

Jersey House Price Index Fourth Quarter 2010

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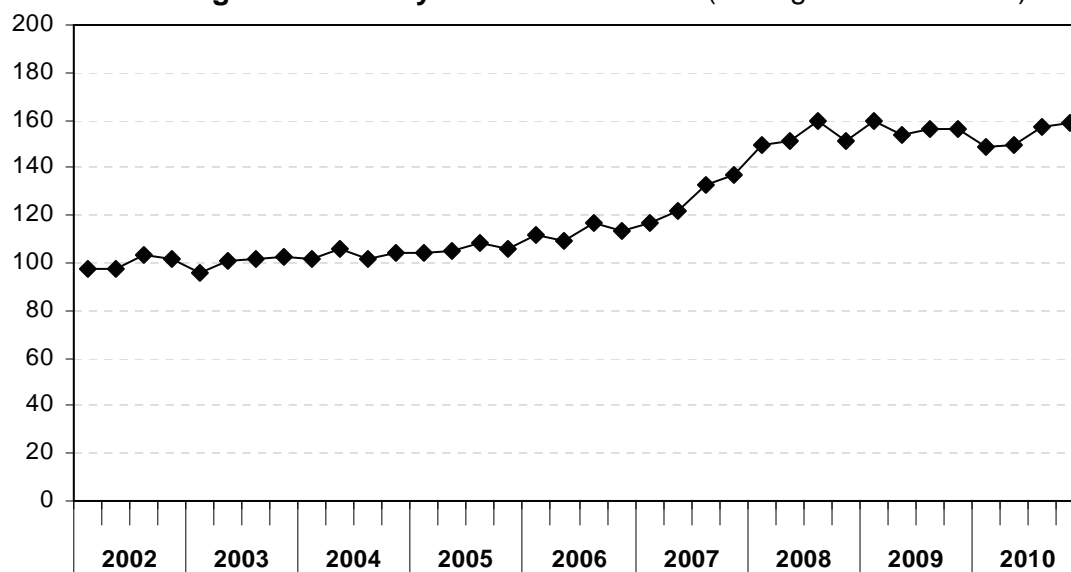
Summary

- **The Jersey House Price Index has been substantially flat over the three-year period 2008 to 2010:**
 - the mix-adjusted average price of dwellings sold in 2010 was 2% below that of 2009;
 - the latter year had recorded an increase of 2% on 2008;
- the average price of flats which sold in 2010 was 6% lower than in 2009;
- houses saw smaller price changes: the average prices of 3- and 4-bedroom houses sold in 2010 were 2% and 1% lower, respectively, than in 2009; in contrast, 2-bedroom houses recorded a small increase of 2%;
- on a shorter timeframe, the average price of dwellings sold in the latter six months of 2010 returned to a similar level to that of 2009, having fallen by about 5% in the first six months of the year;
- the number of properties sold in 2010 was similar to 2009 and 2008, but remained about a quarter below the longer term average seen prior to mid-2008.

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.

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



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

As Figure 1 and Table 1 indicate, property prices in Jersey have been substantially flat, overall, during the last three years. On a calendar year basis, the mix-adjusted average price of properties sold in Jersey in 2010 was 2% below that of 2009; the latter year had seen an increase in mix-adjusted average price of 2% compared with 2008.

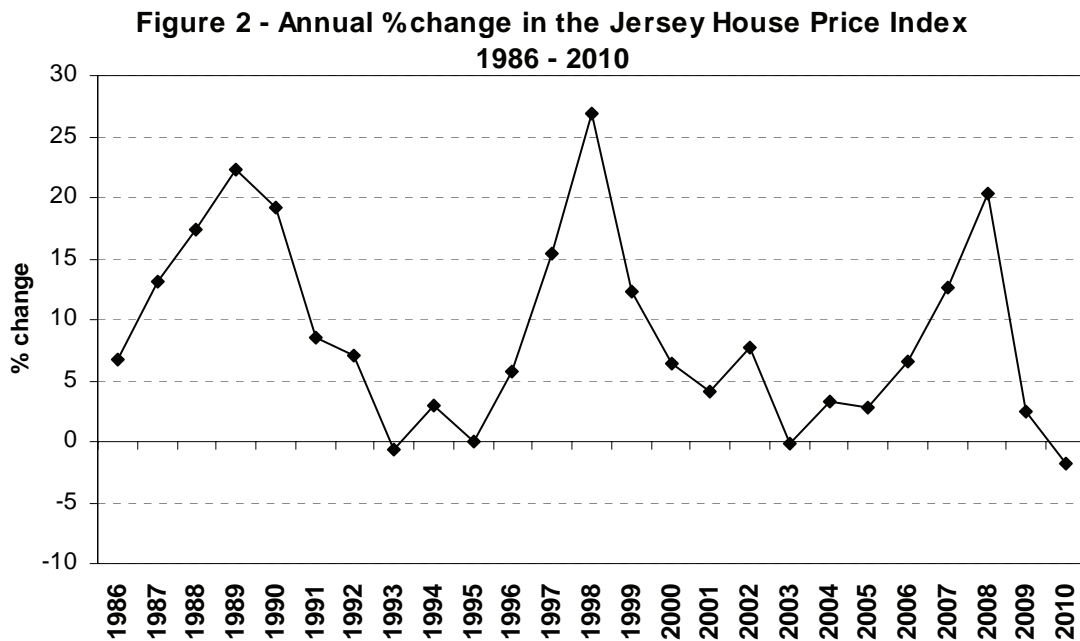
Over a shorter timeframe, property prices fell by around 5%, on average, during the first six months of 2010. However, the latter half of 2010 saw prices return to a level similar to that of calendar year 2009.

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

Period		Average price (£,000)	Index (2002=100)
2005	Q1	331	104.3
	Q2	334	105.2
	Q3	345	108.8
	Q4	335	105.7
	Average	337	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	405	127.2
2008	Q1	474	149.4
	Q2	480	151.3
	Q3	508	160.0
	Q4	480	151.3
	Average	486	153.0
2009	Q1	507	159.8
	Q2	488	153.6
	Q3	497	156.6
	Q4	497	156.7
	Average	497	156.7
2010	Q1	473	149.1
	Q2	476	149.8
	Q3	500	157.5
	Q4	504	158.8
	Average	489	153.8

Prices are rounded to the nearest £1,000.

Figure 2 shows the average price changes from 1986 to 2010 on a calendar year basis.



Rates of price increase of 20% or higher have occurred in Jersey on three occasions in the past three decades: in 1989, 1998 and 2008. Each of these peaks was followed by a period of lower rates of growth.

The most recent change, the overall average price of properties sold in 2010 being 2% below that of 2009, represents the first decrease in property prices on a calendar year basis in Jersey since 1993.

Individual property types

The mean prices for the individual categories of dwelling are shown in Figure 3 and in Tables 2 and 3.

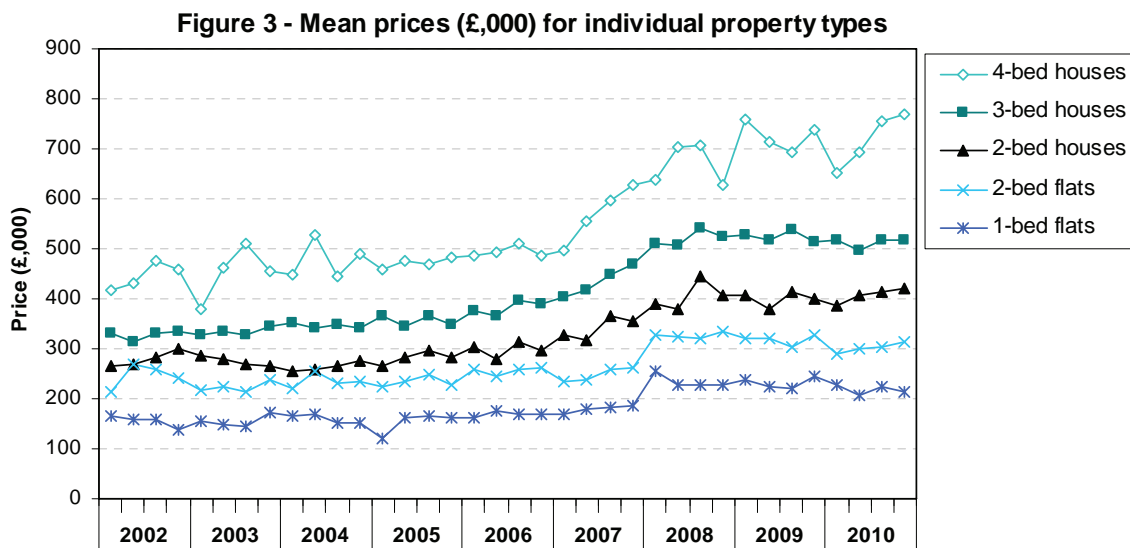


Table 2: Mean prices (£,000) for individual property types.

Period		Flats		Houses		
		1-bed	2-bed	2-bed	3-bed	4-bed
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
	Q3	229	322	447	541	706
	Q4	229	333	407	524	628
2009	Q1	237	321	408	528	758
	Q2	225	321	380	516	712
	Q3	222	303	414	538	692
	Q4	244	327	400	515	737
2010	Q1	227	288	386	517	651
	Q2	207	300	406	496	695
	Q3	223	302	415	518	754
	Q4	215	312	420	518	768

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:

1-bedroom flats:

the mean price of 1-bedroom flats was essentially stable throughout 2008 and 2009. However, the mean price of such properties which sold in 2010 (£220,000) was 6% lower (corresponding to more than £10,000) than those which sold in 2009 (see Table 3).

2-bedroom flats:

the mean price of 2-bedroom flats also remained essentially stable during 2008 and 2009. The mean price of these properties which sold in 2010 (£301,000) was 6% lower (almost £20,000) than those which sold in 2009.

2-bedroom houses:

the mean price of 2-bedroom houses was stable at around £400,000 in 2008 and 2009. In contrast to other property types, this category of dwelling recorded a small increase in average price in 2010, of 2% (corresponding to an increase of almost £10,000), compared with 2009.

3-bedroom houses:

following a period of ongoing price increases from 2006 to early 2008, the subsequent two-year period saw effectively stable prices for this property type. The mean price recorded in 2010 (£512,000) was 2% lower (corresponding to £10,000) than in 2009.

4-bedroom houses:

this category of property has seen some volatility in mean price since the beginning of 2008. The mean price of such properties which sold in 2010 was marginally lower (by 1%, corresponding to less than £10,000) than in 2009.

Table 3: Annual mean prices (£,000) for individual property types².

Period	Flats		Houses		
	1-bed	2-bed	2-bed	3-bed	4-bed
2002	157	249	280	328	448
2003	157	223	274	334	458
2004	159	235	264	345	478
2005	154	234	286	356	474
2006	167	255	297	381	493
2007	180	251	340	435	571
2008	234	325	400	518	677
2009	233	319	400	522	723
2010	220	301	409	512	715

Prices are rounded to the nearest £1,000.

² Note that the annual mean prices shown in Table 3 are derived by weighting the average price recorded in each quarter by the number of transactions in that quarter.

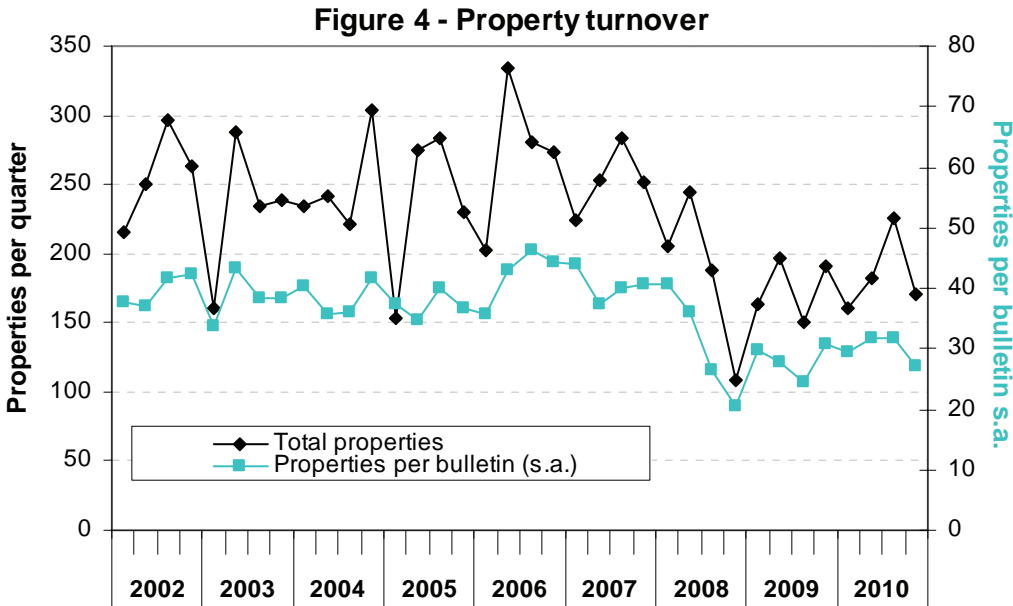
Turnover

Table 4 shows that 170 eligible properties (see Notes) were reported as being sold in Q4 2010.

Table 4: Number of dwellings included in the Jersey HPI, by property type, and number of Jersey Property Bulletins published.

Period	Flats		Houses			Total	Bulletins published
	1-bed	2-bed	2-bed	3-bed	4-bed		
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	17	42	37	107	48	251	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
Q3	18	32	24	80	34	188	7
Q4	13	14	19	47	15	108	5
Average	17	26	30	82	31	187	6
2009 Q1	27	21	30	59	26	163	7
Q2	22	22	27	93	32	196	6
Q3	14	17	23	63	33	150	6
Q4	16	21	29	96	29	191	6
Average	20	20	27	78	30	175	6
2010 Q1	20	19	24	59	39	161	7
Q2	10	31	25	80	36	182	5
Q3	43	29	35	79	39	225	7
Q4	15	23	33	66	33	170	6
Average	22	26	29	71	37	185	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 seasonal nature of the raw data (apparent in Figure 4).



The seasonally adjusted average turnover in 2010, at 30 properties per bulletin, was similar to that recorded in 2008 and 2009 but remained about a quarter below the longer term average seen before mid-2008.

Comparison with Guernsey and the UK

Guernsey

The constant mix average price of dwellings sold in Guernsey³ in calendar year 2010 was about 10% higher than in 2009; the latter year had recorded a decrease of around 1% on 2008.

The constant mix average price in the latest quarter, Q4 2010, was £389,000.

United Kingdom

The mix-adjusted average prices of dwellings sold since Q1 2009 in Jersey and in the UK (overall and by region)⁴ are shown in Table 5.

The mix-adjusted average price in the latest quarter, Q4 2010, was £209,000 and was about 4% higher than in the same quarter of 2009. Property prices in the UK had seen falls on an annual basis between mid-2008 and the latter part of 2009.

³ Guernsey Policy and Research Unit: Guernsey Residential Property Prices 1981-2010. Guernsey introduced a “constant mix” measure in Q2 2009 in which the median prices of flats and houses are weighted using constant proportions.

⁴ Figures for the UK are derived from: Department for Communities and Local Government, House Price Index December 2010. 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.

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

Region	Mix-adjusted average price £,000							
	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Jersey	507	488	497	497	473	476	500	504
UK	191	189	197	200	206	209	212	209
England	196	195	203	206	212	216	220	216
Wales	148	143	149	150	150	152	153	150
Scotland	151	156	161	161	165	166	169	166
Northern Ireland	189	173	178	175	171	165	156	155
Greater London	292	290	308	315	326	335	342	338
South East (excl. London)	238	237	245	249	262	265	272	266
East	206	202	211	214	222	226	232	228
South West	196	194	204	205	212	214	220	214
West Midlands	158	158	162	162	167	170	172	169
East Midlands	149	149	154	155	158	163	164	160
North West	144	143	149	150	151	153	154	152
Yorkshire & Humber	145	146	149	151	153	152	154	152
North East	133	130	134	137	136	139	140	135

Prices are rounded to the nearest £1,000 and are not seasonally adjusted.

Annex A: Jersey Private Sector Rental Index

The Private Sector Rental Index was introduced for Jersey in the third quarter of 2007 (see Note 7). 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. There are about 1,800 and 700 private sector lease transactions per year for flats and houses, respectively. The index is weighted accordingly, with flats accounting for almost three-quarters of the overall index.

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

Period	Flats	Houses	Jersey Private Sector Rental Index
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
Q3	125.9	134.2	128.9
Q4	126.9	132.5	128.9
2009 Q1	135.6	136.1	135.6
Q2	142.1	139.0	140.7
Q3	130.5	134.2	131.7
Q4	130.2	140.2	133.9
2010 Q1	135.5	145.1	139.0
Q2	138.4	138.3	139.0
Q3	142.4	135.6	139.6
Q4	134.9	135.0	134.7

On a calendar year basis, the Jersey Private Sector Rental Index was 2% higher in 2010 than in 2009.

⁵ A full description of the Jersey Private Rental Index and methodology is given in the Notes.

Annex B: First Time Buyer Data

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 Figure 6 and Table 7 on an annual basis and only at a combined flat and a combined house level.

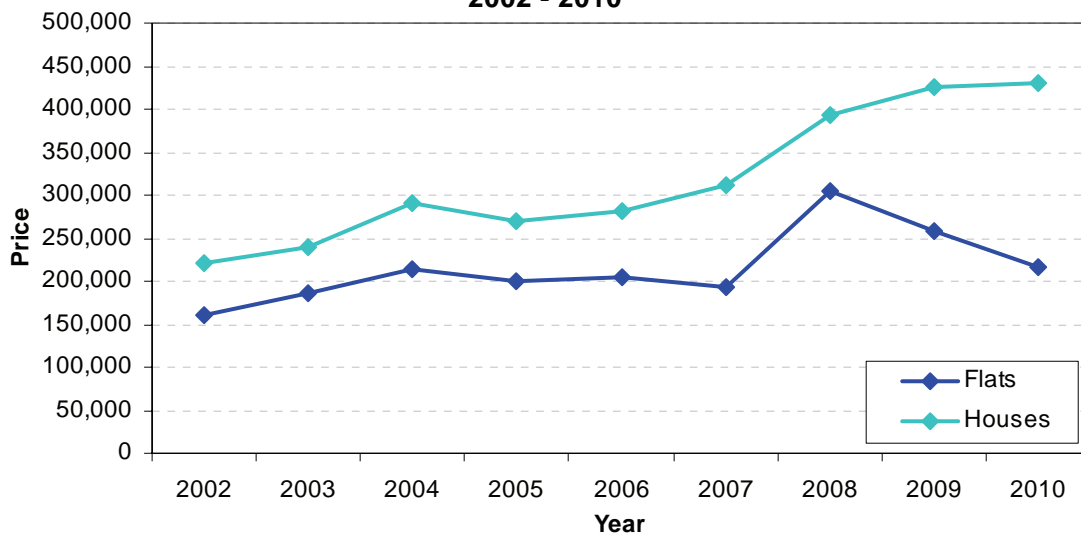
Table 7: First Time Buyers' properties, 2002-2010.

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
2008	306	12	Woodville & Albert Place resale
2009	257	5	Woodville resale
2010	280	6	Woodville & Albert Place resale
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 ⁶
2006	283	60	Various & re-sale ⁶
2007	312	12	Clos des Charmes / Various & re-sale ⁶
2008	392	48	Les Cloches / La Providence / Various & re-sale ⁶
2009	426	76	La Providence
2010	431	18	La Providence

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.

⁶ 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.

**Figure 6 - Mean prices of First Time Buyer Properties
2002 - 2010**



From 2004 to 2007 the average price of FTB flats was relatively stable at around £200,000; the average price surpassed £300,000 in 2008. However, this increase was largely due a small number of 1-bedroom FTB flats being sold in 2008 compared with previous years.

Both 2009 and 2010 recorded particularly low numbers of FTB flat transactions, with the average price being £257,000 and £280,000, respectively.

Whilst FTB houses saw a relatively high number of transactions in 2009, recording an average price of £426,000, 2010 saw far fewer transactions and recorded a similar average price, of £431,000.

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.

Although the transaction prices of properties purchased by share transfer are currently not included in the compilation of the Jersey House Price Index, 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 headline percentage changes of the modified mix-adjusted index are the same as those discussed in this report:

The Land Transaction Tax, which came into effect on 1st January 2010, has enabled the transaction prices of properties purchased by share transfer to be recorded. It is anticipated that these property transactions will be incorporated in the compilation of the Jersey House Price Index once sufficient data are available.

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 less than \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 and again in Q1 2009, each derived from the full preceding three-year period.

Property type	Current Weight
1-bedroom flats	0.079
2-bedroom flats	0.115
2-bedroom houses	0.158
3-bedroom houses	0.458
4-bedroom houses	0.192

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

6. Jersey Private Sector Rental Index:

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

Statistics Unit
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