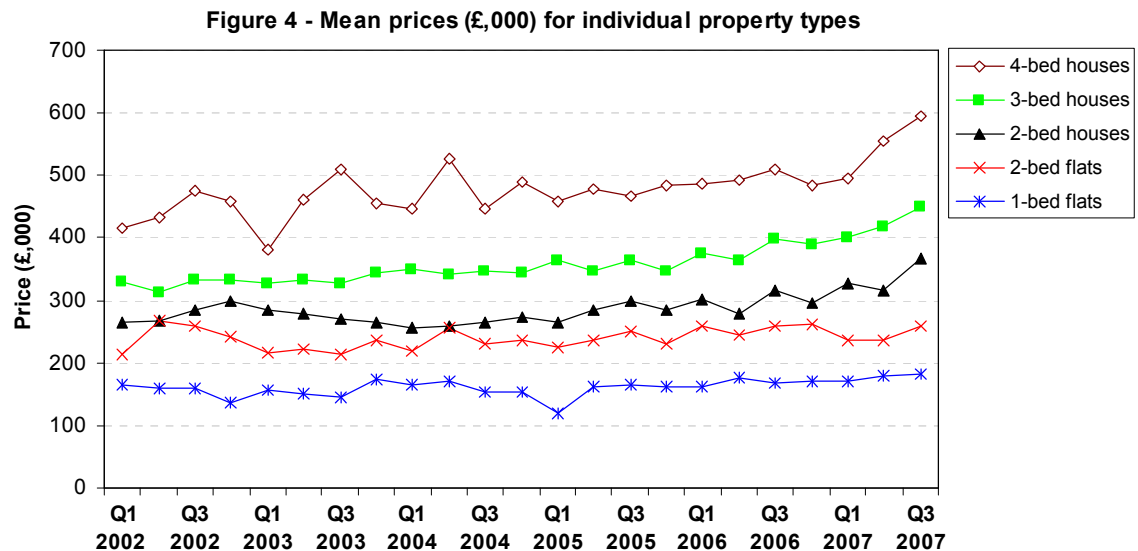
Table 1: Mix-adjusted average dwelling price and Jersey House Price Index.

	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
	Q2	388	122.2
	Q3	421	132.7

Prices are rounded to the nearest £1,000.

Individual property types

The mean prices for the individual categories of dwelling are shown in Table 2 and Figures 4 and 5.



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 was substantially flat for the three years up to Q1 2007. Indications are that the average price has increased recently, with that for the latest two quarters (£182,000) being about 8% higher than the average for 2006.

2-bedroom flats

The mean price of 2-bedroom flats was essentially flat during 2004 and 2005 and then increased in 2006. Following two quarters of slightly lower mean price, the latest quarter recorded a similar value (£259,000) to the average for 2006.

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 third quarter of 2007 was £366,000. This average price is nearly a quarter (23%) higher than the average for 2006.

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 further annual increase of about 7%. 2007 has seen a still greater rate of increase, with the mean price for the latest quarter (£449,000) being more than a sixth (18%) higher than the average for 2006.

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

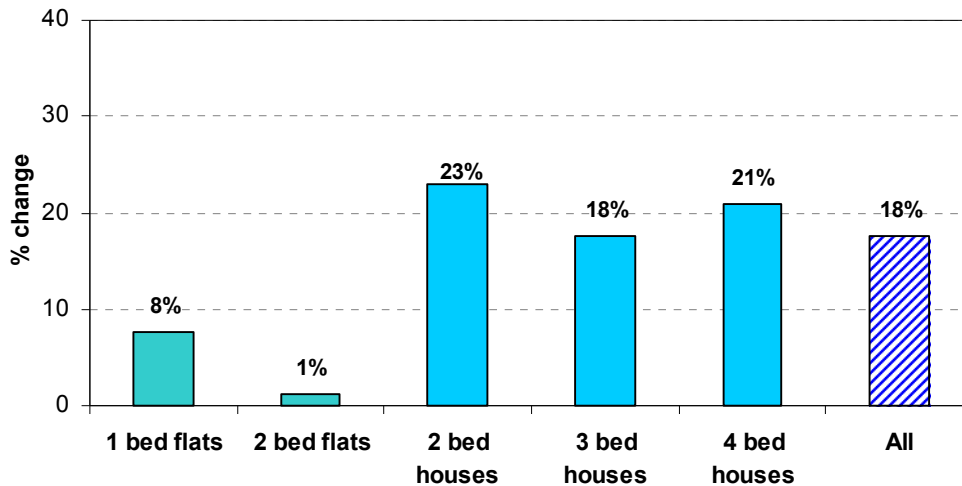
Period	Flats		Houses			
	<u>1-bed</u>	<u>2-bed</u>	<u>2-bed</u>	<u>3-bed</u>	<u>4-bed</u>	
2002	Q1	166	213	265	332	416
	Q2	160	268	268	314	432
	Q3	160	259	284	332	474
	Q4	137	242	300	333	459
2003	Q1	156	216	285	328	380
	Q2	150	222	278	333	461
	Q3	145	213	270	328	510
	Q4	173	237	266	345	454
2004	Q1	166	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
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.

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 third quarter of 2007 was almost £600,000, representing the highest average price recorded for this category since the index was introduced in 2002. The average price for Q3 2007 was about a fifth (21%) higher than the average for 2006.

Figure 5 - % change between Q3 2007 and the average for 2006



Turnover

283 eligible properties (see Notes) were reported as being sold in Q3 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, turnover in the latest quarter, at about 40 properties per bulletin, was at a similar level to the average turnover seen in 2006 and in the first half of 2007 (see Table 3 and Figure 6).

Figure 6 - Property turnover

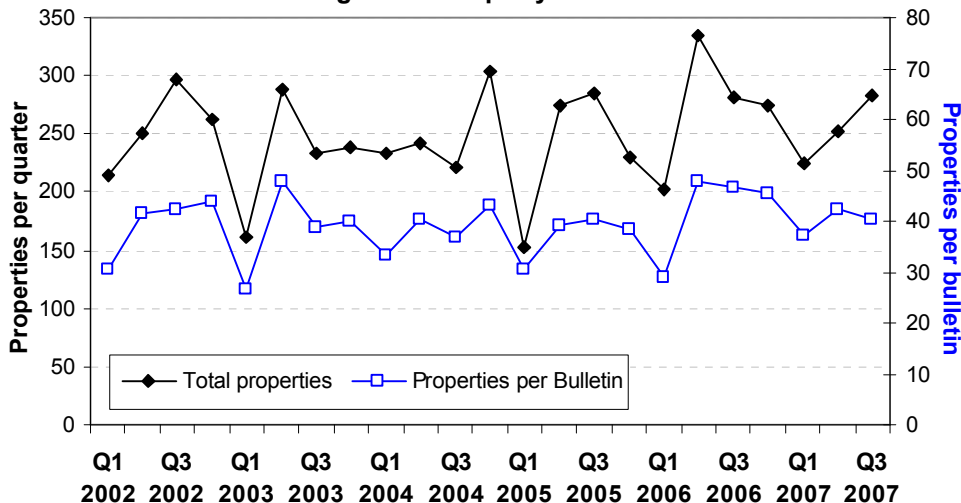


Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).

Period	Flats		Houses			Total	Property Bulletins published
	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
<i>Average</i>	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
<i>Average</i>	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
<i>Average</i>	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
<i>Average</i>	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
<i>Average</i>	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

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).

Table 4: First Time Buyers' properties, 2002-2007.

	2002	2003	2004	2005	2006	2007
Flats						
Mean price	160	185	215	201	205	189
Transactions	59	52	23	8	13	20
Principal sites	Woodville Apartments	Albert Place	Albert Place	Various & re-sale	Woodville & Albert Place resale	Clos des Charmes/ Various & re-sale
Houses						
Mean price	222	242	292	270	283	304
Transactions	44	18	11	129	60	11
Principal sites	Clos Le Breton	Les Serres	Various & re-sale	Various & re-sale ²	Various & re-sale ²	Clos des Charmes/ Various & re-sale ²

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.

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 ("topped 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.

The overall median price of dwellings sold in Guernsey³ in the third quarter of 2007 was £304,000 which was about 2% higher than the average for 2006 and 5% lower than the previous quarter.

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 Residential Property Prices 1981-2007.

Isle of Man

The most up-to-date published information on dwelling prices in the Isle of Man⁴ is for calendar year 2006; the simple average (i.e. not mix-adjusted) dwelling price was £235,000, similar to the average for 2005 (£233,000).

United Kingdom

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

In Q3 2007 the average (mix-adjusted) price of dwellings sold in the UK as a whole saw an increase of about 14% when compared to the average price for 2006.

The average (mix-adjusted) price of dwellings sold in Jersey during the third quarter of 2007 was about 92% higher than that in the UK as a whole and about a quarter (23%) 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		
	Q2	Q3	Q4	Q1	Q2	Q3
Jersey	346	372	360	371	388	421
UK	190	197	199	206	211	219
England	198	205	207	213	218	227
Northern Ireland	148	166	186	211	233	245
Wales	153	158	160	161	163	167
Scotland	136	144	146	150	158	164
Greater London	279	287	292	311	325	342
South East (excl. London)	237	245	247	256	263	274
East	208	216	217	224	227	236
South West	204	210	213	217	222	230
West Midlands	167	173	175	175	176	182
East Midlands	160	165	167	168	171	175
North West	151	156	157	158	161	164
Yorkshire & Humber	150	156	158	159	162	166
North East	138	142	144	144	147	151

Prices are rounded to the nearest £1,000.

⁴ Isle of Man, Digest of Economic and Social Statistics 2007; house price data for 2006 are provisional.

⁵ Figures for the UK are derived from: Department for Communities and Local Government, Release HPI-11-07. 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.

Jersey Private Sector Rental Index⁶

This quarter a Private Sector Rental Index has been introduced for Jersey (see Table 6). 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).⁷ 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.

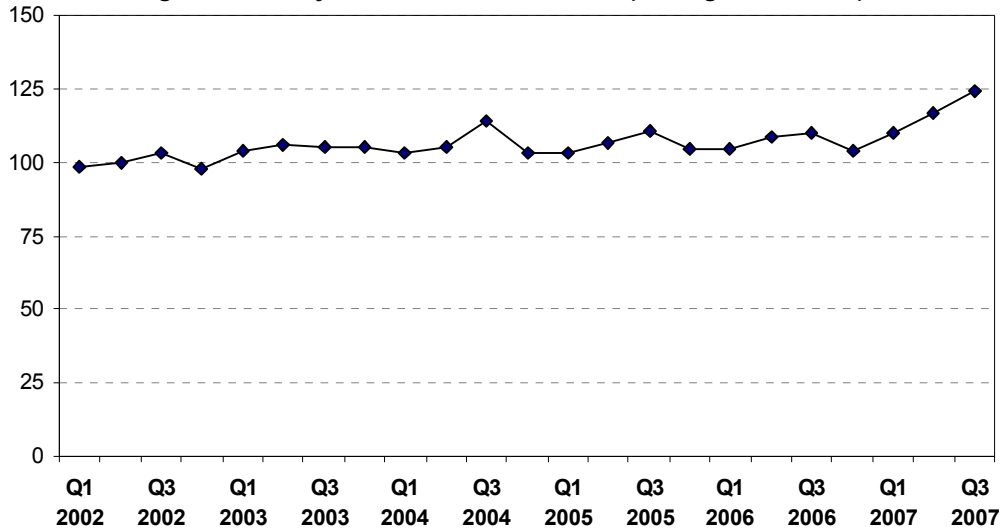
Table 6: Jersey Private Rental Index (2002 = 100).

		Index (2002=100)		
	Period	Flats	Houses	Jersey Private Sector Rental Index
2002	Q1	100.0	100.0	100.0
	Q2	99.9	96.1	102.0
	Q3	102.3	95.4	105.0
	Q4	98.3	99.1	99.8
2003	Q1	101.6	100.6	105.8
	Q2	104.1	105.2	107.6
	Q3	104.1	104.0	107.2
	Q4	105.5	98.8	107.1
2004	Q1	103.2	103.3	104.8
	Q2	104.6	100.7	106.9
	Q3	107.6	105.7	115.9
	Q4	102.6	102.2	105.3
2005	Q1	103.3	102.0	104.9
	Q2	106.3	104.8	108.7
	Q3	108.1	107.6	112.6
	Q4	104.6	107.1	106.4
2006	Q1	106.5	105.6	106.5
	Q2	108.2	106.0	110.6
	Q3	109.2	101.5	112.2
	Q4	107.2	100.7	105.6
2007	Q1	108.8	103.0	111.9
	Q2	116.3	110.5	118.8
	Q3	120.1	124.4	126.6

⁶ The Jersey Private Sector Rental Index is published as an experimental index.

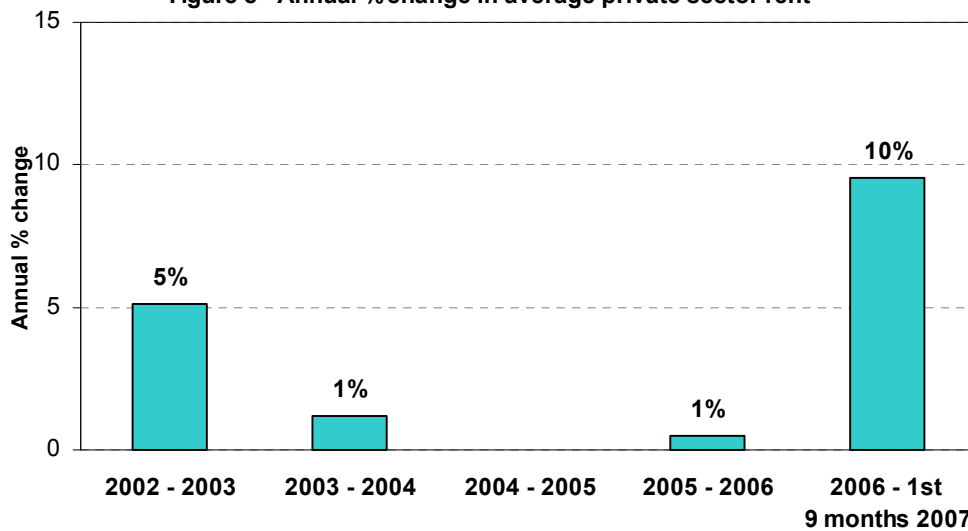
⁷ A full description of the Jersey Private Rental Index and methodology is given in the Notes.

Figure 7 - Jersey Private Sector Rent Index (Average 2002 = 100)



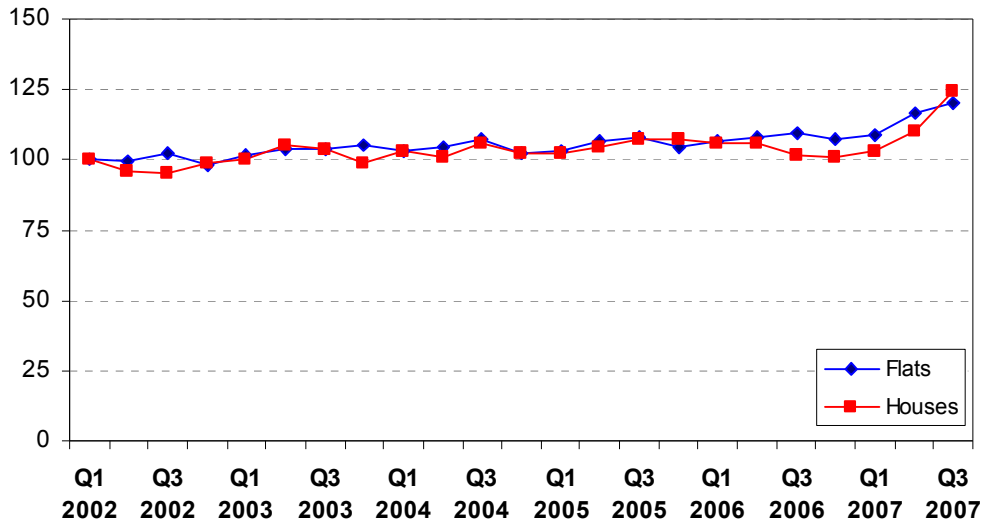
As shown by Figures 7 and 8, average rents in the private sector, as measured by the Jersey Private Sector Rental Index, increased by about 5% between 2002 and 2003. Rents were then essentially stable between 2003 and 2006. However, average private sector rents in the first nine months of 2007 were about 10% higher than for 2006.

Figure 8 - Annual % change in average private sector rent



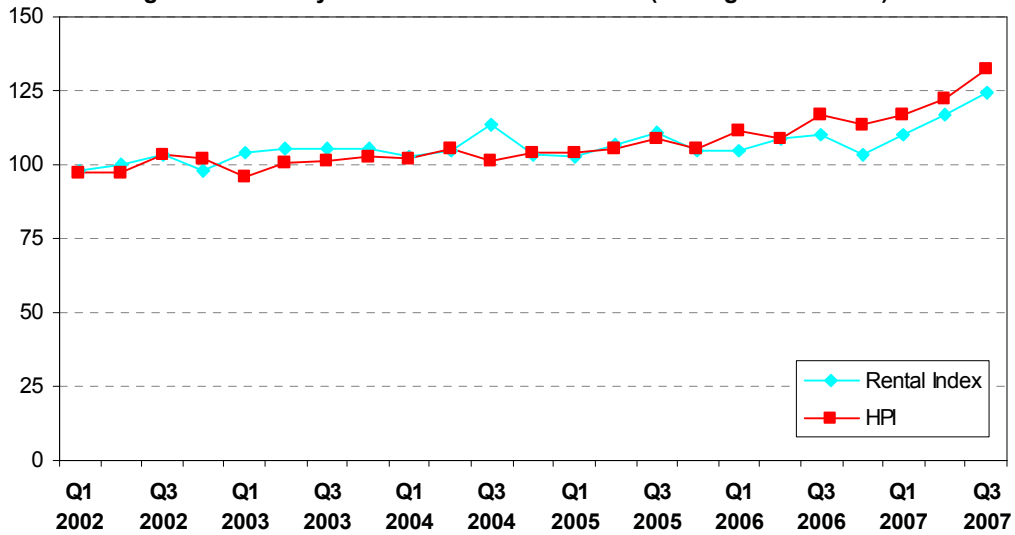
As illustrated by Figure 9, both flats and houses have both seen increases in average rents in the private sector in 2007.

Figure 9 - Private Sector Rent Index Flats and Houses



Overall, both the Jersey Private Rental Index and the Jersey House Price Index have exhibited similar behaviour in 2007, with greater rates of increase occurring than had been seen in previous years (Figure 10).

Figure 10 - Jersey Private Sector Rental Index (Average 2002 = 100)



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. 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 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.

7. 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).

Statistics Unit

21 November 2007