

Guernsey Quarterly Residential Property Prices Bulletin

Quarter 2 - June 2010

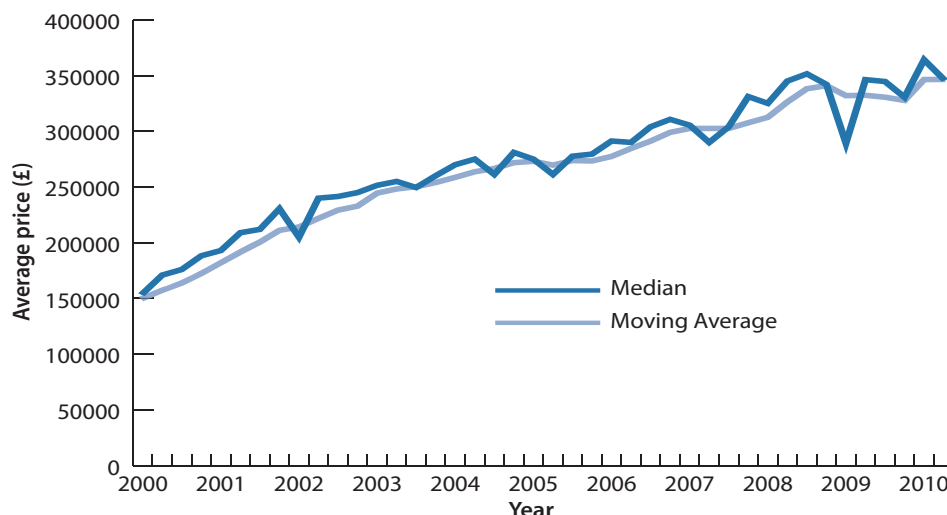
Introduction

The Guernsey Residential Property Prices Bulletin measures average price changes in residential properties sold on the Island each quarter and provides a headline analysis of trends in average prices. Data on property transactions is obtained from the States Greffe and is analysed by the Policy Council, Policy and Research Unit. Average prices for local market properties (including a further analysis of average house and apartment prices) and open market properties are calculated. Commercial properties are not included. A full description of the methodology is given at the end of this report.

Headlines

- In the second quarter of 2010 the four-quarter moving average figure was £346,488 (4.3% higher than the previous year and less than 0.05% higher than the previous quarter).
- For the second quarter of 2010, the median average local market residential property price was £346,750 (an annual increase of 0.1% and a quarterly decrease of 4.8%).
- There were 248 transactions (231 local market and 17 open market) in the second quarter of 2010, 16% more than in the second quarter of 2009 and 38% more than in the first quarter of 2010.
- Apartments comprised 21% of all local market transactions during the second quarter, compared to 27% the previous year and 23% in the first quarter of 2010.
- The 'constant mix' measure, introduced in the second quarter of 2009, strips out some of the volatility associated with the changing proportions of apartments and houses. It increased by 5.1% over the year but decreased by 2.2% over the quarter.
- The median average price of the 17 open market properties sold during the second quarter of 2010 was £798,000.

Figure 1: Local Market Median Average



Local Market Median Trends

Table 1: Median Prices

		Median Average			4-Quarter Moving Average		
		Value (£)	Quarterly % Change	Annual % Change	Value (£)	Quarterly % Change	Annual % Change
2007	Q1	305,425	-1.7	4.9	302,519	1.2	9.1
	Q2	290,000	-5.1	0.0	302,519	0.0	6.3
	Q3	304,000	4.8	0.0	302,519	0.0	3.9
	Q4	331,075	8.9	6.6	307,625	1.7	2.9
2008	Q1	325,000	-1.8	6.4	312,519	1.6	3.3
	Q2	345,000	6.2	19.0	326,269	4.4	7.9
	Q3	351,500	1.9	15.6	338,144	3.6	11.8
	Q4	342,000	-2.7	3.3	340,875	0.8	10.8
2009	Q1	289,250	-15.4	-11.0	331,938	-2.6	6.2
	Q2	346,275	19.7	0.4	332,256	0.1	1.8
	Q3	344,613	-0.5	-2.0	330,534	-0.5	-2.3
	Q4	330,500	-4.1	-3.4	327,659	-0.9	-3.9
2010	Q1	364,088	10.2	25.9	346,369	5.7	4.3
	Q2	346,750	-4.8	0.1	346,488	0.0	4.3

Figure 2: Annual Percentage Change in Median Prices

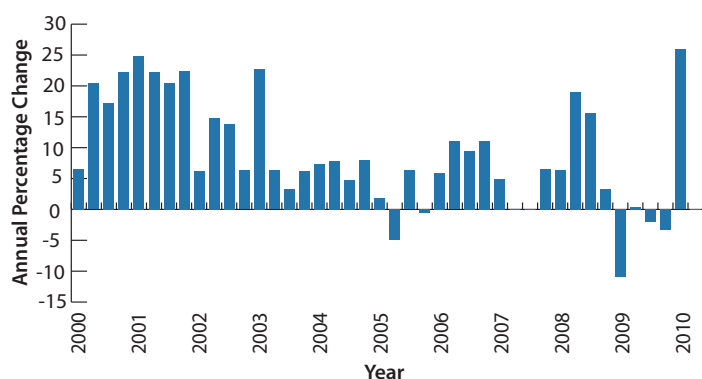
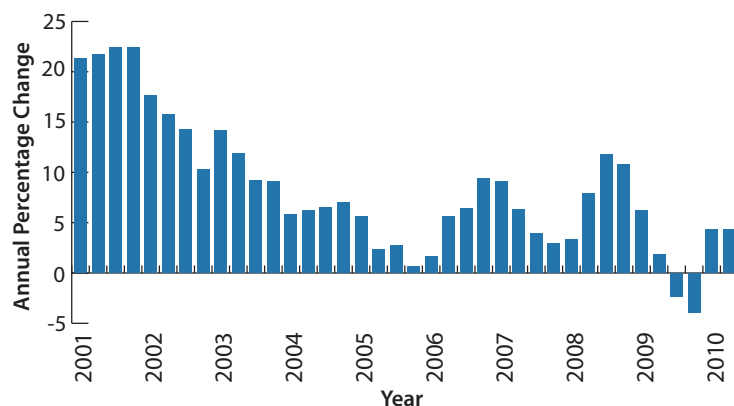


Figure 3: Annual Percentage Change in 4-Quarter Moving Average Prices



Trends in local market residential property prices are shown in *Table 1, Figure 1* (on page 1), *Figure 2* and *Figure 3*.

The average local market property price decreased by 4.8% this quarter but increased by 0.1% over the year, to £346,750.

A four-quarter moving average has the effect of eliminating some of the seasonal fluctuations in prices. It increased by less than 0.05% over the quarter and by 4.3% over the year to £346,488. The cumulative change over the last five years was an increase of 28.5%.

At the end of May 2010, the UK's average mix-adjusted property price was £209,505¹, which was a 11.0% increase over the year. The London average of £333,704 was 17.1% higher than at the end of June 2009.

The mix-adjusted average price of a Jersey property was £473,000² at the end of March 2010. This was 5% lower than the previous quarter and also 5% lower than the previous year.

Please note there are methodological differences between the jurisdictions.

¹ See www.communities.gov.uk for the latest UK house price index figures. June 2010 figures not released at time of publication.

² See www.gov.je/statistics for the Jersey Index. June 2010 figures not released at time of publication.

Local Market Lower Quartile Trends

The lower quartile value represents the price of a property at the first quarter mark of transactions i.e. if all the transactions were ranked by price, a quarter of properties would lie below this point, three quarters would lie above.

The lower quartile price was £261,250 in the second quarter of 2010 (*Table 2*), 3.2% higher than the second quarter of 2009, and 2.3% higher than the first quarter of 2010 (*Table 2 and Figure 4*).

The four-quarter moving average for this quartile was £256,971 in the second quarter of 2010, 0.8% higher than the previous quarter and 2.3% higher than the previous year.

Over the five years ending June 2010, the total increase in the lower quartile four quarter moving average was 22.5%, compared to the moving average of the median price, which rose by 28.5% over the same period.

Table 2: Lower Quartile Prices

		Lower Quartile			4-Quarter Moving Average		
		Value (£)	Quarterly % Change	Annual % Change	Value (£)	Quarterly % Change	Annual % Change
2007	Q1	232,063	-3.6	0.8	228,959	0.2	6.3
	Q2	221,600	-4.5	1.2	229,609	0.3	4.3
	Q3	238,000	7.4	6.2	233,078	1.5	4.4
	Q4	270,000	13.4	12.2	240,416	3.1	5.2
2008	Q1	261,250	-3.2	12.6	247,713	3.0	8.2
	Q2	258,100	-1.2	16.5	256,838	3.7	11.9
	Q3	262,719	1.8	10.4	263,017	2.4	12.8
	Q4	265,000	0.9	-1.9	261,767	-0.5	8.9
2009	Q1	224,000	-15.5	-14.3	252,455	-3.6	1.9
	Q2	253,125	13.0	-1.9	251,211	-0.5	-2.2
	Q3	261,323	3.2	-0.5	250,862	-0.1	-4.6
	Q4	250,000	-4.3	-5.7	247,112	-1.5	-5.6
2010	Q1	255,313	2.1	14.0	254,940	3.2	1.0
	Q2	261,250	2.3	3.2	256,971	0.8	2.3

Figure 4: Annual Percentage Change in Lower Quartile Prices

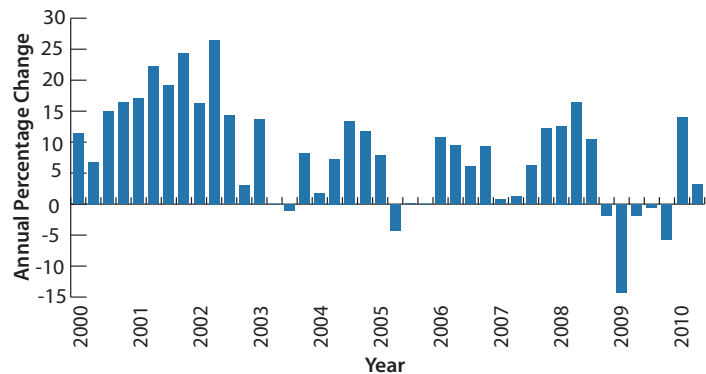
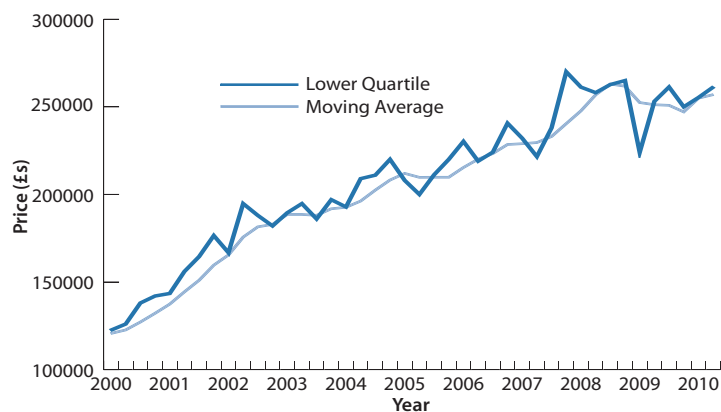


Figure 5: Lower Quartile Prices



Local Market House and Apartment Prices

Table 3: House Prices

		Median Average			4-Quarter Moving Average		
		Value (£)	Quarterly % Change	Annual % Change	Value (£)	Quarterly % Change	Annual % Change
2007	Q1	340,725	-2.1	6.1	338,850	1.5	7.9
	Q2	323,500	-5.1	-0.3	338,588	-0.1	5.7
	Q3	342,000	5.7	0.0	338,588	0.0	3.7
	Q4	361,000	5.6	3.7	341,806	1.0	2.3
2008	Q1	371,500	2.9	9.0	349,500	2.3	3.1
	Q2	370,500	-0.3	14.5	361,250	3.4	6.7
	Q3	387,125	4.5	13.2	372,531	3.1	10.0
	Q4	389,000	0.5	7.8	379,531	1.9	11.0
2009	Q1	372,000	-4.4	0.1	379,656	0.0	8.6
	Q2	381,625	2.6	3.0	382,438	0.7	5.9
	Q3	396,625	3.9	2.5	384,813	0.6	3.3
	Q4	356,250	-10.2	-8.4	376,625	-2.1	-0.8
2010	Q1	415,000	16.5	11.6	387,375	2.9	2.0
	Q2	397,700	-4.2	4.2	391,394	1.0	2.3

Average local market prices can be divided into two categories: houses and apartments. Variations in the profile of properties sold each quarter cause prices to fluctuate from quarter to quarter, particularly for apartments due to the relatively low number of apartment transactions. There are also seasonal fluctuations, however these can be smoothed out using a moving average.

In the second quarter of 2010, the average price of houses sold was £160,200 higher than the average price of apartments (as illustrated in *Table 3*, *Table 4* and *Figure 6*).

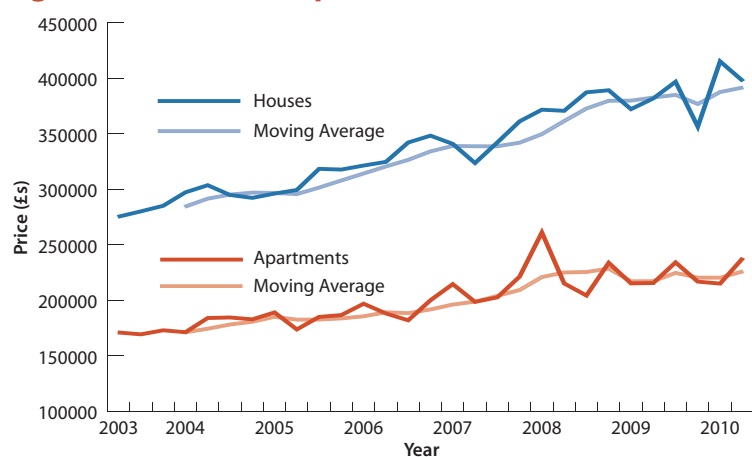
The average house price decreased by 4.2% from the first quarter of 2010 to £397,700 in the second quarter (*Table 3*), an increase of 4.2% over the year. The moving average for houses increased by 1.0% (to £391,394) over the quarter and by 2.3% over the year.

Table 4: Apartment Prices

		Median Average			4-Quarter Moving Average		
		Value (£)	Quarterly % Change	Annual % Change	Value (£)	Quarterly % Change	Annual % Change
2007	Q1	214,500	7.3	9.0	196,135	2.3	5.7
	Q2	198,523	-7.4	5.5	198,740	1.3	5.1
	Q3	202,625	2.1	11.4	203,912	2.6	8.2
	Q4	221,250	9.2	10.6	209,224	2.6	9.1
2008	Q1	261,000	18.0	21.7	220,849	5.6	12.6
	Q2	215,165	-17.6	8.4	225,010	1.9	13.2
	Q3	204,250	-5.1	0.8	225,416	0.2	10.5
	Q4	233,700	14.4	5.6	228,529	1.4	9.2
2009	Q1	215,175	-7.9	-17.6	217,073	-5.0	-1.7
	Q2	215,500	0.2	0.2	217,156	0.0	-3.5
	Q3	234,063	8.6	14.6	224,609	3.4	-0.4
	Q4	216,750	-7.4	-7.3	220,372	-1.9	-3.6
2010	Q1	215,000	-0.8	-0.1	220,328	0.0	1.5
	Q2	237,500	10.5	10.2	225,828	2.5	4.0

The average apartment price increased by 10.5% over the quarter and 10.2% over the year, to £237,500 (*Table 4*). There was a 2.5% increase in the moving average for apartments during the quarter and an increase of 4.0% over the year.

Figure 6: House and Apartment Prices



Local Market Constant Mix Prices

Figures 7 and 8 and Table 5 show the weighted mean average property price assuming a constant proportion of house and apartment sales each quarter.

The effect of this is to reduce the volatility caused by changing mixtures of property types. The figures in Table 5 are generally less susceptible to the peaks and troughs that are seen in Table 1 on page 2.

The constant mix average was £360,562 in the second quarter of 2010, 5.1% higher than the second quarter of 2009 (£343,113) but 2.2% lower than the first quarter of 2010 (£368,635).

Low transaction volumes can skew overall median prices. This measure is closer to a like for like, but is still susceptible to the effects of the changing profile of property transactions, since the average is based on property sales rather than the average values of the housing stock of the whole island.

Table 5: Constant Mix Prices

		Constant Mix Average		
		Value (£)	Quarterly % Change	Annual % Change
2007	Q1	311,463	-0.7	6.5
	Q2	294,527	-5.4	0.5
	Q3	309,690	5.1	1.6
	Q4	328,603	6.1	4.7
2008	Q1	345,883	5.3	11.1
	Q2	334,490	-3.3	13.6
	Q3	344,730	3.1	11.3
	Q4	352,998	2.4	7.4
2009	Q1	335,644	-4.9	-3.0
	Q2	343,113	2.2	2.6
	Q3	358,939	4.6	4.1
	Q4	323,911	-9.8	-8.2
2010	Q1	368,635	13.8	9.8
	Q2	360,562	-2.2	5.1

Figure 7: Average Annual Percentage Change in Constant Mix Prices

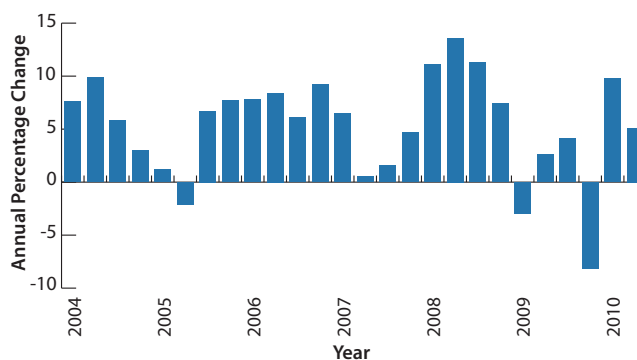
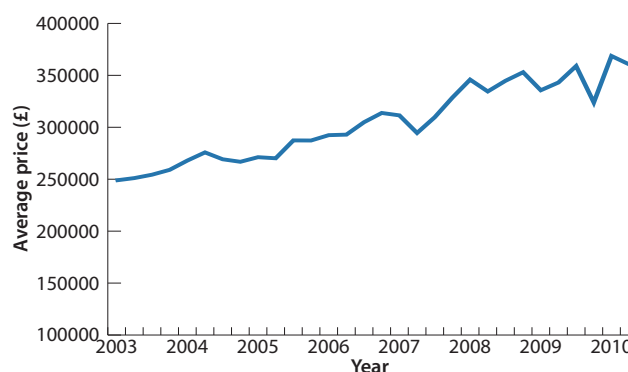


Figure 8: Constant Mix Prices



Local Market Turnover

Table 6: Volume of Transactions by Category

		House		Apartment		Total
		Volume	Percent	Volume	Percent	
2007	Q1	175	72%	67	28%	242
	Q2	188	75%	64	25%	252
	Q3	203	75%	66	25%	269
	Q4	195	76%	62	24%	257
2008	Q1	114	66%	59	34%	173
	Q2	186	78%	52	22%	238
	Q3	137	76%	43	24%	180
	Q4	119	73%	44	27%	163
2009	Q1	78	60%	51	40%	129
	Q2	147	73%	55	27%	202
	Q3	154	75%	52	25%	206
	Q4	187	82%	40	18%	227
2010	Q1	127	77%	37	23%	164
	Q2	183	79%	48	21%	231

Table 6 provides information on the number of local market transactions recorded by the States of Guernsey Greffe each quarter.

In the second quarter of 2010, a total of 248 transactions took place; 231 local market and 17 open market. The number of local market transactions increased by 14% (29 transactions) compared to the same quarter in 2009 and increased by 41% (67 transactions) compared to the first quarter of 2010.

Apartment transactions made up 21% of the total local market transactions during the second quarter of 2010.

Figure 9 shows the number of local market property transactions each quarter by price band. The largest proportion of transactions was in the £200,000 to £299,000 value band, comprising 32.5% of the total number of transactions.

Figure 9: Volume of Transactions by Price

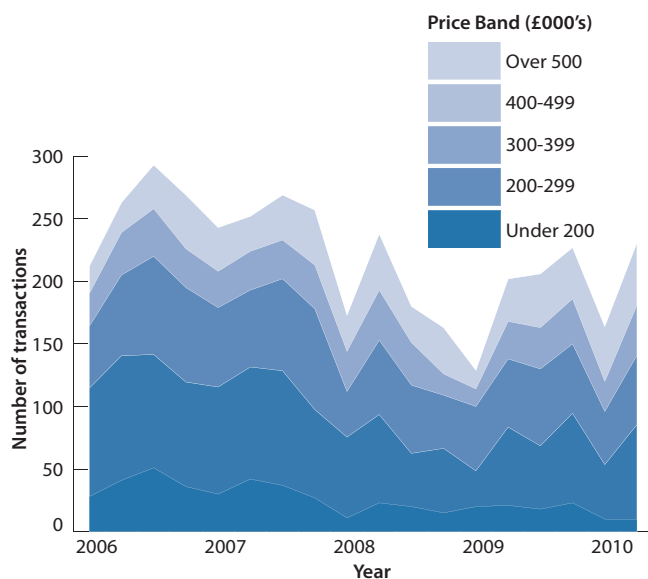


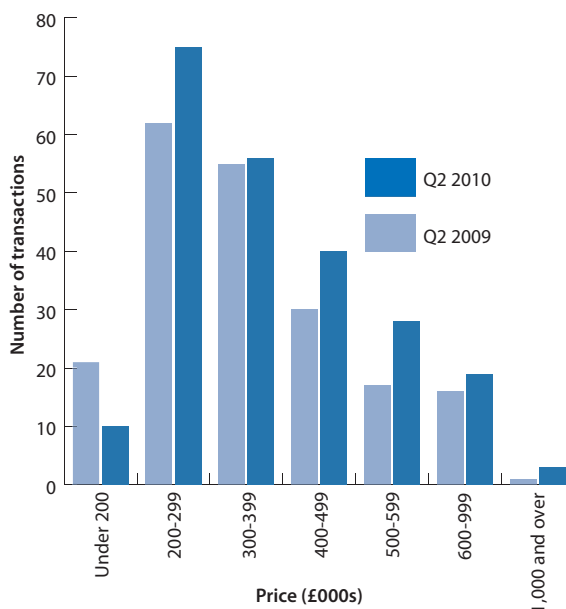
Table 7 and Figure 10 show in more detail the distribution of transactions by price interval in the second quarter of 2010 compared to the second quarter of 2009.

During the second quarter of 2010, there were more transactions in the higher price categories than in the second quarter of the previous year. 39% of the transactions were over £400,000, compared to 32% the previous year.

Table 7: Price Distribution of Transactions

Price (£000s)	Q2 2009		Q2 2010	
	Volume	Percent	Volume	Percent
Under 200	21	10.4	10	4.3
200-299	62	30.7	75	32.5
300-399	55	27.2	56	24.2
400-499	30	14.9	40	17.3
500-599	17	8.4	28	12.1
600-999	16	7.9	19	8.2
1,000 and over	1	0.5	3	1.3
Total	202	100	231	100

Figure 10: Price Distribution of Transactions



NB - Figures may not sum to 100 due to rounding.

Open Market Trends

Average residential property prices on the open market tend to fluctuate more than local market prices due to the very wide ranging sale prices and the small number of transactions. Care must be taken when interpreting such volatile trends. Values of open market property sales are shown in *Table 8* and *Figure 11*.

The median open market price decreased by 7.6% compared to the last quarter and by 4.9% compared to second quarter of 2009, to £798,000.

The moving average (shown graphically in *Figure 11*), which reduces the effect of seasonal fluctuations, decreased by 1.2% over the quarter (to £891,750) and by 1.9% over the year.

The total increase in the open market moving average over the past 5 years has been 22%.

Of the 17 transactions this quarter, 5 were sold for over £1 million.

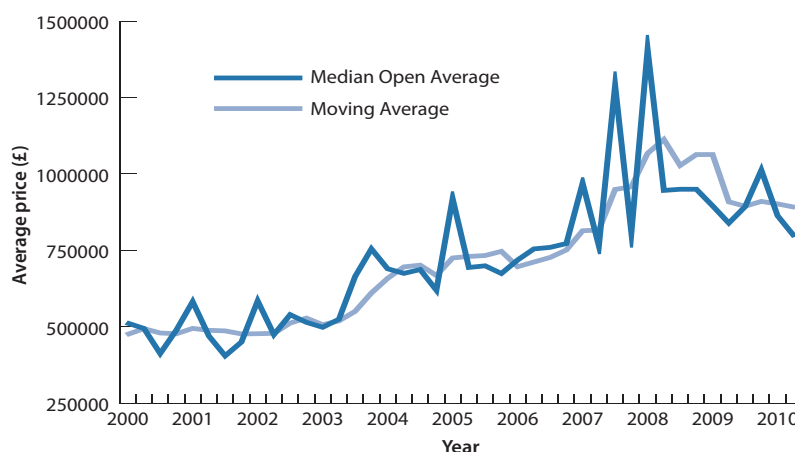
Table 8: Open Market Prices

		Median Open Market			4-Quarter Moving Average		
		Value (£)	Quarterly % Change	Annual % Change	Value (£)	Quarterly % Change	Annual % Change
2007	Q1	970,000	25.6	35.0	814,375	8.4	16.9
	Q2	765,000	-21.1	1.3	816,875	0.3	14.7
	Q3	1,290,000	68.6	69.7	949,375	16.2	30.6
	Q4	807,500	-37.4	4.5	958,125	0.9	27.5
2008	Q1	1,407,500	74.3	45.1	1,067,500	11.4	31.1
	Q2	946,250	-32.8	23.7	1,112,813	4.2	36.2
	Q3	950,000	0.4	-26.4	1,027,813	-7.6	8.3
	Q4	950,000	0	17.6	1,063,438	3.5	11.0
2009	Q1	895,875	-5.7	-36.3	935,531	-12.0	-12.4
	Q2	839,500	-6.3	-11.3	908,844	-2.9	-18.3
	Q3	893,000	6.4	-6.0	894,594	-1.6	-13.0
	Q4	1,012,500	13.4	6.6	910,219	1.7	-14.4
2010	Q1	863,500	-14.7	-3.6	902,125	-0.9	-3.6
	Q2	798,000	-7.6	-4.9	891,750	-1.2	-1.9

Table 9: Open Market Turnover

		Total
2007	Q1	29
	Q2	27
	Q3	23
	Q4	12
2008	Q1	14
	Q2	12
	Q3	11
	Q4	13
2009	Q1	10
	Q2	12
	Q3	21
	Q4	16
2010	Q1	16
	Q2	17

Figure 11: Open Market Prices



Methodology - How the Figures are Calculated

What information is used to calculate the figures?

Average Residential Property prices are calculated from the record of property transactions held by the States of Guernsey Greffe.

What is included in the figures?

All sales of residential property are monitored, including flats, apartments, houses and maisonettes. Business properties are excluded, except for those buildings which include a domestic dwelling. Transactions by share transfer are not required to be recorded by the Greffe, so are also not included. Artificially low prices such as new builds sold at plot stage, certain family sales (including delaisances and interests) and land are excluded. Information from the Cadastre is used to establish the status of each property (local, open, or commercial). The States Greffe provides details on the type of property, which allows the local market group to be subdivided into houses and apartments.

The prices of transactions recorded are net sales and exclude legal and agency fees as well as furnishings and fittings.

What are Open Market and Local Market Properties?

Guernsey's housing market is split into two distinctive categories - the Open Market and the Local Market. These two markets are quite separate and therefore it would not be possible to sell a local market house on the open market.

The "Open Market" was effectively established in 1957 when the Housing Law was amended to exempt dwellings over a specified Rateable Value from control. In the 1969 Law, a Housing Register was set up to establish whether a property was open or local market. In 1982 the Register was split into Part A (private dwellings) and Part B (hotels/guesthouses). In 1988 the Register was further divided to create Part C (nursing/residential homes) and Part D (lodging houses).

Generally, the Open Market Register is closed for new inscriptions - this means that any dwelling not currently inscribed in the Housing Register is a controlled "Local Market" dwelling.

Moving Average

A four quarter moving average is calculated for local market (houses and apartments), lower quartile and open market averages. It takes a mean average of the previous four quarters. For example, the moving average for Q4 incorporates the mean price of Q1, Q2, Q3 and Q4. Its effect is to smooth out any short-term fluctuation and to provide a picture of trends in the longer term, which can be particularly effective when analysing prices in small markets.

Constant Mix Average

This measure was introduced in the second quarter of 2009. It assumes that a constant proportion of houses and apartments are sold each quarter; the constant is based on a five-year historic average of the proportion of houses and flats sold and is used to weight the median apartment and median house prices. This measure is less volatile than the overall median, since to some extent, it reduces the effects of the changing profile of properties transactions each quarter.

When is it calculated and where can I find it?

The RPP handout is produced quarterly. Figures for the first quarter of the year will be published in May, quarter two in August, quarter three in November and quarter four in the following February. It is available for download on the Policy & Research Unit website: www.gov.gg/pru.

Top and Tailed Mean Average Residential Property Prices

Table 10: Top and Tailed Mean Average Local Market Residential Property Prices and Mean Average Open Market Residential Property Prices

		Local Market		Open Market
		Average Price (£) Top and Tailed 2.5%	Lower Quartile Top and Tailed 2.5%	Open Market Mean Average (£)
2007	Q1	332,758	239,731	1,262,211
	Q2	316,984	226,875	1,158,677
	Q3	334,401	242,625	1,381,974
	Q4	364,463	270,750	944,792
2008	Q1	359,679	265,000	1,445,250
	Q2	366,166	261,956	1,210,241
	Q3	365,724	266,500	1,504,114
	Q4	384,636	268,850	1,620,538
2009	Q1	318,933	230,375	1,222,675
	Q2	355,614	260,389	998,250
	Q3	375,443	264,100	1,102,908
	Q4	361,450	250,000	1,312,164
2010	Q1	404,376	266,406	1,063,913
	Q2	377,061	261,625	1,178,853

The median average values provide a more accurate reflection of average property prices since they are less susceptible to being skewed by price fluctuations. However, to provide continuity and comparisons of average property price figures, the local market “top and tailed figures”, local market lower quartile, and open market property prices are calculated using the original methodology and are presented in *Table 10*.

Average prices here are calculated using a mean average, rather than the median. The top and bottom 2.5% of transactions are removed when calculating the local market average.

The mean average figures follow a similar trend to that of the median averages given in the previous pages, although typically they occur at a higher level.

It is expected that the mean average figures given in *Table 14* will be phased out in time.

Further Information

Please contact Helen Walton (Senior Research Officer) for further information.

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