

The Jersey House Price Index

Second quarter of 2006

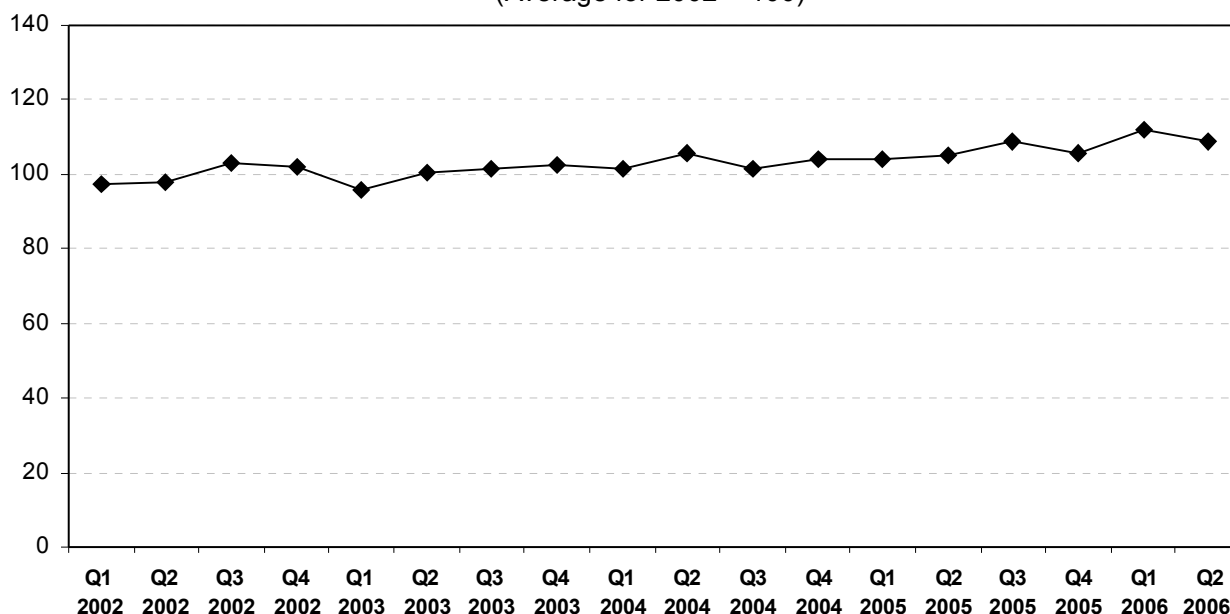
Headlines

- The first half of 2006 has seen the **overall average price of dwellings in Jersey continue to rise at a similar rate, 3 to 4%, to that seen during the previous two years;**
- **turnover** of properties in the latest quarter was the highest for three years;
- the **average (mix-adjusted) price** of dwellings sold in Jersey during the second quarter of 2006 was **£346,000**, about 4% higher than the same quarter in 2005;
- on a **quarterly** basis the average price decreased by 2½% compared to Q1 2006 but was 3% higher than Q4 2005, emphasising the need to look at long-term trends.

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



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. Figure 1a shows that the mix-adjusted average price of dwellings in Jersey, as measured by the Jersey House Price Index, was essentially stable during 2002 and 2003 and then underwent a small rate of increase of around 3% per annum in 2004 and 2005. The first six months of 2006 have seen an increase of about 4% on calendar 2005, suggesting growth is continuing at a similar or slightly higher rate in 2006.

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

The mix-adjusted average price for the latest quarter, Q2 2006, was almost 4% higher than that recorded for Q2 2005 (corresponding to £12,000).

On a **quarterly** basis, between Q1 and Q2 2006, the Jersey House Price Index decreased by 2.5%. However compared to Q4 2005 the average price increased by 3.1%. Such fluctuations occur as a result of the actual mix of properties sold within each property type in a given quarter and thus further reinforcing the importance of taking annual changes as the key indicator.

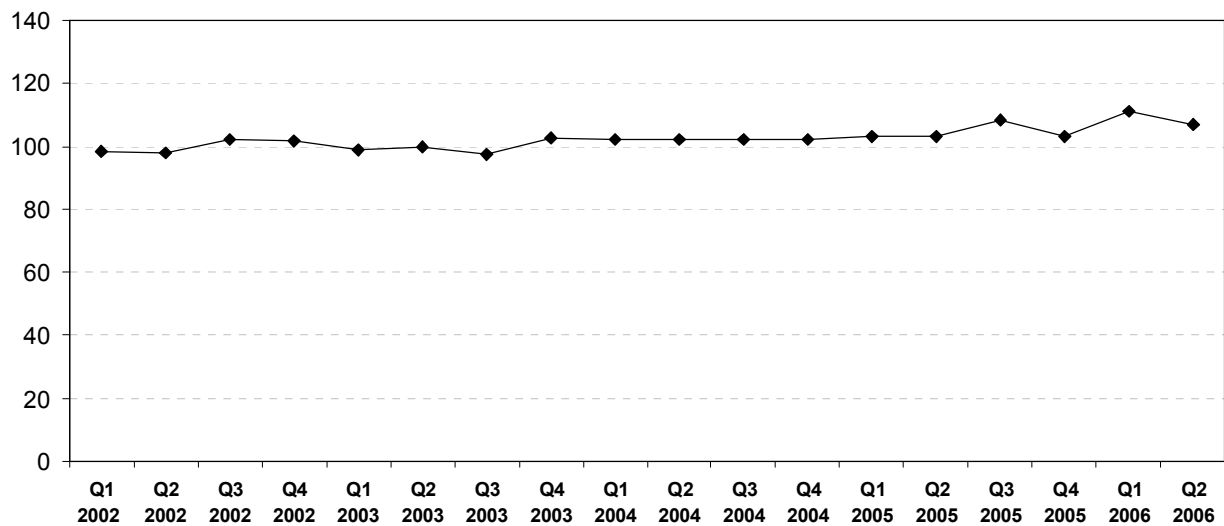
Table 1: Mix-adjusted average dwelling price and Jersey House Price Index.

	Period	Average price (£,000)	Index (2002=100)
2002	Q1	309	97.3
	Q2	310	97.6
	Q3	327	103.1
	Q4	324	102.0
2003	Q1	304	95.7
	Q2	319	100.5
	Q3	322	101.3
	Q4	325	102.5
2004	Q1	323	101.7
	Q2	335	105.7
	Q3	322	101.5
	Q4	330	103.9
2005	Q1	331	104.3
	Q2	334	105.2
	Q3	345	108.8
	Q4	335	105.7
2006	Q1	355	111.8
	Q2	346	109.0

Prices are rounded to the nearest £1,000.

The general stability in price of the majority of the Jersey housing market between 2002 and 2004 is indicated by Figure 1b, which shows the House Price Index calculated *excluding the traditionally more volatile category of 4-bedroom houses*. On this basis, the latest quarter exhibited a decrease following the relatively large increase in Q1 2006. Overall, however, the first six months of 2006 followed a similar trend to the full mix-adjusted average, up 4% on calendar 2005.

Figure 1b - Jersey House Price Index *excluding 4-bedroom properties*
(average for 2002 = 100)



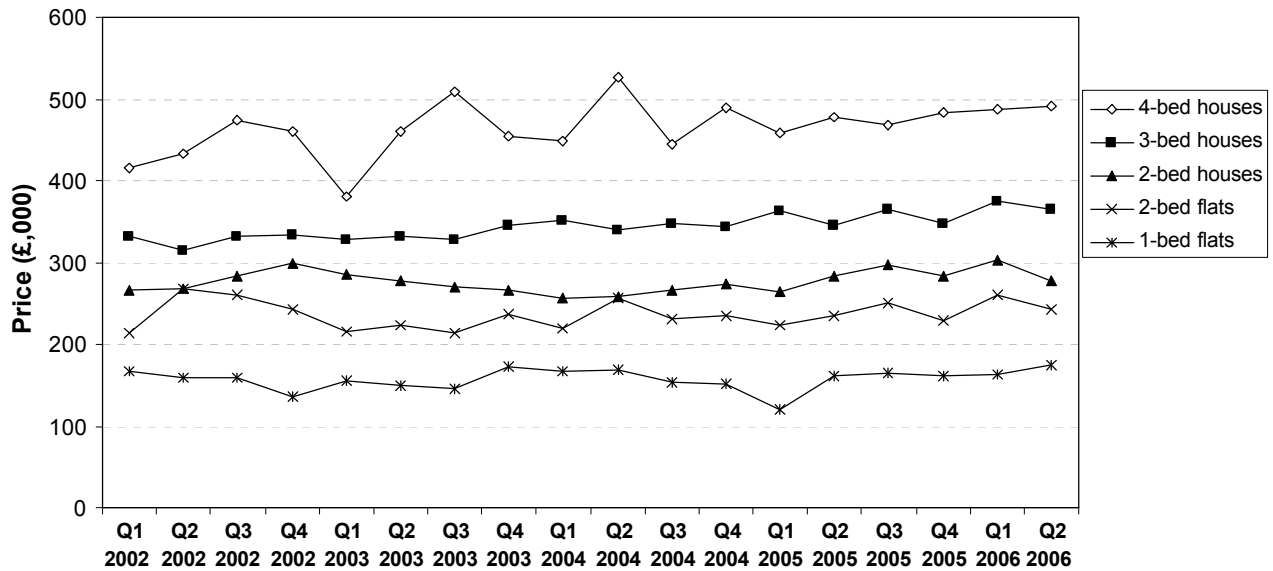
Individual property types

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

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

Figure 2 - Mean prices (£,000) for individual property types



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 two years. The increase observed in the latest quarter (mean price of £176,000) was driven by the sale of several properties from a new development coming onto the market.

2-bedroom flats

The trend in the mean price of 2-bedroom flats was essentially flat during 2004 and 2005. Although down on the previous quarter, the mean price recorded in Q2 2006 (£243,000) was some 3½% (£8,000) higher than the average for calendar 2005.

2-bedroom houses

The trend in prices was downward from mid-2002 to early 2003 but has been broadly upward for the past three years. The slightly lower mean price recorded in Q2 2006 (£278,000) compared to the previous four quarters was the result of the sale of a higher proportion of smaller urban properties in the latest quarter.

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. The trend level of growth has continued in 2006, with the mean price recorded in 2006 some 2% above that of calendar 2005 and the mean price of properties sold over the first six months of this year almost 4% higher.

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. The mean price recorded for Q2 2006 (£492,000) was 1% higher than that of the previous quarter, continuing the broadly upward trend seen since 2002.

Turnover

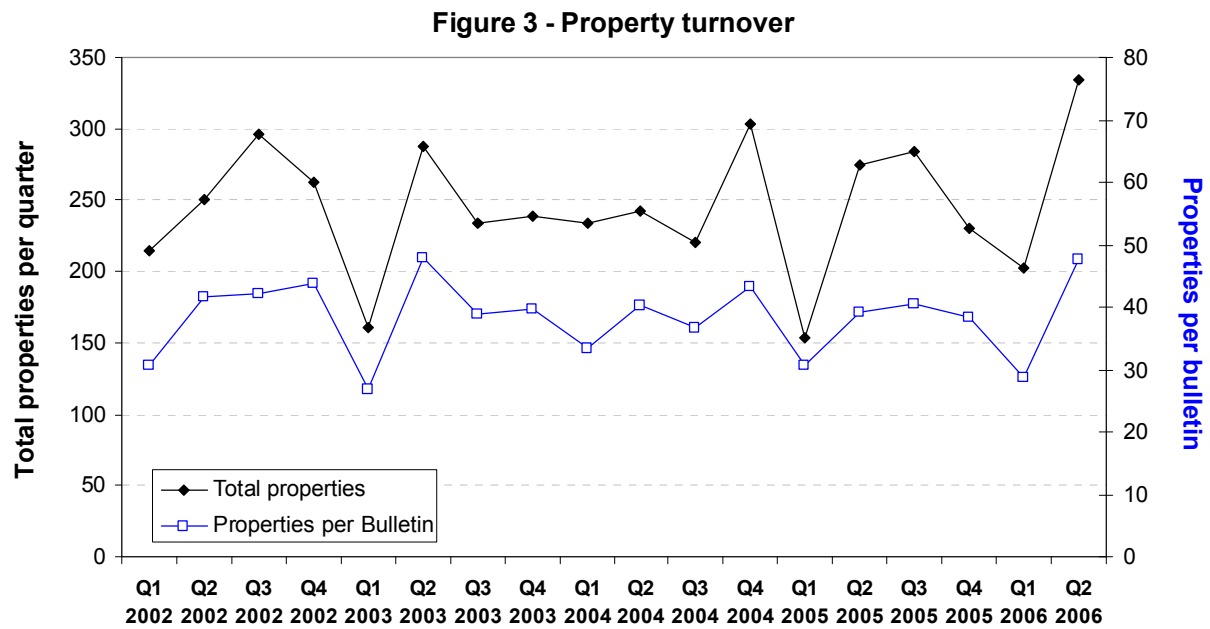


Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).

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
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
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
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
2006 Q1	11	25	31	92	43	202	7
Q2	21	33	53	165	62	334	7

334 eligible properties (see Notes) were reported as being sold in Q2 2006. 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 fact into account, Figure 3 shows that turnover in the latest quarter of 48.0 properties per bulletin was the highest recorded since Q2 2003, resulting from increased transactions for all property categories, particularly for 1-bedroom flats and 3-bedroom houses.

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 house level (see Note 6). Provisional data are included for the first half of 2006 for houses only because insufficient transactions have occurred to enable meaningful analysis for flats.

Table 4: FTB properties, 2002-2006.

	2002	2003	2004	2005	Q1 & Q2 2006
Flats					
Mean price	160	186	215	201	~
Transactions	59	52	23	8	~
Principal sites	<i>Woodville Apartments</i>	<i>Albert Place</i>	<i>Albert Place</i>	<i>Various + re-sale</i>	~
Houses					
Mean price	222	239	292	270	238
Transactions	44	18	11	129	34
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>

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.

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.

Comparison with the Guernsey, the Isle of Man and 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.

	Mix-adjusted average price £,000				
	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Jersey	334	345	335	355	346
UK	183	186	186	185	190
England	192	195	194	193	198
Wales	145	148	149	148	153
Northern Ireland	125	134	136	140	147
Scotland	125	128	127	130	136
Greater London	265	270	267	269	279
South East (excl. London)	232	235	233	232	237
East	203	206	204	204	208
South West	197	200	200	200	204
West Midlands	163	166	165	165	167
East Midlands	158	160	160	158	160
North West	145	149	149	147	151
Yorkshire & Humber	142	146	147	147	150
North East	130	134	135	134	138

Prices are rounded to the nearest £1,000.

The average (mix-adjusted) price of dwellings sold in Jersey during the second quarter of 2006 was about 80% higher than that in the UK as a whole and about a quarter higher than in Greater London.

In June 2006 annual house price inflation in the UK was about 5%. The rate of increase for Greater London was almost 6%, whilst Northern Ireland and Scotland saw larger increases.

³ Figures for the UK are derived from: Department for Communities and Local Government, Release HPI-08-06. 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.

Guernsey

Guernsey publishes house price information on a quarterly basis. The figure published for the Guernsey “Local” market is the mean of transaction prices excluding the top and bottom 2½ %. This mean is not “mix-adjusted”, i.e. it 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 latest period for Guernsey⁴, the first quarter of 2006, recorded a mean price of £319,000 which was 11% higher than Q1 2005 and 9% higher than the annual average for 2005.

Isle of Man

The most up-to-date published information on dwelling prices in the Isle of Man⁵ 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.

⁴ Guernsey Policy and Research Unit: Guernsey House Price Index 1981-2006.

⁵ Isle of Man, Digest of Economic and Social Statistics 2006; house price data for 2005 are provisional.

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 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 have been introduced for Q1 2005, derived from the full preceding three year period. This approach, based on an annually updated rolling three-year average, is that recommended by the House Price Working Group for the production of house price statistics in the UK by the Office of the Deputy Prime Minister.

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:

Almost all First Time Buyer properties are included in the analysis underpinning Table 4. However, in a small number of cases the only data available is the “plot” price of a property; such transactions are not included in the figures shown in the table.

Statistics Unit

16 August 2006