

Jersey House Price Index

Fourth Quarter 2008

Statistics Unit: www.gov.je/statistics

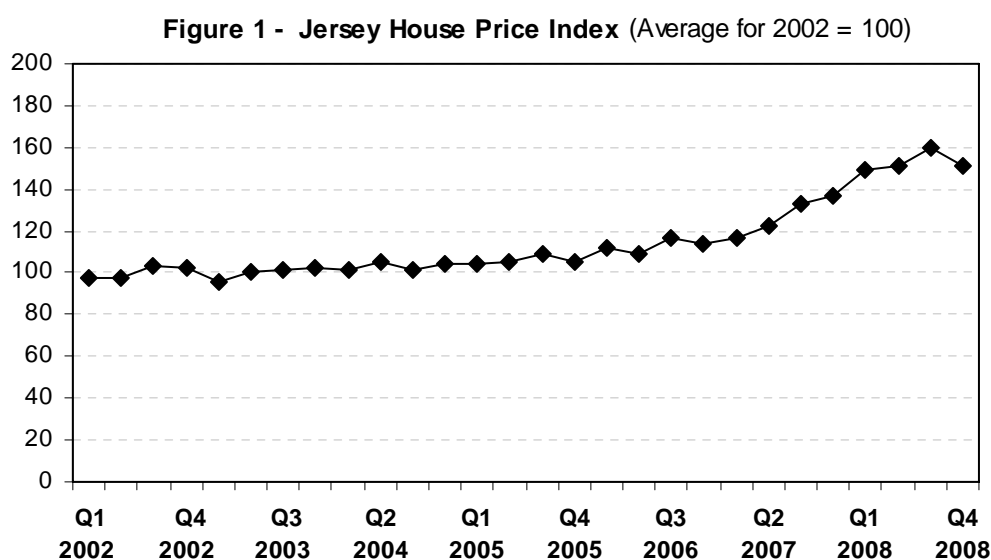


Headlines

- In the **fourth quarter of 2008**, the average mix-adjusted price of dwellings sold in Jersey was **£480,000**;
- the average price in **Q4 2008** was about **10% higher than that in Q4 2007** which represents a **lower annual rate of increase** than that reported for the **previous three quarters of 2008**;
- on a **quarterly basis**, the average **price of dwellings fell by 5%** between Q3 and Q4 2008, with the price of flats remaining essentially stable but the price of houses decreasing over the quarter;
- in Q4 2008 a quarter of properties sold for £310,000 or less;
- the **turnover** of properties in Q4 2008 was about half that of the long-term average;
- the **Jersey Private Sector Rental Index** shows that the mean rents of new rental consents in the private sector in 2008 were about 10% higher than those in 2007.

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.



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

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

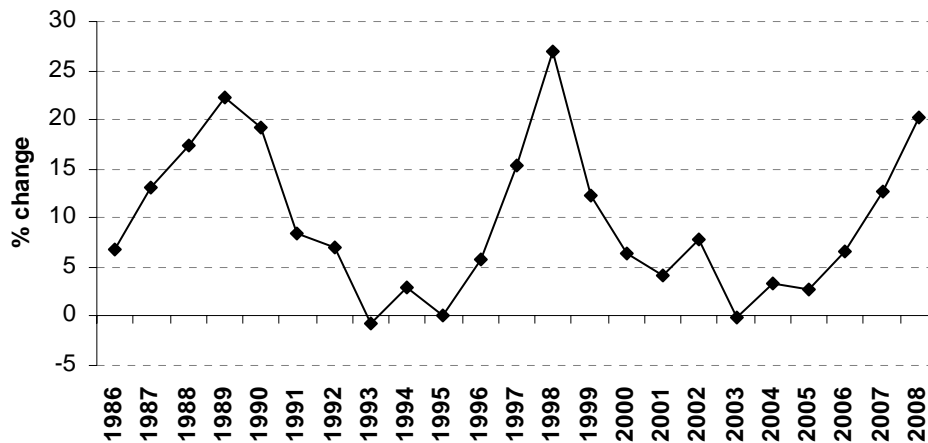
Period	Average price (£,000)	Index (2002=100)
2004 Q1	323	101.7
Q2	335	105.7
Q3	322	101.5
Q4	330	103.9
Average	328	103.2
2005 Q1	331	104.3
Q2	334	105.2
Q3	345	108.8
Q4	335	105.7
Average	337	106.0
2006 Q1	355	111.8
Q2	346	109.0
Q3	372	117.2
Q4	360	113.5
Average	358	112.9
2007 Q1	371	116.8
Q2	388	122.2
Q3	421	132.7
Q4	435	137.0
Average	405	127.2
2008 Q1	474	149.5
Q2	480	151.3
Q3	508	160.0
Q4	480	151.3
Average	486	153.0

Prices are rounded to the nearest £1,000.

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, at almost 7% in 2006 and at 13% in 2007 on a year-on-year basis. Calendar year 2008 saw a greater rate of price growth with the overall average price of dwellings sold in 2008 being 20% higher than in 2007.

Figure 2 shows the annual average price changes from 1986 to date. An annual rate of increase of 20% or higher has been attained on three occasions in the last two decades: in 1989, 1998 and 2008. Over the same period, there has been a fall in prices on an annual basis on only one occasion, 1993, and then of less than 1%.

**Figure 2 - Annual % change in the Jersey House Price Index
1986 - 2008**



The mix-adjusted average price for the latest quarter, Q4 2008, was 10% higher than that recorded for Q4 2007 (corresponding to about £45,000). This latest annual rate of increase is less than that recorded in the previous three quarters, which saw annual rates of increase of 28%, 24%, and 21%, respectively.

On a **quarterly** basis, between Q3 and Q4 2008, the Jersey House Price Index saw a decrease of 5%, the first quarterly decrease for two years and the largest quarterly decrease since Q1 2003. The mix-adjusted average price for Q4 2008 (£480,000) was similar to the level seen six months previously, in Q2 2008.

Individual property types

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

Overall, the average price of 1-bedroom flats has remained essentially stable throughout 2008, particularly during the last nine months, but at a higher level than that seen in 2007. The mean price in Q4 2008 was £229,000.

2-bedroom flats

The mean price of 2-bedroom flats remained essentially stable during 2008 but at a higher level than that seen in 2007. The mean price in Q4 2008 was £333,000. It is worth noting that the higher mean price level seen during 2008 has been driven somewhat by new sites coming onto the market.

2-bedroom houses

The trend in prices has been broadly upward for the past four years. The mean price in Q4 2008 (of £407,000) was up 15% on Q4 2007 but down 9% on a quarterly basis. Nevertheless, the mean price remained higher than that seen in the first half of 2008.

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 to mid 2008 saw greater rates of annual increase. Q4 2008 recorded a mean price of £524,000, 12% higher than in Q4 2007 but down 3% on a quarterly basis.

4-bedroom houses

The trend in average price has been broadly upward since 2002. Q4 2008 recorded a mean price of £628,000, similar to that seen a year previously in Q4 2007, but down by 11% on the level seen in mid-2008.

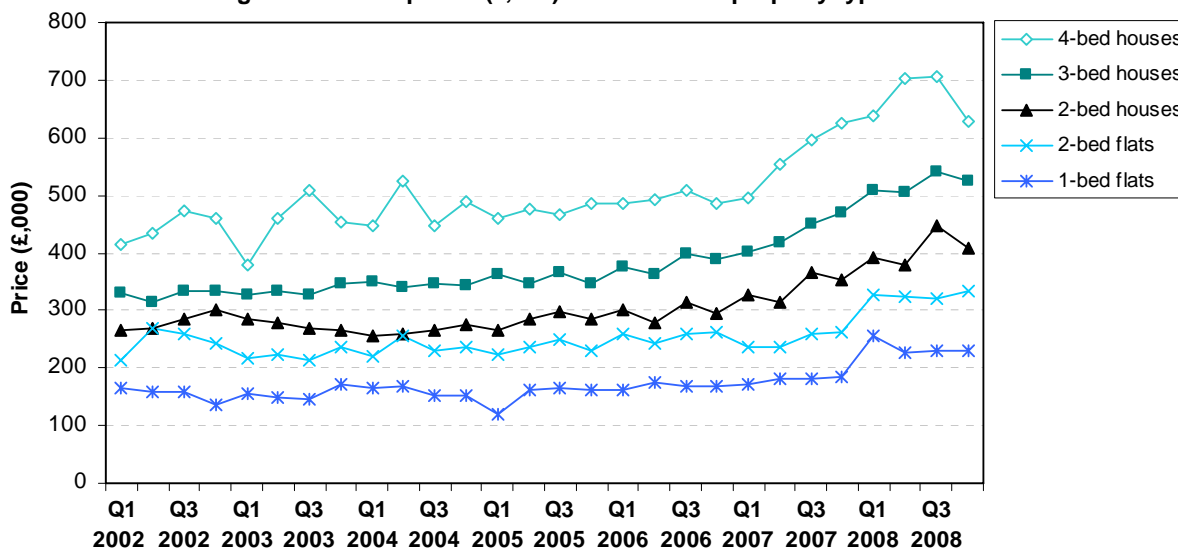
Table 2: Mean prices (£,000) for individual property types.

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

Table 3: Annual mean prices (£,000) for individual property types.

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

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

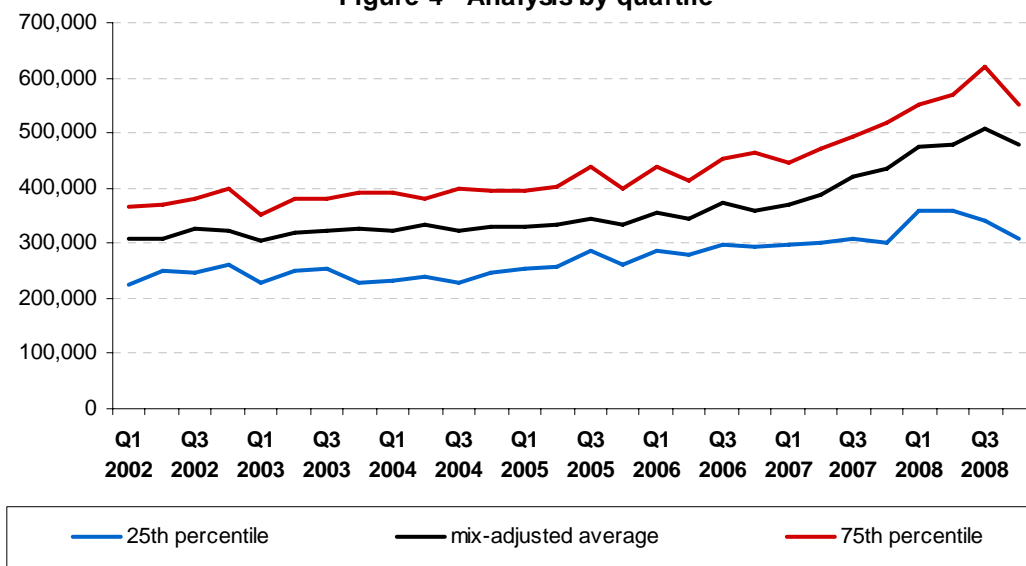


Lower quartile price²

A widely used indicator of relative housing affordability is the lower quartile property price. The lower quartile price is determined by ranking all property prices in ascending order; the lowest 25 per cent of prices are below the lower quartile.

It is informative to compare the 25th and 75th percentile values (the highest 25 per cent of properties are above the 75th percentile) with the average mix-adjusted price over time. Such analysis provides an indicator of the relative affordability of properties in the Island (Figure 4).

Figure 4 - Analysis by quartile



The overall price increase from 2002 to the start of 2008 was similar for each measure shown in Figure 4, at almost 50%.

² For information on first time buyer properties see Annex A.

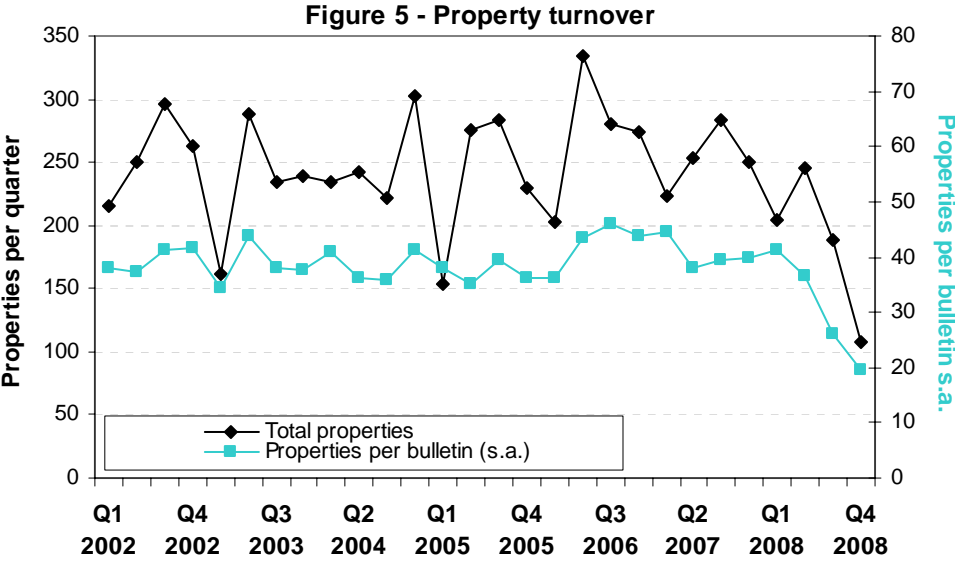
However, in the 18 months from late 2006 to Q4 2007 the lower quartile price remained relatively stable at about £300,000. There was then a sharp increase in the first quarter of 2008, followed by a downward trend during the remainder of the year, with the lower quartile price level in Q4 2008 (£310,000) being similar to that seen in late 2006 and throughout 2007.

The recent trend for the lower quartile price is in contrast to that seen for the mix-adjusted average price and the 75th percentile. Both of these measures saw prices continue to rise from late 2006 to Q3 2008, before falling in the latest quarter.

Turnover

Table 4 illustrates that 108 eligible properties (see Notes) were reported as being sold in Q4 2008.

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 5).



s.a. = seasonally adjusted.

The last six months of 2008 saw a marked decrease in turnover of properties. The seasonally adjusted turnover in Q4 2008 (20 properties per bulletin) was about half that of the long-term average; 3- and 4-bedroom houses particularly saw a large decrease in turnover most recently.

Table 4: 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	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

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 6.

Table 6: Mix-adjusted average price of dwellings sold in Jersey and the UK.

Region	Mix-adjusted average price £,000					
	2007		2008			
	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Jersey	421	435	474	480	508	480
UK	219	219	219	217	211	202
England	227	227	226	224	218	208
Northern Ireland	247	231	222	221	213	194
Wales	167	169	167	163	159	153
Scotland	163	165	163	167	162	157
Greater London	342	339	342	342	329	316
South East (excl. London)	274	275	275	272	266	254
East	236	237	238	235	228	217
South West	230	229	226	223	219	207
West Midlands	182	181	179	175	172	165
East Midlands	175	176	174	169	165	157
North West	164	165	162	161	157	152
Yorkshire & Humber	166	167	164	164	158	152
North East	151	151	149	148	143	138

Prices are rounded to the nearest £1,000.

The mix-adjusted average prices shown for Q4 2008 for the UK and its countries and regions are for properties sold in October and November only.

In Q4 2008 the average (mix-adjusted) price of dwellings sold in the UK fell on both an annual and a quarterly basis, being about 8% lower than a year earlier. Prices fell in all regions of the UK, with the largest fall being seen in Northern Ireland (down by about a sixth on an annual basis).

The average (mix-adjusted) price of dwellings sold in Jersey during the fourth quarter of 2008 was more than double that for the UK and around one and a half times higher than in Greater London.

³ Figures for the UK are derived from: Department for Communities and Local Government, House Price Index November 2008. 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

The overall median price of dwellings sold in Guernsey⁴ in the fourth quarter of 2008 was £342,000, about 3% higher than Q4 2007 but down 3% on a quarterly basis.

Isle of Man

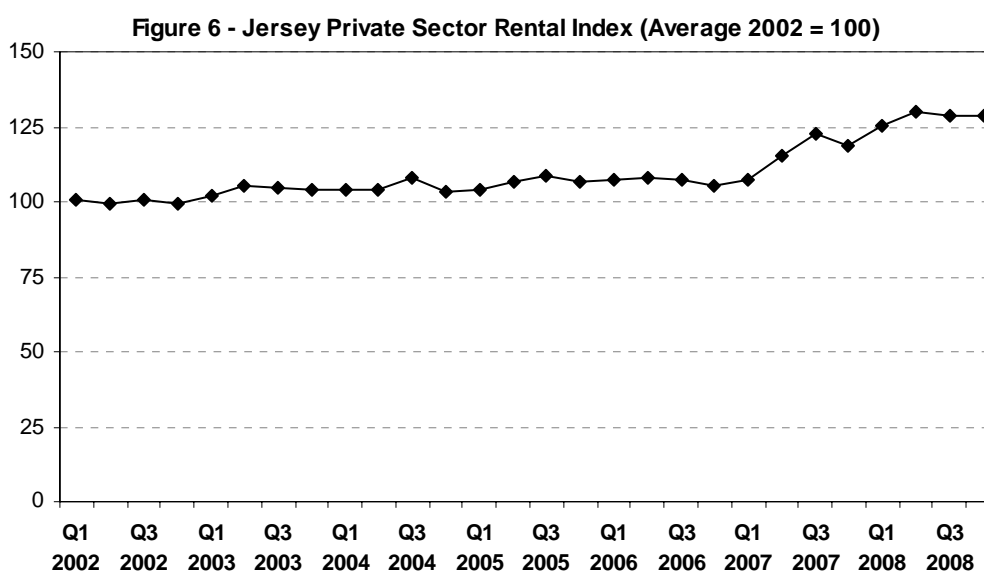
The most up-to-date published information on dwelling prices in the Isle of Man⁵ is for calendar year 2007; the simple mean (i.e. not mix-adjusted) dwelling price was £264,000, 11% higher than the average for 2006.

Jersey Private Sector Rental Index

The Private Sector Rental Index was introduced for Jersey in the third quarter of 2007 (see Note 8).

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).⁶ 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.



Average rents in the private sector, as measured by the Jersey Private Sector Rental Index, increased by about 4% between 2002 and 2003. Rents were then essentially stable between 2003 and 2006 before rising in 2007 (up by 8% on an annual basis) and in 2008 (up 10%).

⁴ Guernsey Policy and Research Unit: Guernsey Residential Property Prices 1981-2008. The Guernsey average (median) figure is not mix-adjusted and hence does not take into account variations in the proportions of property types sold each quarter.

⁵ Isle of Man, Digest of Economic and Social Statistics 2008; house price data for 2007 are provisional.

⁶ A full description of the Jersey Private Rental Index and methodology is given in the Notes.

Average rents (from new consents) in the fourth quarter of 2008 were about 8% higher than the average for the fourth quarter of 2007 but were at a similar level to the previous two quarters. Flat rents were up slightly over the latest quarter, whilst house rents were down slightly.

Table 7: Jersey Private Rental Index (Average 2002 = 100).

Period	Flats	Houses	Jersey Private Sector Rental Index
2002 Q1	99.9	102.8	100.9
Q2	99.7	98.8	99.2
Q3	102.2	98.1	100.5
Q4	98.1	101.9	99.4
2003 Q1	101.5	103.4	102.1
Q2	104.0	108.2	105.5
Q3	103.9	106.9	104.9
Q4	105.3	101.6	103.7
2004 Q1	103.1	106.2	104.1
Q2	104.5	103.6	104.0
Q3	107.5	108.7	107.8
Q4	102.4	105.1	103.3
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

Annex A: 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 5 on an annual basis and only at a combined flat and a combined house level (see Note 7).

Table 5: First Time Buyers' properties, 2002-2008.

Year	Flats		
	Mean price	Transactions	Principal sites
2002	160	59	<i>Woodville Apartments</i>
2003	185	52	<i>Albert Place</i>
2004	215	23	Albert Place
2005	201	8	Various & re-sale
2006	205	13	<i>Woodville & Albert Place resale</i>
2007	195	22	<i>Clos des Charmes / Various & re-sale</i>
2008	306	12	<i>Woodville & Albert Place resale</i>
Year	Houses		
	Mean price	Transactions	Principal sites
2002	222	44	<i>Clos Le Breton</i>
2003	242	18	<i>Les Serres</i>
2004	292	11	Various & re-sale
2005	270	129	<i>Various & re-sale⁷</i>
2006	283	60	<i>Various & re-sale²</i>
2007	312	12	<i>Clos des Charmes / Various & re-sale²</i>
2008	392	48	<i>Les Cloches / La Providence / Various & re-sale²</i>

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.

From 2004 to 2007 the average price of FTB flats remained relatively stable at around £200,000 whereas the average price surpassed £300,000 in 2008. However, this was largely due to the fact that a very small proportion of 1-bedroom FTB flats were sold in 2008 in comparison to previous years.

The average price of FTB houses surpassed £300,000 in 2007, with the average price nearing £400,000 in 2008.

⁷ 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.

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.

If share transfers are included at the weight of three-fifths of all sales of flats, the annual percentage change of the overall mix-adjusted index for 2008 (22%) is similar to the headline annual change figure stated previously in this report (20%) and is consistent with statistical uncertainty.

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 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).

Statistics Unit

11th February 2009