

The Jersey House Price Index

Fourth quarter of 2005

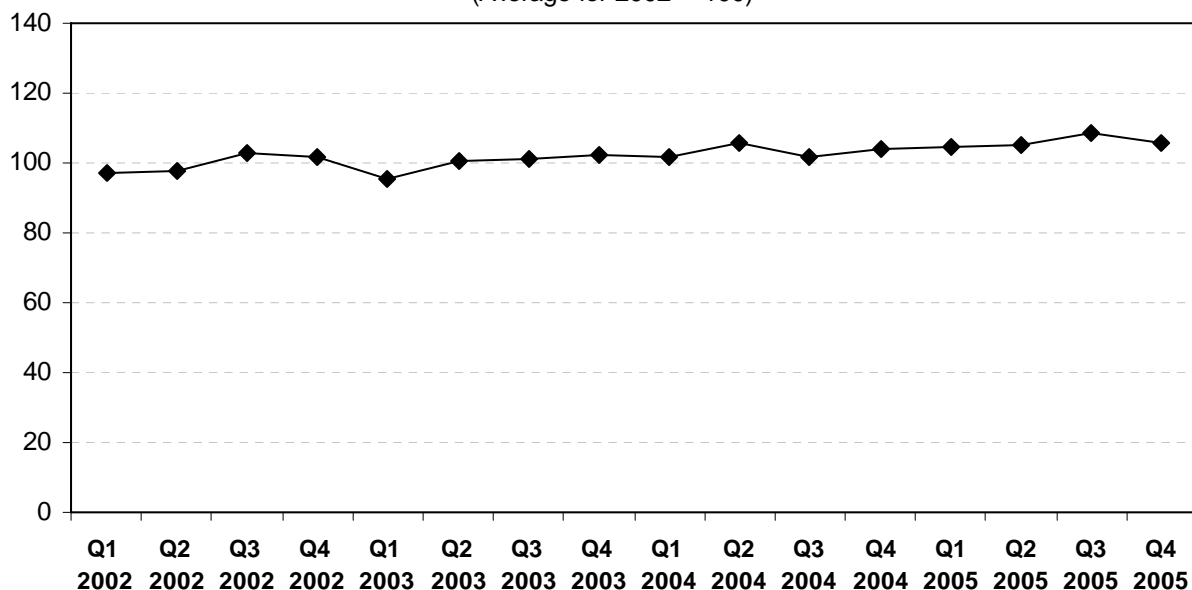
Headlines

- the overall average price of dwellings sold in Jersey grew by 3% in 2005;
- the 3% increase seen in 2005 was similar to that in 2004. These increases follow two years of essentially stable prices.
- the average price of dwellings sold in Jersey in Q4 2005 was £335,000, up 2% on Q4 2004;
- turnover was at a similar level to the quarterly average seen during the past 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.

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, has been fairly level since the beginning of 2002 and especially in comparison with prior periods.

Comparing annual movements over the past four years, whilst 2002 and 2003 were essentially flat in terms of overall average prices, both 2004 and 2005 saw small growth of about 3% per annum. The growth rate was less than the increases in retail prices and average earnings seen in these years².

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

² The average annual increases in the retail prices index (RPI) for 2004 and 2005 were 4.9% and 3.1%, respectively. Average earnings increased at 3.3% and 5.3% over the twelve months to June 2004 and June 2005, respectively.

As Figure 1a and Table 1 indicate, on an **annual** basis between the fourth quarters of 2004 and 2005 the mix-adjusted average price of dwellings in Jersey (and hence the House Price Index) saw a small increase of almost 2% (corresponding to £5,000).

On a **quarterly** basis, between Q3 2005 and Q4 2005 the Jersey House Price Index decreased by about 3% (corresponding to £10,000). Given that prices in Q4 have returned to trend growth, the figure for Q3 2005 most likely represented an upward fluctuation caused by an increased proportion of higher value properties sold in most size bands. The decrease in the latest quarter was similar to that observed following a similar such fluctuation in Q2 2004, reinforcing the importance of taking annual changes as the key indicator.

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

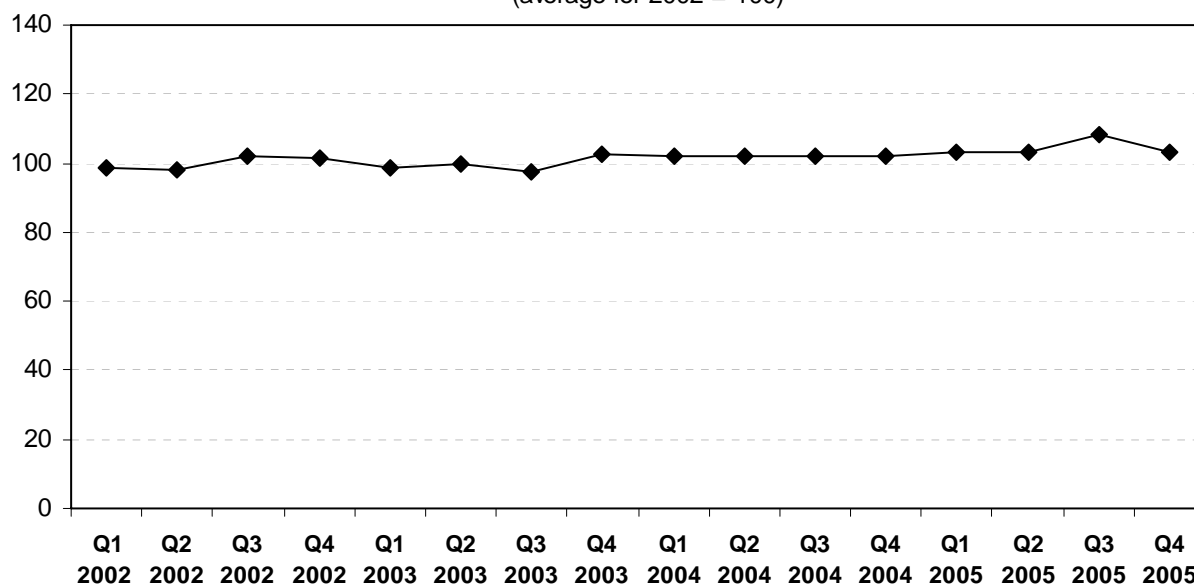
	Period	Average price (£,000)	Index (2002=100)
2002	Q1	309	97.3
	Q2	310	97.6
	Q3	327	103.1
	Q4	324	102.0
2003	Q1	304	95.7
	Q2	319	100.5
	Q3	322	101.3
	Q4	325	102.5
2004	Q1	323	101.7
	Q2	335	105.7
	Q3	322	101.5
	Q4	330	103.9
2005	Q1	331	104.3
	Q2	334	105.2
	Q3	345	108.8
	Q4	335	105.7

Prices are rounded to the nearest £1,000.

The overall stability in price of the majority (about three-quarters) of the Jersey housing market since the start of 2002 is indicated by Figure 1b, which shows the House Price Index calculated *excluding the more volatile category of 4-bedroom houses*. Disregarding the upward fluctuation seen in Q3 2005, this subsidiary index has varied by less than $\pm 3\%$ since 2002.

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

Notwithstanding a degree of volatility which can occur quarter-on-quarter in the mean prices of individual property types, and was specifically evident in Q3 2005, some themes are apparent from the data:

1-bedroom flats

The mean price of £161,000 in Q4 2005 was similar to that of the previous two quarters and also to the average for all of 2004.

2-bedroom flats

The mean price recorded in the latest quarter was similar to the level seen in the first six months of 2005 and to the average for all of 2004.

2-bedroom houses

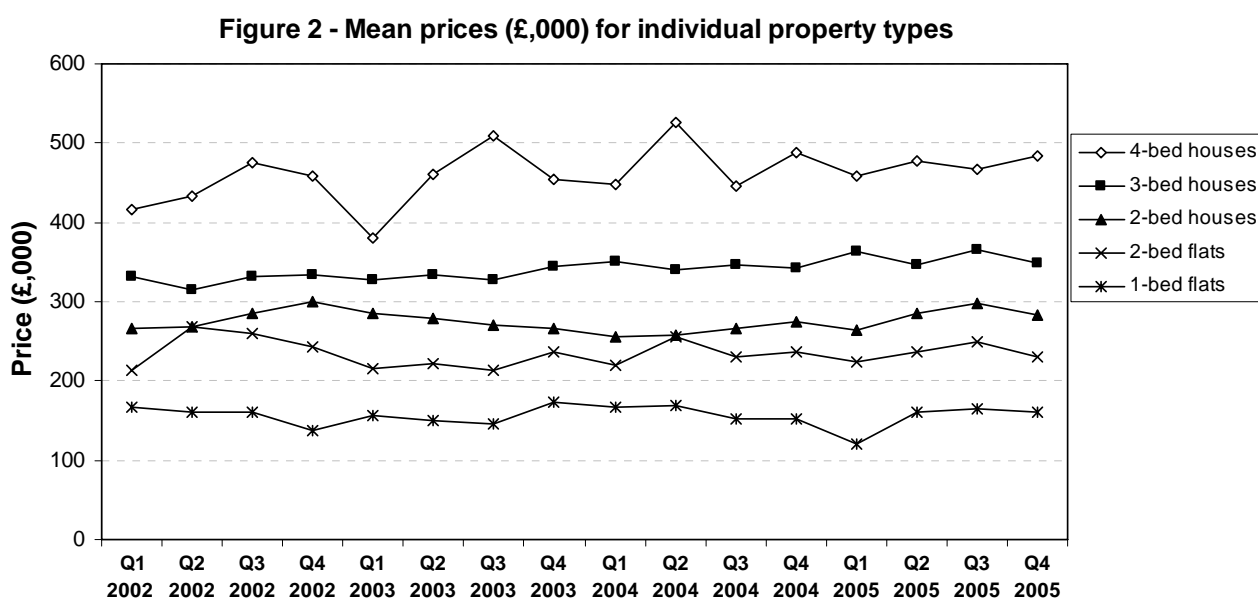
The trend in mean price for this category has been upward since early 2004. The average price of 2-bedroom houses sold in 2005 was 7% higher than in 2004.

3-bedroom houses

This category of property accounts for almost half of all residential transactions in Jersey and has seen prices increasing gradually over the past three years. The average price of 3-bedroom houses sold in 2005 was 3% higher than in 2004, which in turn had seen a 3½% increase on 2003.

4-bedroom houses

This is the most volatile category, being somewhat sensitive to the broad range of characteristics encompassed within this size of property. However, the mean price recorded for all of 2005 (£472,000) was similar to that for 2004.



Turnover

Some 230 eligible properties (see Notes) were reported as being sold in Q4 2005.

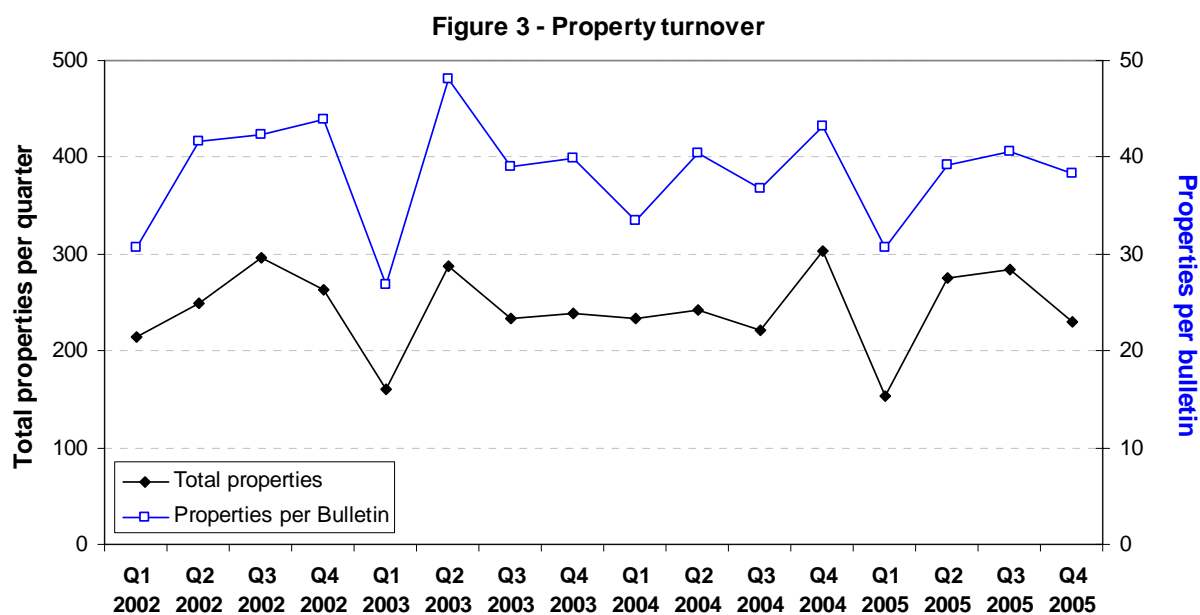


Table 3: Number of dwellings included in the House Price Index, by property type, and number of Jersey Property Bulletins published (in which transactions are recorded).

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

Some interpretation is required in making comparisons due to variations in the frequency of sittings of the Royal Court and hence in the number of Jersey Property Bulletins published per quarter. If account is taken for the number of Property Bulletins published, turnover in the latest quarter (38.3 transactions per Bulletin) was very similar to the average observed over the previous three years (38.4 per Bulletin), reflecting the stability of the Jersey housing market.

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).

Table 4: FTB properties, 2002-2005.

	2002	2003	2004	2005
<u>Flats</u>				
Mean price	160	186	215	201
Transactions	59	52	23	8
Principal sites	Woodville Apartments	Albert Place	Albert Place	Various + re-sale
<u>Houses</u>				
Mean price	222	239	292	270
Transactions	44	18	11	129
Principal sites	Clos Le Breton	Les Serres	Various + re-sale	Various + re-sale ³

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.

Comparison with the Guernsey, the Isle of Man and the UK

Guernsey

Guernsey publishes house price information on a quarterly basis. The figure published for the Guernsey “Local” market is the mean of transaction prices having excluded 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 most recently reported period for Guernsey⁴, the fourth quarter of 2005, recorded a mean price of £300,000 and an annual average increase of 2%.

³ Properties on the La Cambrette Site have been excluded from the First Time Buyers analysis. This site constituted refurbished properties sold by the Housing Department to States tenants at a price lower than private development sales, and is thus not reflective of the First Time Buyers’ market.

Isle of Man

The most up-to-date published information on dwelling prices in the Isle of Man⁵ is for calendar year 2004; the simple average (i.e. not mix-adjusted) dwelling price was £217,000, representing an increase of 8% on 2003.

United Kingdom

Mix-adjusted average prices of dwellings sold in the last five quarters in Jersey and the UK (overall and by region)⁶ are shown in Table 5.

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

	Mix-adjusted average price £,000				
	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Jersey	330	331	334	345	335
UK	180	181	183	186	186
England	192	191	192	195	194
Wales	140	142	145	148	149
Northern Ireland	114	123	125	134	136
Scotland	116	117	125	128	127
Greater London	262	263	265	270	267
South East (excl. London)	234	232	232	235	233
East	205	204	203	206	204
South West	199	200	197	200	200
West Midlands	164	161	163	166	165
East Midlands	160	158	158	160	160
North West	142	142	145	149	149
Yorkshire & Humber	139	137	142	146	147
North East	129	128	130	134	135

Prices are rounded to the nearest £1,000.

The average (mix-adjusted) price of dwellings sold in Jersey during the fourth quarter of 2005 was about 80% higher than that in the UK as a whole and about 25% higher than in Greater London.

The UK annual house price inflation rate in Q4 2005 was around 3%. The rate of increase for Greater London was about 2%, whilst Northern Ireland and Scotland saw much larger increases.

⁴ Guernsey Policy and Research Unit: Guernsey House Price Index 1981-2005.

⁵ Isle of Man, Digest of Economic and Social Statistics 2005; house price data for 2004 are provisional.

⁶ Figures for the UK are derived from: Office of the Deputy Prime Minister, Release HPI-02-06. 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.

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

15 February 2006