

The Jersey House Price Index

Third quarter of 2006

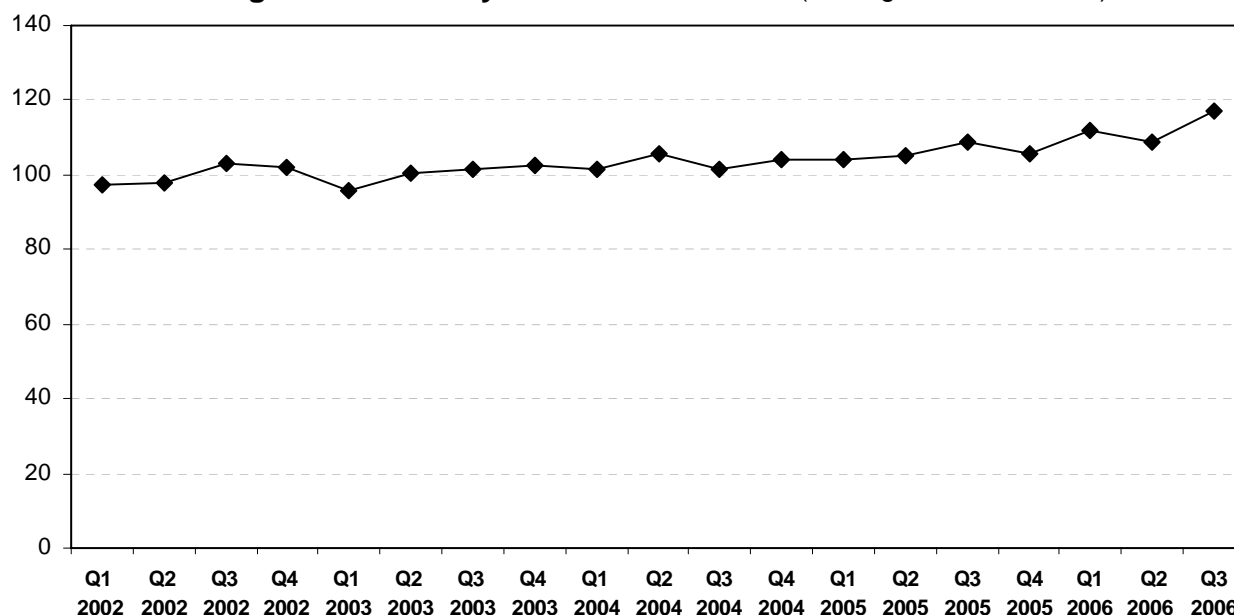
Headlines

- The first nine months of 2006 have seen the **overall average price of dwellings sold in Jersey rise at a higher rate, about 6%, than that seen during the previous two years;**
- a **similar rate of increase** was seen for **most property types**
- **turnover** of properties in Q3 2006 was high, and at a level similar to the previous quarter;
- the **average (mix-adjusted) price** of dwellings sold in Jersey during the third quarter of 2006 was **£372,000**, about 8% higher than the same quarter in 2005;
- on a **quarterly** basis the average price also increased by about 8% compared to Q2 2006, but with some volatility seen over the last few quarters the need to look at the longer-term trend is emphasised;
- **similar annual rates of price increase** were seen in the **UK and Guernsey.**

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 nine months of 2006 have seen an increase of about 6%

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

on 2005 (whether compared to the first nine months or the full calendar year) and suggests that price growth is now progressing at a higher rate.

The mix-adjusted average price for the latest quarter was 8% higher than that recorded for Q3 2005 (corresponding to £27,000).

On a **quarterly** basis, between Q2 and Q3 2006, the Jersey House Price Index increased by about 8%. However although the trend has been upward since the corresponding quarter of 2005, the Index has fluctuated on a quarterly basis. Such fluctuations occur as a result of the actual characteristics of properties sold within each property type in a given quarter and thus further reinforce the importance of taking annual changes as the key indicator.

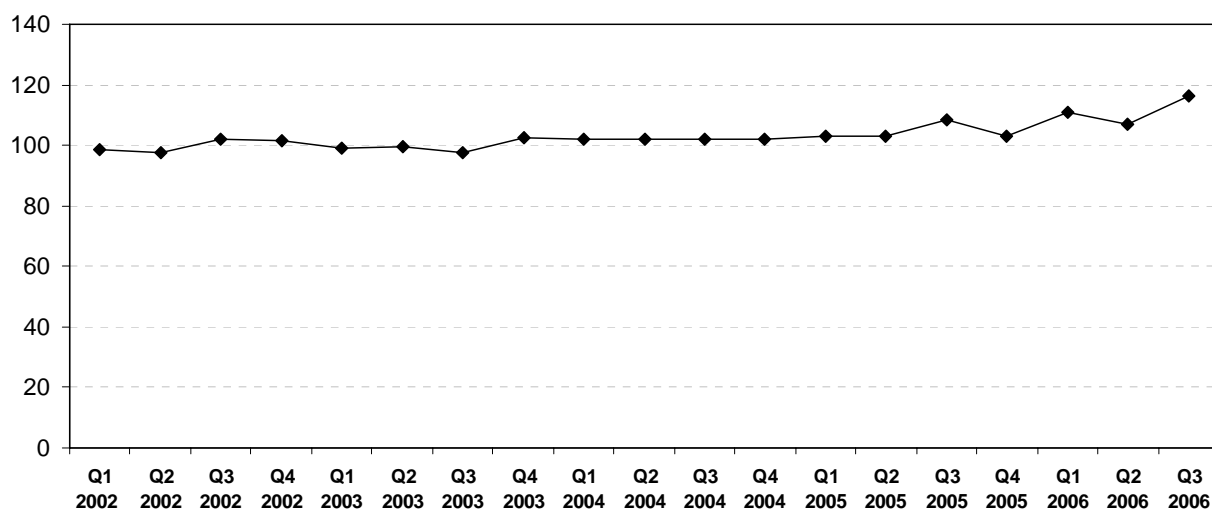
Table 1: Mix-adjusted average dwelling price and Jersey House Price Index.

	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
	Q3	372	117.2

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*. Although this index has been somewhat more volatile over the past year and a half, the trend has been upward and at a similar rate of increase (up about 6% on 2005) as the full Jersey House Price Index.

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. 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 and a half years. The mean price for the latest quarter (£168,000) was similar to the average for the first six months of 2006.

2-bedroom flats

The trend in the mean price of 2-bedroom flats was essentially flat during 2004 and 2005. However the mean price recorded over the first nine months of 2006 is about 8% higher than that for calendar 2005. The mean price for the latest quarter (£259,000) was similar to that for Q1 2006.

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 mean price recorded in the latest quarter (£315,000) was the highest seen for this property type since the new Jersey House Price Index has been produced. The average price of 2-bedroom houses sold during the first nine months of 2006 was about 6% higher than for 2005.

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. However, 2006 has seen a faster rate of increase, with the mean price of properties sold during the first nine months being some 6% above that of 2005. The mean price recorded in the latest quarter was almost £400,000.

4-bedroom houses

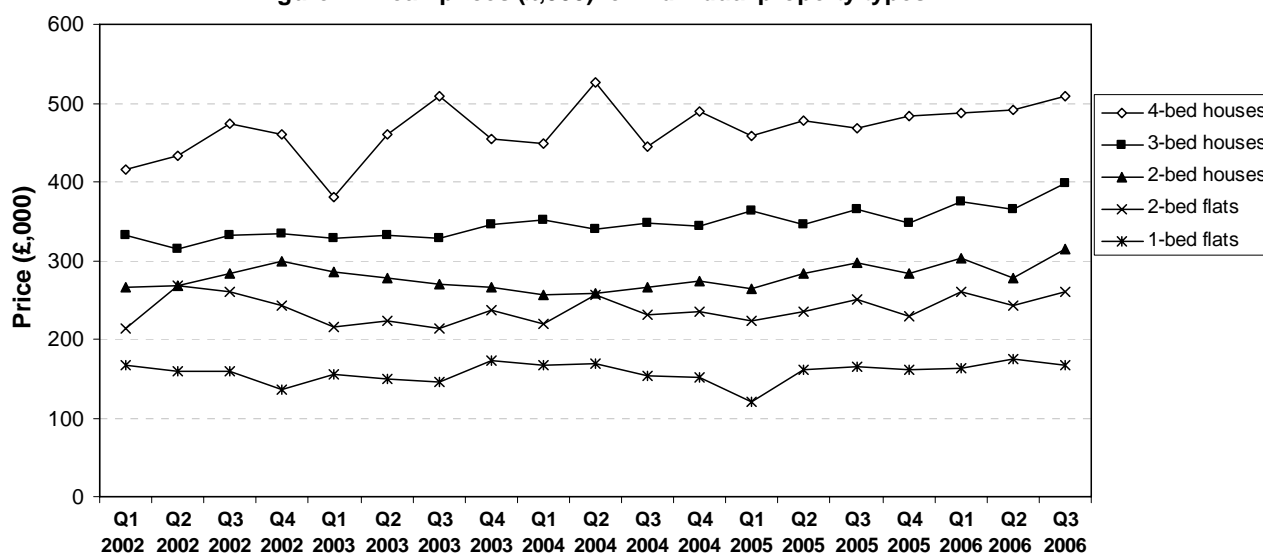
Traditionally this has been the most volatile category, being somewhat sensitive to the broad range of characteristics encompassed within this size of property. Nevertheless the trend has been broadly

upward since 2002. The rate of increase for the first nine months of 2006 (up 6% on 2005) was similar to that seen for the other categories of house.

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

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



Turnover

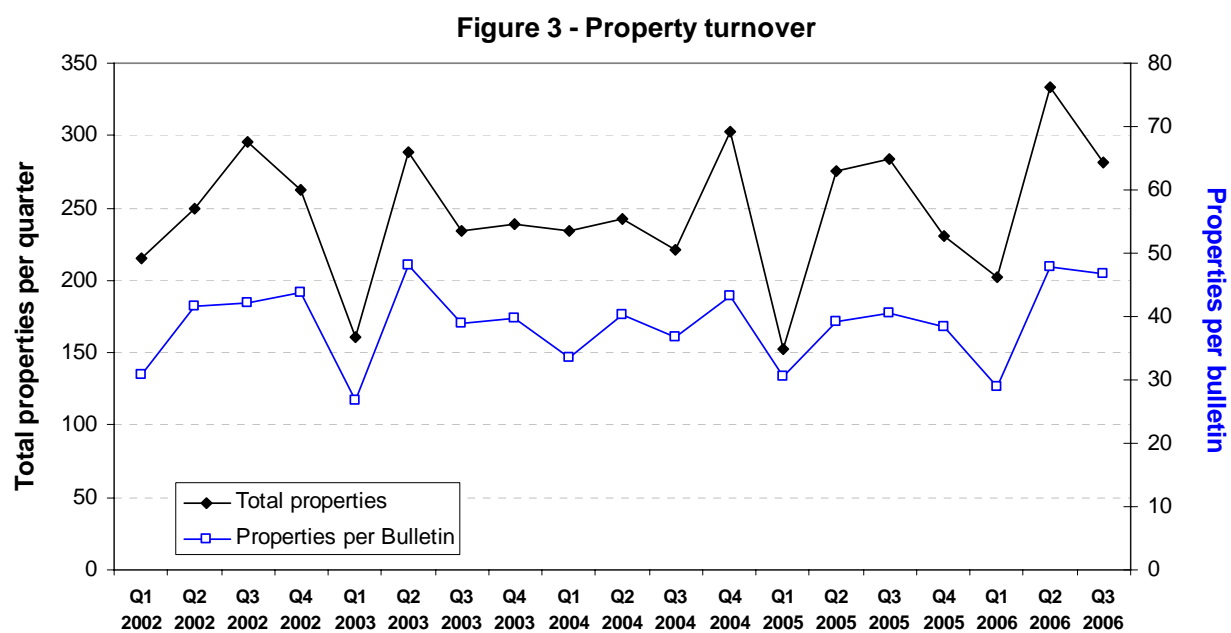


Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).

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
Q3	17	28	49	133	54	281	6

281 eligible properties (see Notes) were reported as being sold in Q3 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, about 47 properties per bulletin, has continued the high level of turnover experienced in the previous quarter.

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, 2002-2006.

	2002	2003	2004	2005	2006 Q1 - Q3
<u>Flats</u>					
Mean price	160	186	215	201	195
Transactions	59	52	23	8	7
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>
<u>Houses</u>					
Mean price	222	239	292	270	283
Transactions	44	18	11	129	60
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 UK, Guernsey and the Isle of Man

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				
	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Jersey	345	335	355	346	372
UK	186	186	185	190	197
England	195	194	193	198	205
Wales	148	149	148	153	158
Northern Ireland	134	136	140	148	166
Scotland	128	127	130	136	144
Greater London	270	267	269	279	287
South East (excl. London)	235	233	232	237	245
East	206	204	204	208	216
South West	200	200	200	204	210
West Midlands	166	165	165	167	173
East Midlands	160	160	158	160	165
North West	149	149	147	151	156
Yorkshire & Humber	146	147	147	150	156
North East	134	135	134	138	142

Prices are rounded to the nearest £1,000.

The average (mix-adjusted) price of dwellings sold in Jersey during the third quarter of 2006 was almost 90% higher than that in the UK as a whole and about 30% higher than in Greater London.

The UK annual house price inflation rate for the three months to September 2006 was about 7%, and almost 8% in Greater London, whilst Northern Ireland and Scotland saw higher rates of increase.

³ Figures for the UK are derived from: Department for Communities and Local Government, Release HPI-11-06. 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 second quarter of 2006, recorded a mean price of £312,000 which was 12% higher than Q2 2005. The means price of properties sold in the first six months of 2006 was 8% higher than for those sold in calendar 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, 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 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:

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

15 November 2006