

Jersey House Price Index

Third Quarter 2010

Statistics Unit: www.gov.je/statistics

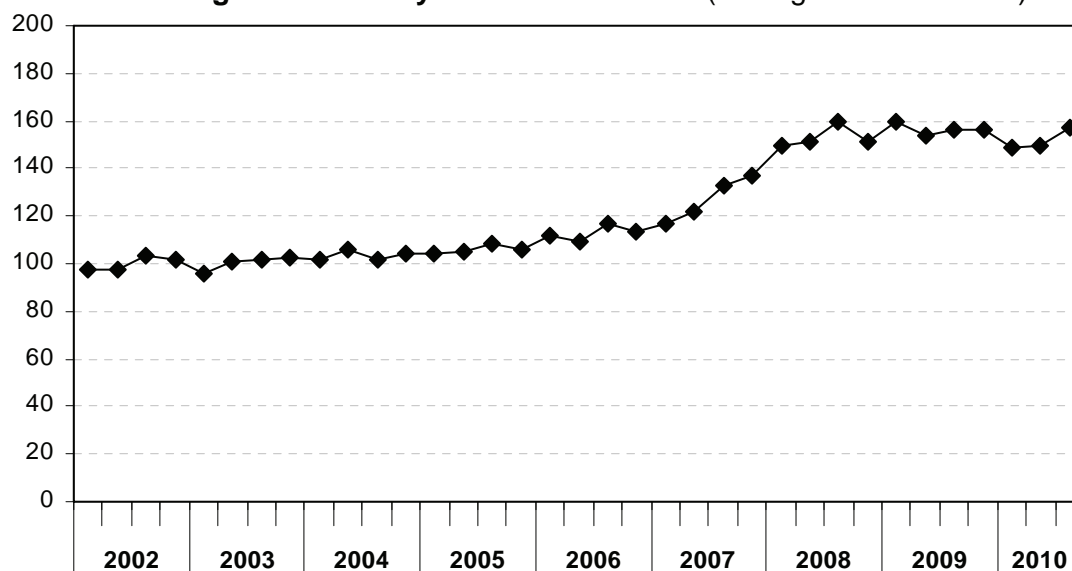
Summary

- **The mix-adjusted average price of properties sold in Jersey in Q3 2010 (£500,000) was similar to the mean for calendar year 2009;**
- **the average price recorded in Q3 2010 was 5% higher than in the previous quarter;**
- **the latest quarterly increase in average price was particularly driven by the 4-bedroom houses which sold in the quarter;**
- **the sub-index which excludes 4-bedroom houses shows that, overall, the majority of the Jersey residential property market has been essentially stable in price from early 2008 to the present time;**
- **the number of properties sold in Q3 2010, on a seasonally adjusted basis, was higher than that recorded a year ago, but was almost a fifth below the longer term average seen before 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)



As Figure 1 and Table 1 indicate, the Jersey House Price Index was essentially flat during the eighteen month period from mid-2008 to the end of 2009. The first six months of 2010 then saw property prices fall, by 5% on average.

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

Prices, overall, returned to a similar level to that of calendar year 2009 in the most recent quarter, Q3 2010, which saw an increase in average price of 5% on the previous quarter.

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

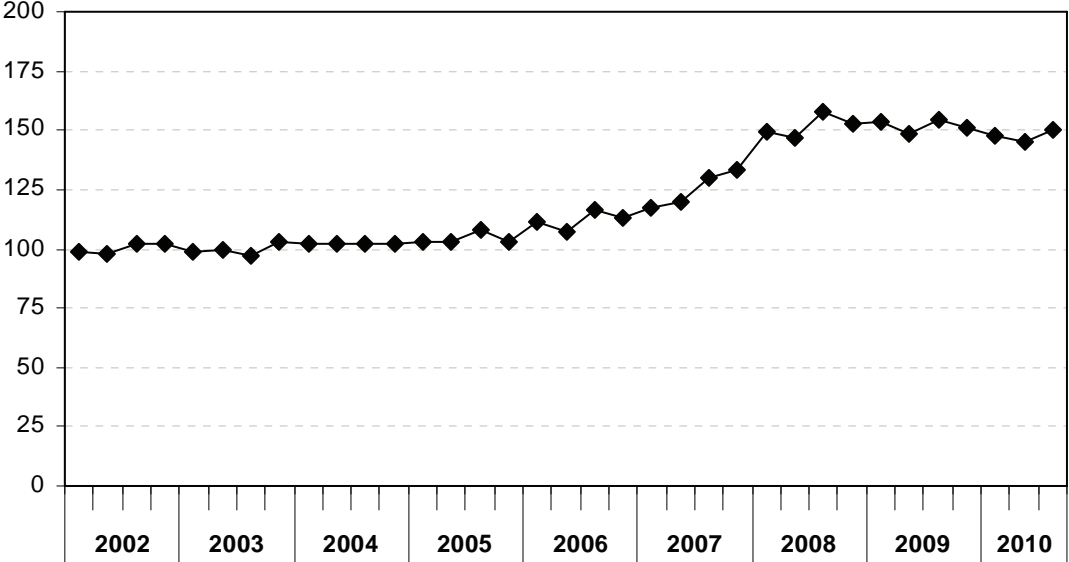
Period	Average price (£,000)	Index (2002=100)
2004 Q1	323	101.7
Q2	335	105.7
Q3	322	101.5
Q4	330	103.9
Average	328	103.2
2005 Q1	331	104.3
Q2	334	105.2
Q3	345	108.8
Q4	335	105.7
Average	337	106.0
2006 Q1	355	111.8
Q2	346	109.0
Q3	372	117.2
Q4	360	113.5
Average	358	112.9
2007 Q1	371	116.8
Q2	388	122.2
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

Prices are rounded to the nearest £1,000.

The mix-adjusted price of £500,000 recorded in Q3 2010 is 5% higher than the mean for the first six months of 2010; the increase was particularly driven by the 4-bedroom houses which sold in the latest quarter.

The general stability in price of the majority of the Jersey housing market since the beginning of 2008 to the present is indicated by Figure 2, which shows the House Price Index calculated *excluding* the generally more volatile category of 4-bedroom houses. This sub-index was flat for the two-year period 2008 to 2009, the calendar year averages for these years being almost identical.

Figure 2 - Sub-index excluding 4-bedroom houses
(average for 2002 = 100)



Whilst the sub-index for Q3 2010 is 3% higher than that for the first six months of 2010, it is less than 1% below the averages for both 2008 and 2009.

Individual property types

The mean prices for the individual categories of dwelling are shown in Figure 3 and in Tables 2 and 3. Notwithstanding a degree of volatility which can occur quarter-on-quarter in the mean prices of individual property types, some themes are apparent:

Figure 3 - Mean prices (£,000) for individual property types

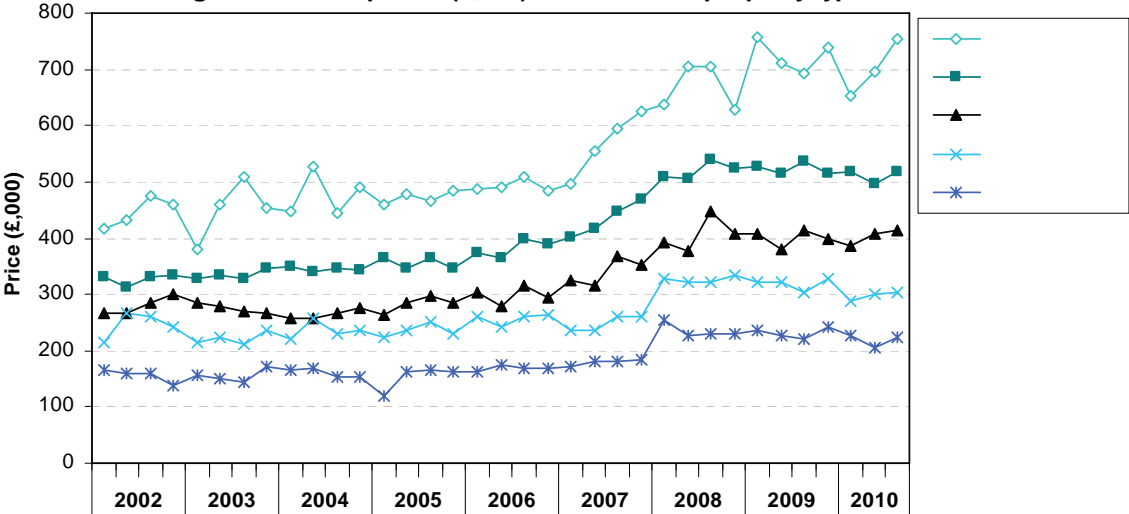


Table 2: Mean prices (£,000) for individual property types.

Period		Flats		Houses		
		1-bed	2-bed	2-bed	3-bed	4-bed
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
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

1-bedroom flats:

the mean price of 1-bedroom flats was essentially stable throughout 2008 and 2009. The mean price recorded in Q3 2010 (£223,000), however, is some £10,000 below the averages for calendar years 2008 and 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 recorded in the latest quarter (£302,000) is around £20,000 lower than the averages for 2008 and 2009.

2-bedroom houses:

in the latest quarter, the mean price of this property type (£415,000) was 4% higher (corresponding to £15,000) than that recorded in 2008 and 2009.

3-bedroom houses:

this category of property accounts for almost half of all residential transactions in Jersey. Following a period of ongoing price increases from 2006 to early 2008, the subsequent two-year period saw effectively stable prices. The mean price recorded in Q3 2010 (£518,000) is similar to the averages for 2008 and 2009.

4-bedroom houses:

this category of property has seen a degree of volatility in mean price since the beginning of 2008. The latest quarter saw a mean price of £754,000, the highest recorded for property type since Q1 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

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.

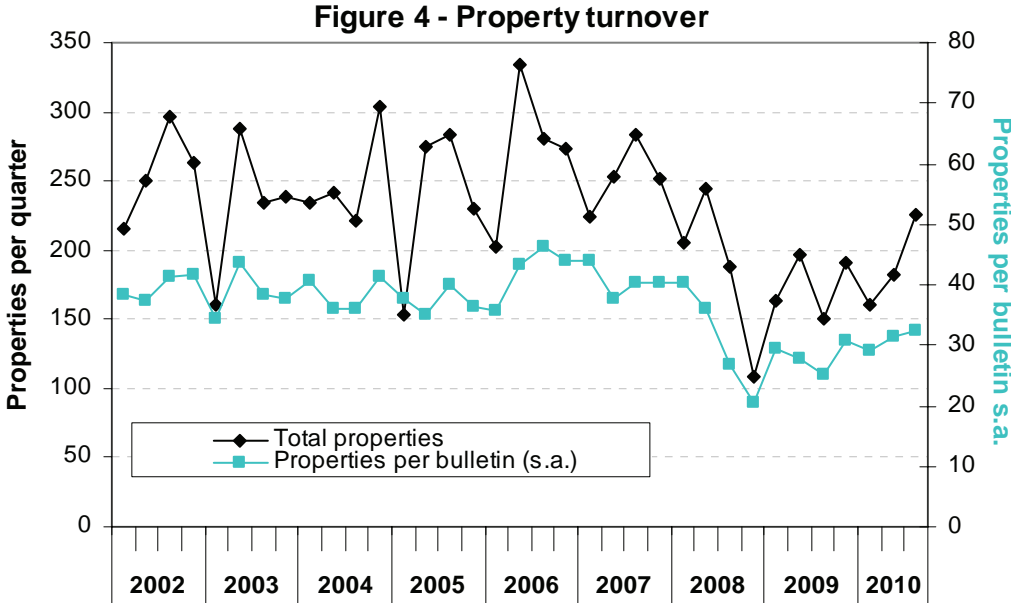
Turnover

Table 4 shows that 225 eligible properties (see Notes) were reported as being sold in Q3 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		
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	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

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).



Seasonally adjusted turnover in the latest quarter, at 32 properties per bulletin, was similar to the previous quarter, Q2 2010. Whilst the seasonally adjusted turnover was higher than that recorded a year ago (25 properties per bulletin in Q3 2009), it remains almost a fifth below the longer term average seen before mid-2008.

Most property types saw turnover in Q3 2010 at a similar level as in the previous quarter, except for 1-bedroom flats which recorded a higher number of transactions in the latest quarter, largely as a result of a new development coming onto the market.

Comparison with Guernsey and the UK

Guernsey

The constant mix average price of dwellings sold in Guernsey³ in the third quarter of 2010 was £376,000, representing an increase of almost 5% on the third quarter of 2009 and of 4% on the second quarter of 2010.

United Kingdom

The mix-adjusted average prices of dwellings sold since Q3 2010 in Jersey and in the UK (overall and by region)⁴ are shown in Table 5.

In contrast to Jersey, UK property prices, overall, have seen ongoing increases since Q2 2009. In the latest quarter, Q3 2010, the UK recorded an annual increase in the mix-adjusted average price of about 8%.

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

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 total index.

Table 6: Jersey Private 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

The Jersey Private Sector Rental Index has been stable during the first nine months of 2010, at a level almost 3% higher than the average for all of calendar year 2009.

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

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 mean price recorded for Q3 2010 is essentially equal to that for calendar year 2009 and up by 5% on the previous quarter, Q2 2010.

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.

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