

Jersey House Price Index

Fourth Quarter 2007

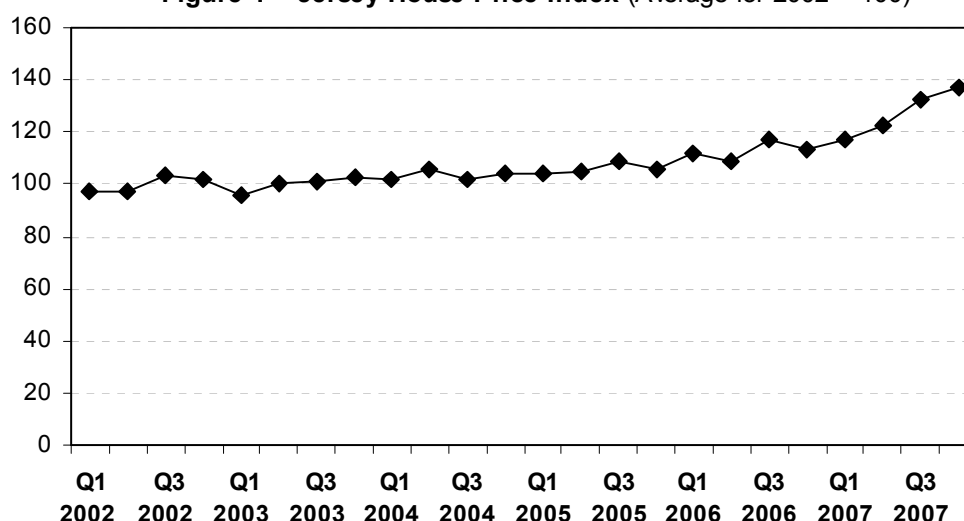
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Headlines

- In the fourth quarter of 2007, the average price of dwellings sold in Jersey was increasing at an annual rate of 20%;
- house prices in particular were seeing a greater rate of increase than in previous years, with **3-bedroom houses increasing at a rate of about 21% per annum** and 2- and 4-bedroom houses each at about 17%;
- the average price of **2-bedroom flats** has remained **essentially static over the last three years**, whereas the price of **1-bedroom flats** has increased recently;
- **the average (mix-adjusted) price** of dwellings sold in Jersey during Q4 2007 was **£435,000**;
- average **turnover** of properties in Q4 2007 was similar to the previous two quarters, though at a marginally lower level than in 2006;
- the **Jersey Private Sector Rental Index** indicates that average rents in the private sector have increased at a higher rate in 2007 than in each of the previous four years.

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 and then at a higher rate (about 6½%) in 2006. On a calendar year basis, the index rose by about 13% between 2006 and 2007, suggesting that 2007 experienced a higher rate of price growth than in previous years.

However, as is apparent from Table 1 and Figure 1, the latter half of 2007 accounted for most of the increase for the latest year-on-year comparison. Trend analysis of the index series enables a more precise and informative measurement of rates of change in the underlying behaviour at a given point in time (see Note 6). Such analysis showed that, overall, **dwelling prices in Jersey were increasing at an annual rate of 20% in the fourth quarter of 2007.**

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

Prices are rounded to the nearest £1,000.

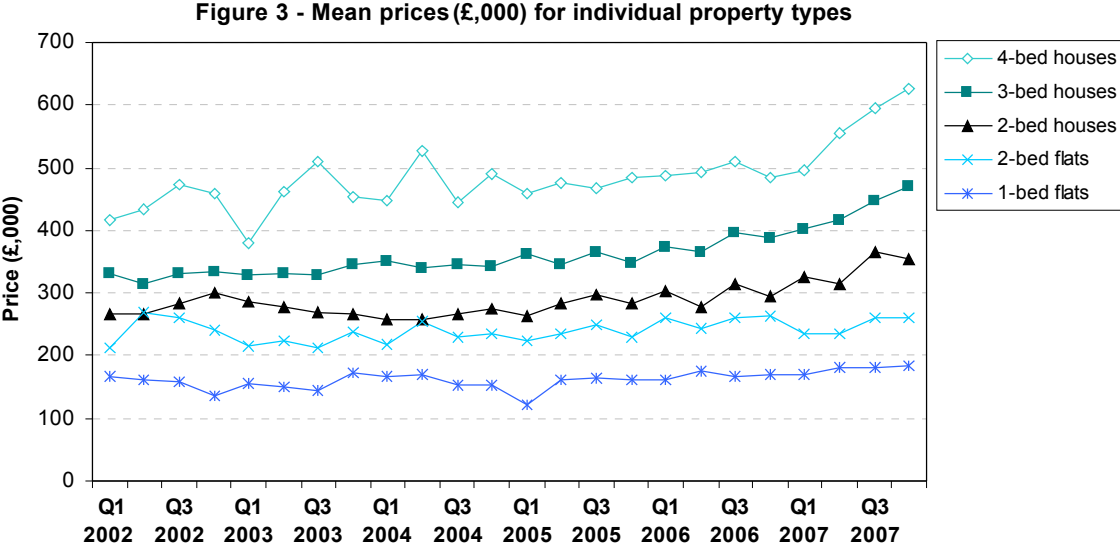
On a **quarterly** basis, between Q3 and Q4 2007, the Jersey House Price Index increased by 3%. However, the Index does exhibit fluctuations between quarters; such fluctuations occur as a result of the actual characteristics of individual properties

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

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

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



A marked degree of volatility does occur quarter-on-quarter in the mean prices of individual property types. Therefore, the annual percentage change of the underlying trend was determined for each property category for the latest quarter:

1-bedroom flats

The average price of 1-bedroom flats was substantially flat for about three years up to Q1 2007. However, the average price has increased throughout 2007, with the latest quarter recording a mean of £185,000 and an annual rate of increase in the underlying trend of 7%.

2-bedroom flats

The mean price of 2-bedroom flats was essentially static during 2004 and 2005 and then increased slightly in 2006. However, the underlying trend has been essentially flat during 2007, reflected in the mean price recorded in Q4 2007 (£262,000) being the same as a year previously.

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 fourth quarter of 2007 was £354,000. In Q4 2007 the annual rate of increase in the underlying trend was 17%.

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%. The latest year has experienced a still higher rate of price increase, with the fourth quarter of 2007 recording an annual rate of increase of 21% in the underlying trend and a mean price of £470,000.

4-bedroom houses

The trend in average price has been broadly upward since 2002, but as for the other categories of houses, the rate of increase has accelerated most recently. The mean price recorded for the fourth quarter of 2007 was £626,000, representing the highest recorded for this category since the index was introduced in 2002. The annual rate of increase in the underlying trend for Q4 2007 was 17%.

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
Q4	185	262	354	470	626
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
2007	179	248	340	435	568

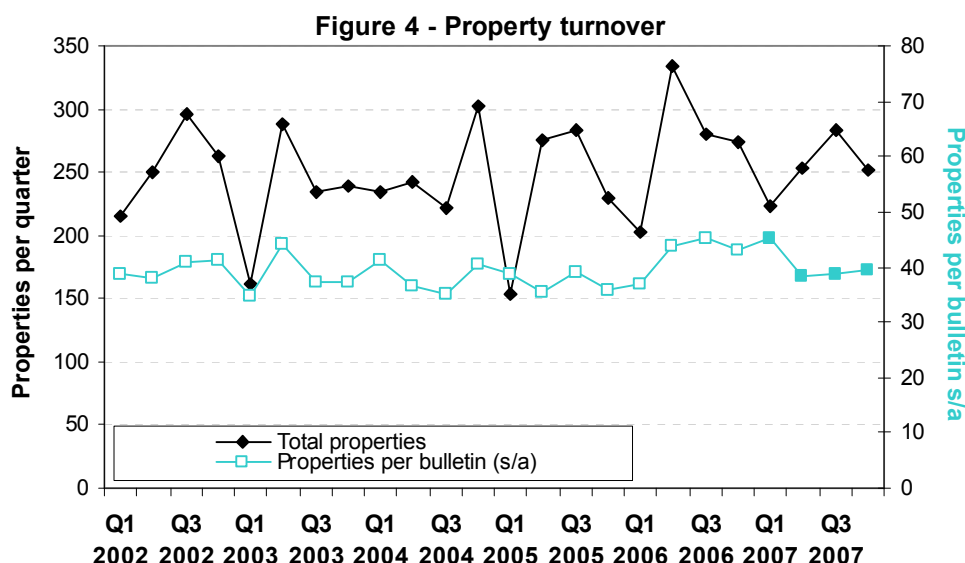
Turnover

Table 3 illustrates that 252 eligible properties (see Notes) were reported as being sold in Q4 2007.

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

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. It is also necessary to account for the marked seasonal nature of the raw data (apparent in Figure 4).



s/a = seasonally adjusted.

The seasonally adjusted turnover in the latest quarter (39 properties per bulletin) was similar to the previous two quarters and indeed similar to the quarterly average seen throughout the period 2002-2005. The latter three quarters of 2006 and the first quarter of 2007 had experienced a somewhat higher rate of turnover (about 44 properties per bulletin).

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 six 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					
	2006		2007			
	Q3	Q4	Q1	Q2	Q3	Q4
Jersey	372	360	371	388	421	435
UK	197	199	206	211	219	220
England	205	207	213	218	227	227
Northern Ireland	166	186	211	233	245	230
Wales	158	160	161	163	167	169
Scotland	144	146	150	158	164	165
Greater London	287	292	311	325	342	340
South East (excl. London)	245	247	256	263	274	276
East	216	217	224	227	236	237
South West	210	213	217	222	230	229
West Midlands	173	175	175	176	182	182
East Midlands	165	167	168	171	175	177
North West	156	157	158	161	164	165
Yorkshire & Humber	156	158	159	162	166	167
North East	142	144	144	147	151	151

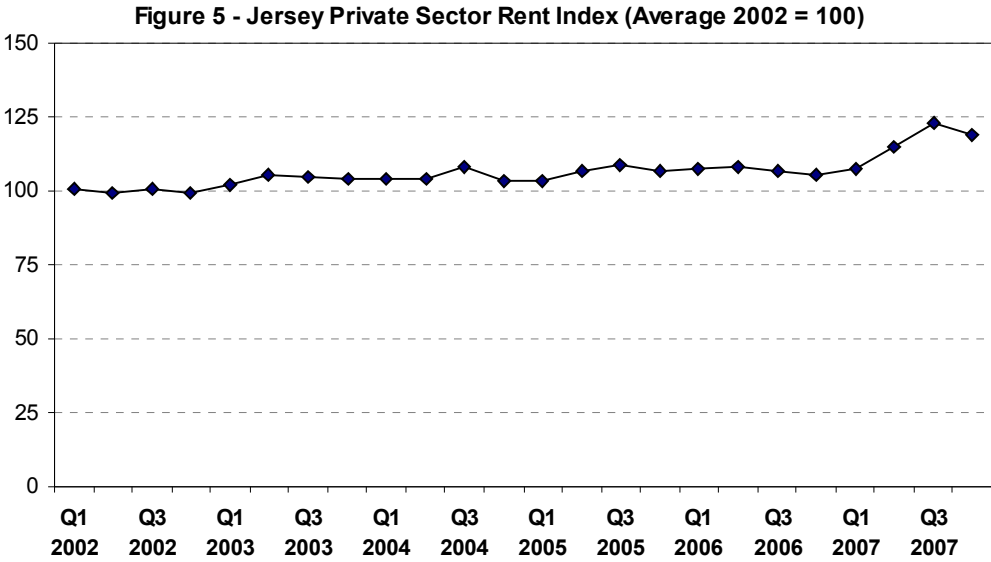
Prices are rounded to the nearest £1,000.

³ Figures for the UK are derived from: Department for Communities and Local Government, Release HPI-01-08. 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 Q4 2007 the average (mix-adjusted) price of dwellings sold in the UK as a whole was about 10% greater than that of a year earlier. The average (mix-adjusted) price of dwellings sold in Jersey during the fourth quarter of 2007 was almost twice that for the UK and more than a quarter 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). 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 5% between 2002 and 2003. Rents were then essentially stable between 2003 and 2006. However, the annual rate of increase for 2007, on a calendar year basis, was about 8%.

The most recent behaviour was very different for flats and houses, with the trend growth in the price of rents for flats in the fourth quarter of 2007 being less than 2% per annum whilst that for houses was considerably greater.

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 (2002 = 100).

Period		Flats	Houses	Jersey Private Sector Rental Index
2002	Q1	100.0	100.0	100.0
	Q2	99.9	96.1	98.4
	Q3	102.3	95.4	99.6
	Q4	98.3	99.1	98.6
2003	Q1	101.6	100.6	101.2
	Q2	104.1	105.2	104.5
	Q3	104.1	104.0	104.0
	Q4	105.5	98.8	102.8
2004	Q1	103.2	103.3	103.2
	Q2	104.6	100.7	103.1
	Q3	107.6	105.7	106.9
	Q4	102.6	102.2	102.4
2005	Q1	103.3	102.0	102.8
	Q2	106.3	104.8	105.7
	Q3	108.1	107.6	107.9
	Q4	104.6	107.1	105.6
2006	Q1	106.5	105.6	106.2
	Q2	108.2	106.0	107.4
	Q3	109.2	101.5	106.2
	Q4	107.2	100.7	104.7
2007	Q1	108.8	103.0	106.6
	Q2	116.3	110.5	114.0
	Q3	120.1	124.4	121.8
	Q4	116.6	119.8	117.9

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. 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. 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).