

Guernsey Quarterly Residential Property Prices Bulletin

Quarter 1 2015 - Issue date 13th May 2015



POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

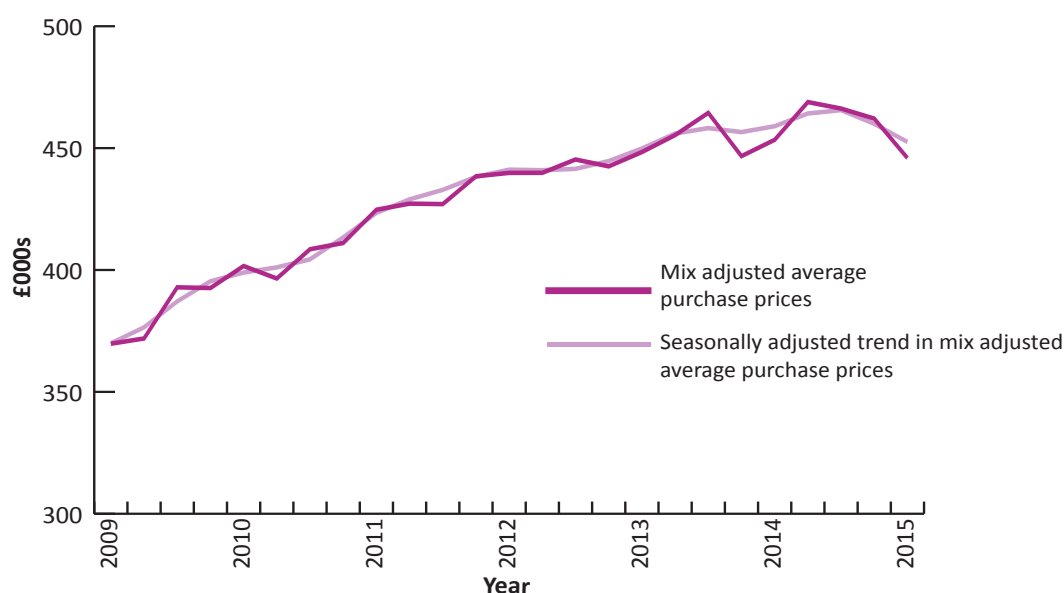
The Guernsey Residential Property Prices Bulletin measures average price changes in residential properties sold on the Island each quarter and provides a headline analysis of trends in average prices.

Data compiled on the Island's housing stock in 2011 enabled the development of new methods for calculating average purchase prices. The mix adjusted averages are much less susceptible to changes from one quarter to the next in the profile of properties sold.

1.2 Headlines

- The mix adjusted average purchase price for Local Market properties was £445,923 in the first quarter of 2015, 3.5% lower than the previous quarter and 1.6% lower than the same quarter of 2014. This is the first time negative annual growth has been recorded since measuring mix adjusted purchase prices.
- There were 116 Local Market transactions during the first quarter of 2015, 11.5% fewer transactions than in the same quarter of 2014 and the lowest number recorded since figures were first reported.
- The raw median price (realty only) of the 11 Open Market transactions in the first quarter of 2015 was £795,000 compared with £1,092,500 in the first quarter of 2014, when there were 10 transactions. This is the lowest Open Market median purchase price recorded since 2007.

Figure 1.2.1: Local Market purchase prices

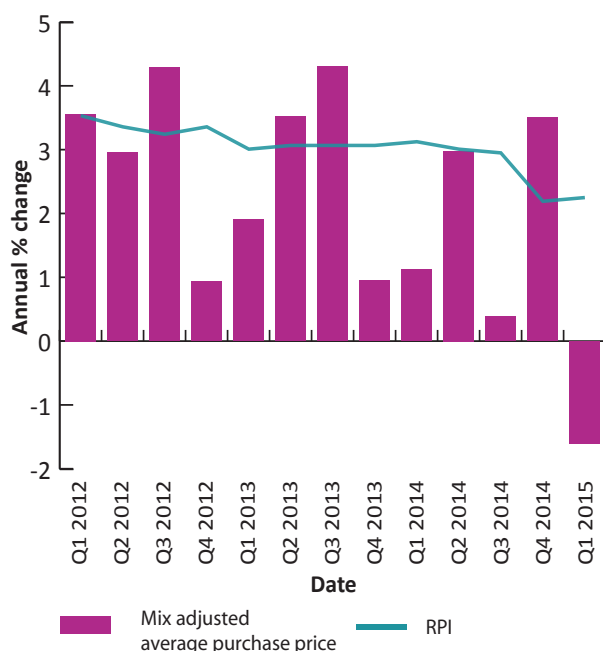


2.1 Local Market purchases - mix adjusted average

Table 2.1.1: Mix adjusted average purchase price

Date	Mix adjusted average purchase price	Quarterly percentage change	Annual percentage change
Q1 2013	£448,368	1.3%	1.9%
Q2 2013	£455,324	1.6%	3.5%
Q3 2013	£464,463	2.0%	4.3%
Q4 2013	£446,698	-3.8%	0.9%
Q1 2014	£453,398	1.5%	1.1%
Q2 2014	£468,878	3.4%	3.0%
Q3 2014	£466,228	-0.6%	0.4%
Q4 2014	£462,110	-0.9%	3.5%
Q1 2015	£445,923	-3.5%	-1.6%

Figure 2.1.1: Annual percentage change in mix adjusted average purchase price



The Local Market mix adjusted average purchase price is a measure of the average cost (including both realty and personalty) of purchasing a property in Guernsey.

Realty relates to fixed assets, e.g. buildings and land, and personalty is the term used for the moveable assets, such as carpets, fixtures and fittings. The mix adjusted average prices include a measure of personalty, which is included in most property purchases, better reflecting the actual prices paid for purchases.

In this method, transactions are weighted according to their type and number of bedrooms to reflect the profile (or “mix”) of all the Island’s owner occupied and buy to let property units. The resulting average, presented in **Table 2.1.1** and represented graphically by the turquoise line in **Figure 1.2.1** on **page 1**, is not affected by changes in the types of properties sold from one quarter to the next in the way that median average prices can be.

This measure was published for the first time in the first quarter of 2011. Average prices calculated using this methodology are available from the fourth quarter of 2008 onwards.

It should be noted that the measure is still susceptible to fluctuations due to the size, quality and location of properties, of any particular type and number of bedrooms, varying from one quarter to the next. Due to the relatively small sample sizes it is not possible to eliminate these variations completely.

As shown in **Table 2.1.1**, in the first quarter of 2015, the mix adjusted average purchase price was £445,923, 3.5% lower than the previous quarter and 1.6% lower than in March 2014 and the first time negative annual growth has been recorded since the mix adjusted measure was first introduced.

The annual percentage change in house prices was lower than the annual percentage change in the Retail Prices Index (a measure of inflation) as shown in **Figure 2.1.1**.

2.2 Local Market purchases - types

The “mix” of property transactions in each quarter is shown in **Table 2.2.1** and illustrated in **Figure 2.2.1**. (N.B. Due to rounding, the total figure may not always add up to precisely 100%.)

The proportion of transactions in each category varies from one quarter to the next. In the first quarter of 2015, the highest proportion (22%) of transactions was for four bedroom bungalows/houses (excluding the “Other” category).

Definitions of the types of properties which are included in the categories used (apartment, house and bungalow) are provided on the last page of this bulletin.

Properties in the “Other” category are those which do not fall into the categories shown in **Table 2.2.1**, either because they have a different (or unknown) number of bedrooms or because they are a different type of property. These are excluded from the mix adjusted calculations described on **page 2**.

Table 2.2.1: Percentage of transactions by type and number of bedrooms

Date	Percentage of total transactions by type and number of bedrooms							
	Apartment		Bungalow		House		House / Bungalow	Other
	1	2	2	3	2	3	4	
Q1 2013	6%	12%	9%	17%	13%	13%	11%	18%
Q2 2013	15%	15%	11%	15%	7%	11%	16%	10%
Q3 2013	17%	10%	7%	14%	9%	16%	10%	16%
Q4 2013	12%	9%	7%	15%	11%	8%	9%	28%
Q1 2014	13%	11%	9%	10%	10%	17%	15%	15%
Q2 2014	11%	6%	11%	15%	14%	15%	12%	15%
Q3 2014	11%	13%	11%	10%	12%	11%	9%	23%
Q4 2014	9%	15%	10%	16%	10%	10%	12%	18%
Q1 2015	11%	9%	4%	10%	8%	12%	22%	23%

Figure 2.2.1: Percentage of transactions by type and number of bedrooms



3.1 Local Market purchases - volumes by price

Figure 3.1.1: Number of transactions and annual % change

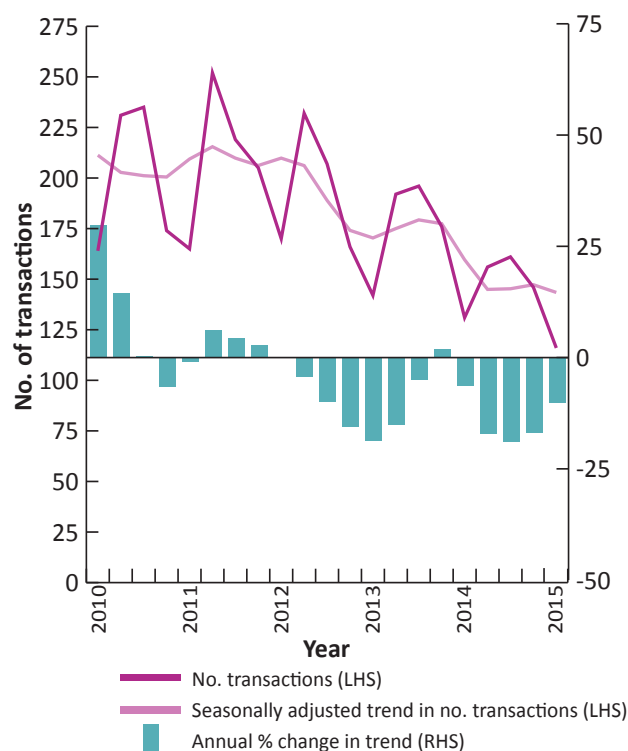


Table 3.1.1 provides information on the number of Local Market transactions recorded by the States of Guernsey Greffe each quarter.

In the first quarter of 2015, the Greffe recorded 116 Local Market transactions, 15 fewer than in the same quarter of 2014 and the lowest number of transactions recorded since figures were first reported (see **Figure 3.1.1**).

Table 3.1.1 shows the number of Local Market property transactions each quarter by (realty only) price band, which can vary significantly from one quarter to the next.

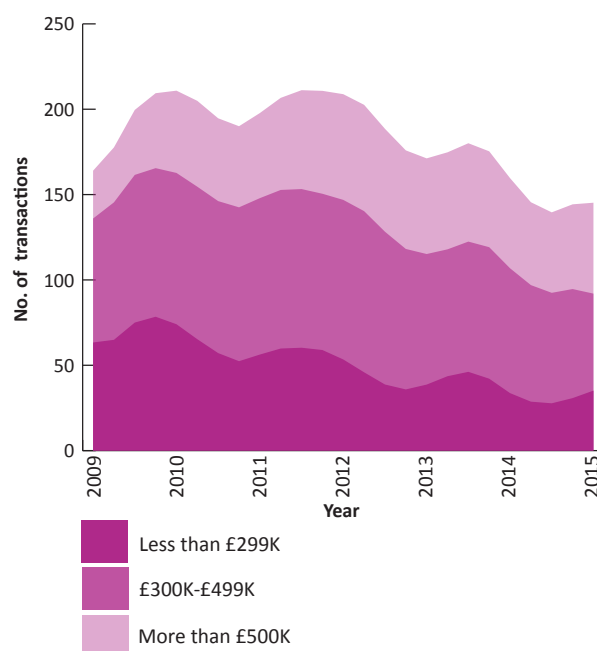
During the first quarter of 2015, the largest number of transactions (26) was in the £600,000 to £999,999 value band. There were 6 transactions of over £1 million.

A seasonally adjusted trend in transactions by (realty only) price band is presented in **Figure 3.1.2**.

Table 3.1.1: Number of transactions by realty price (in £000s)

Date	Less than £200	£200 to £299	£300 to £399	£400 to £499	£500 to £599	£600 to £999	More than £999	Total
Q1 2013	5	26	40	23	22	24	2	142
Q2 2013	5	46	42	40	26	32	1	192
Q3 2013	6	44	41	38	27	34	6	196
Q4 2013	7	33	43	38	19	35	1	176
Q1 2014	3	24	36	26	20	19	3	131
Q2 2014	4	29	38	32	20	26	7	156
Q3 2014	8	32	39	28	22	28	4	161
Q4 2014	6	22	42	30	19	21	6	146
Q1 2015	6	23	22	21	12	26	6	116

Figure 3.1.2: Seasonally adjusted trend in number of transactions by realty price (nominal)



3.1 Local Market purchases - volumes by price

The number of transactions in each realty price band is shown as a distribution graph in **Figure 3.1.3**. It provides a comparison between the distribution of transactions in the first quarters of 2013, 2014 and 2015.

The distribution of sales in the first quarter of 2015 shows a peak in the £600,000 to £999,999 category. In contrast, the first quarters of both 2013 and 2014 show a peak in the £300,000 to £399,000 category.

In the first quarter of 2015, the number of transactions within the under £200,000 and the over £600,000 realty price categories was higher than during the same period in 2013 and 2014. All other realty price bands experienced a decline in transactions in the first quarter of 2015 compared with the same period in 2013 and in 2014.

The percentage of transactions by price band is shown in **Table 3.1.2**. (N.B. Due to rounding, the total figure may not always add up to precisely 100%).

Figure 3.1.3: Number of transactions by realty price (in £000s)



Figure 3.1.4: Seasonally adjusted trend in percentage of transactions by realty price (nominal)

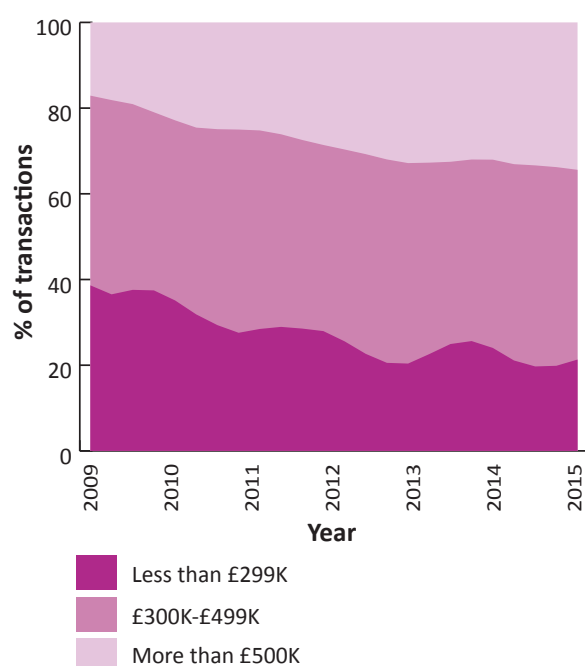


Table 3.1.2: Percentage of transactions by realty price (in £000s)

Date	Less than 200	200 to 299	300 to 399	400 to 499	500 to 599	600 to 999	More than 999	Total
Q1 2013	4%	18%	28%	16%	15%	17%	1%	100%
Q2 2013	3%	24%	22%	21%	14%	17%	1%	100%
Q3 2013	3%	22%	21%	19%	14%	17%	3%	100%
Q4 2013	4%	19%	24%	22%	11%	20%	1%	100%
Q1 2014	2%	18%	27%	20%	15%	15%	2%	100%
Q2 2014	3%	19%	24%	21%	13%	17%	4%	100%
Q3 2014	5%	20%	24%	17%	14%	17%	2%	100%
Q4 2014	4%	15%	29%	21%	13%	14%	4%	100%
Q1 2015	5%	20%	19%	18%	10%	22%	5%	100%

4.1 Local Market purchases - average loan to value

Table 4.1.1: Average loan to value

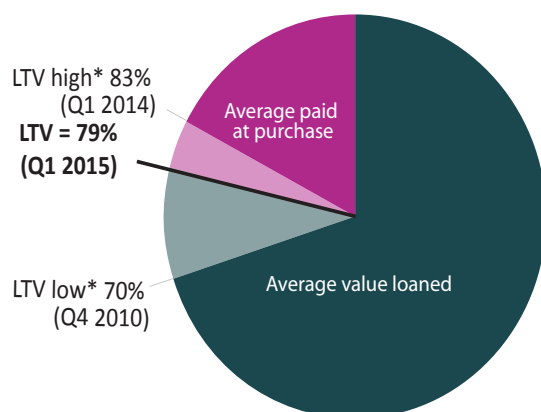
Date	Median bond as a % of purchase price
Q1 2013	78%
Q2 2013	75%
Q3 2013	78%
Q4 2013	77%
Q1 2014	83%
Q2 2014	75%
Q3 2014	78%
Q4 2014	75%
Q1 2015	79%

The loan to value is calculated for each of the property transactions for which a bond is registered with the Greffe. The median value of those figures each quarter is shown in **Table 4.1.1**.

In the first quarter of 2015, the average loan to value was 79%. This is 3.1 percentage points lower than during the first quarter of 2014 when the average loan to value was 83%.

Since first measured in the third quarter of 2009, the average loan to value has varied within a 13% range (see **Figure 4.1.1**).

Figure 4.1.1: Average loan to value



*High and low since data collected Q3 2009

5.1 Open Market purchases - raw median

Average residential property prices on the Open Market tend to fluctuate more than Local Market prices due to the very wide ranging sale types and 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 5.1.1** and **Figure 5.1.1**.

The (raw) median Open Market price (calculated using realty only purchase prices, as recorded by the Greffe) was £795,000 in the first quarter of 2015, the lowest recorded since 2007.

The four quarter average, which reduces the effect of seasonal fluctuations, decreased by 5.5% between the first quarter of 2014 and the first quarter of 2015. In the five years ending in March 2015, the Open Market four quarter average increased by 13.3%.

There were 11 Open Market transactions during the first quarter of 2015, one more than in the first quarter of 2014 (see **Table 5.1.2** and **Figure 5.1.2**).

The number of transactions as a percentage of all Open Market (Part A) property units (i.e. turnover) is also presented in **Table 5.1.2**. The turnover of Open Market properties was 0.7% in the first quarter of 2015.

Figure 5.1.2: Open Market transaction volumes

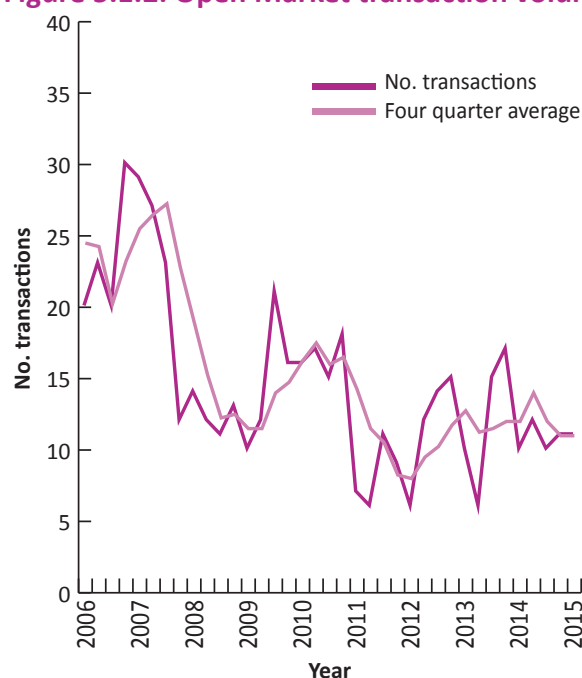


Table 5.1.1: Open Market median realty price

Date	Median realty purchase price	Four quarter average	Annual percentage change in four quarter average	Five year percentage change in four quarter average
Q1 2013	£990,000	£1,044,156	-9.1%	-2.2%
Q2 2013	£1,496,250	£1,161,344	10.4%	4.4%
Q3 2013	£930,000	£1,132,813	16.4%	10.2%
Q4 2013	£807,500	£1,055,938	1.7%	-0.7%
Q1 2014	£1,092,500	£1,081,563	3.6%	15.6%
Q2 2014	£1,132,875	£990,719	-14.7%	9.0%
Q3 2014	£1,116,250	£1,037,281	-8.4%	15.9%
Q4 2014	£1,045,000	£1,096,656	3.9%	20.5%
Q1 2015	£795,000	£1,022,281	-5.5%	13.3%

Figure 5.1.1: Open Market median realty price

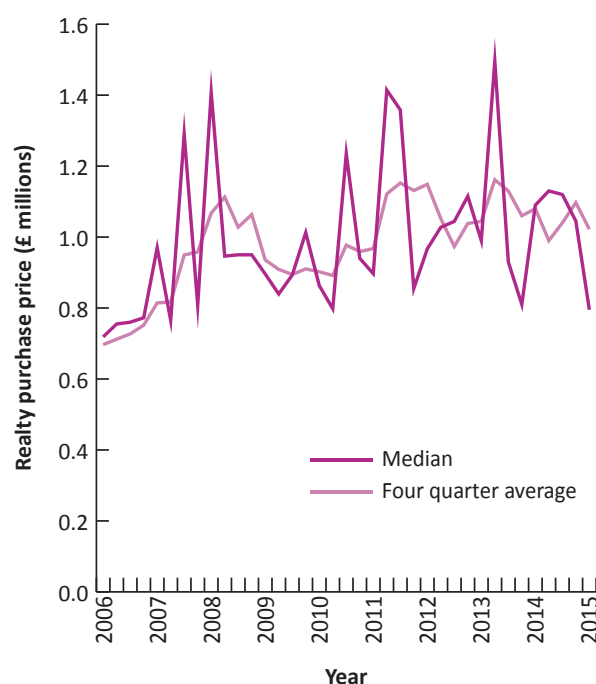


Table 5.1.2: Open Market transaction volumes

Date	No. transactions	No. transactions as a percentage of total open market units
Q1 2013	10	0.6%
Q2 2013	6	0.4%
Q3 2013	15	0.9%
Q4 2013	17	1.1%
Q1 2014	10	0.6%
Q2 2014	12	0.8%
Q3 2014	10	0.6%
Q4 2014	11	0.7%
Q1 2015	11	0.7%

6.1 Methodology

The mix adjusted measure used to measure Local Market property prices reflects the price of both realty and personalty and uses weighting to reduce fluctuations due to changes in the profile of properties sold from one quarter to the next. Average prices calculated using this methodology are available from the fourth quarter of 2008 onwards. Prior to this, purchase prices were calculated using a (raw) median average which reflected realty prices only.

In order to calculate an overall average, first the average purchase price (realty plus personalty) is calculated for each category separately. Each of these averages is then weighted by category to reflect the proportions of the whole Island's owner occupied and rented housing stock (see the *Guernsey Annual Housing Stock Bulletin* via www.gov.gg/property). The weighted prices are combined to give the mix adjusted average.

The weights are updated annually in line with changes to the Island's housing stock.

Seven categories of property are used in the calculation of the mix adjusted measure: 1 and 2 bedroom apartments, 2 and 3 bedroom houses, 2 and 3 bedroom bungalows and (combined as one category) 4 bedroom houses and bungalows.

The building types (apartment, bungalow, house) are determined by the property's physical attributes and proximity to other buildings:

Apartment is the title used for a unit of accommodation that is attached to or contained within a larger building (the remainder of which may or may not be used for domestic purposes). This category covers flats, bedsits, wings, annexes, maisonettes, dower units and similar, where the apartment unit has a separate postal address to other units within the building. These units can span one or more storeys.

Bungalow is the title used for a property unit (including chalet bungalows and cottages), which has one or one and a half storeys, is not contained within a larger building and can be detached, semi-detached or terraced. It can also have an apartment attached to or contained within it (e.g. a wing or a flat). Each unit is identified by having a separate postal address.

Units which have two or more storeys and (as per bungalows), are not contained within a larger building, can be detached, semi-detached or terraced and can have an apartment attached or contained within them, are referred to as **houses**.

Historic purchase price data, including median, lower and upper quartile and winsorised mean realty prices, is available at www.gov.gg/property.

7.1 Contact details and further information

All Policy and Research Unit publications are available via www.gov.gg/pru.

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