

Guernsey Annual Supplementary Property Bulletin

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POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

This Supplementary Bulletin provides a comparison of average Local Market property rental and purchase prices. It has been published annually since 2011.

The data compiled on the Island's housing stock since 2010 (which is available in the Annual Housing Stock Bulletin), combined with additional regular collection of data regarding the properties available to rent, has enabled the development of new methods for calculating and comparing average purchase and rental prices.

1.2 Headlines

- The rental index* was 1.0% lower in 2014 than in 2013.
- The purchase price to earnings ratio increased to 15.3 in 2014, the same as in 2013, as house prices rose at the same rate as nominal earnings.
- The rent to earnings ratio, which trended slightly downwards over the five year period ending in 2011, has remained stable between 2011 and 2014.
- In 2014, the highest annual level of turnover of purchased properties (at 4.2% of the total stock of that property type) was in two bedroom houses.

Figure 1.2.1: Rental index

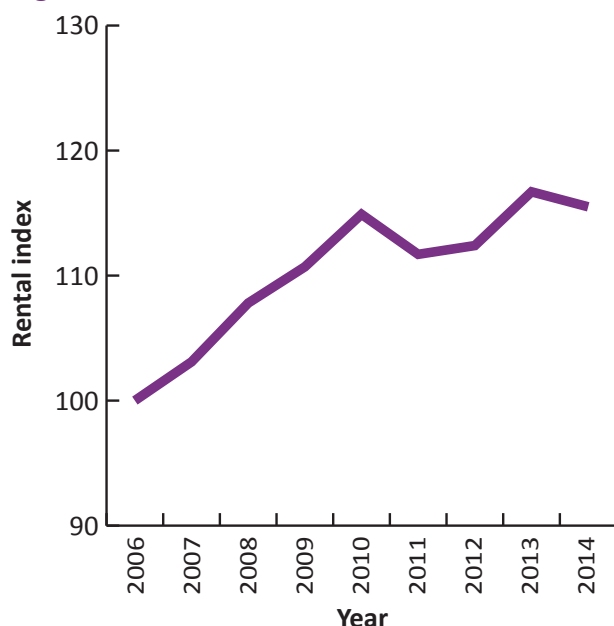


Table 1.2.1: Rental index

	Rental index	Annual % change
2006	100.0	-
2007	103.1	3.1
2008	107.8	4.6
2009	110.7	2.7
2010	114.9	3.9
2011	111.7	-2.9
2012	112.4	0.7
2013	116.7	3.8
2014	115.5	-1.0

* See over for a definition of "rental index" and more detail on the methodology used

2.1 Local market rental and purchase prices by type and number of bedrooms

Figure 2.1.1: Annual average monthly rental prices by type and number of bedrooms

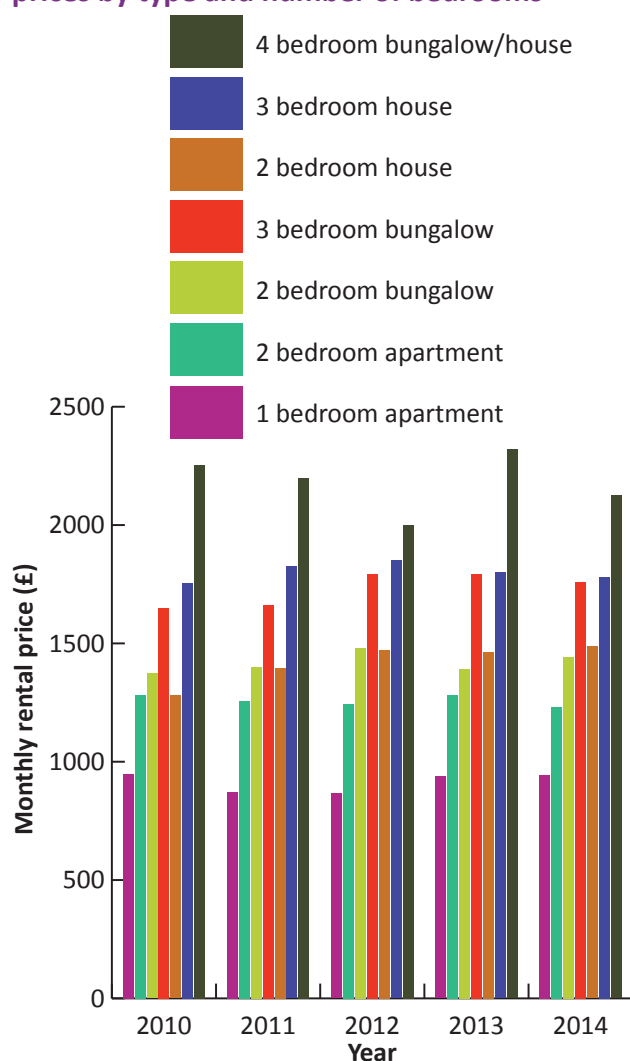
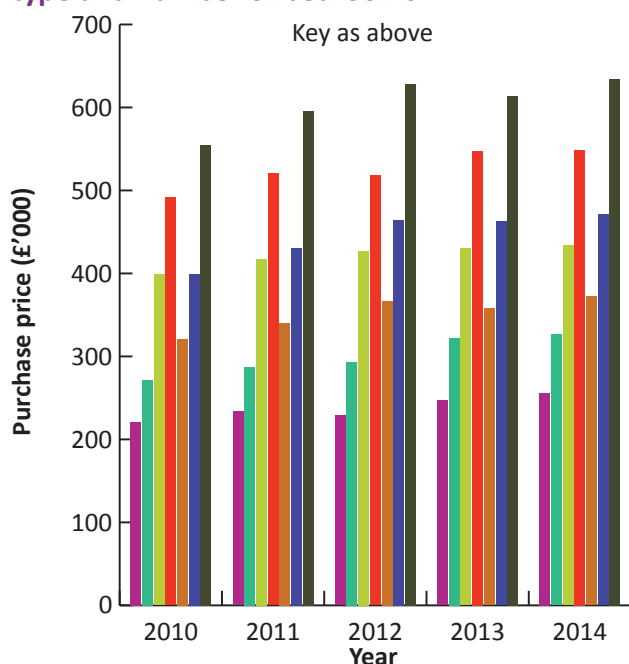


Figure 2.1.2: Annual average purchase prices by type and number of bedrooms



Since the start of 2010, data on local market private rental properties has been regularly collected by the Policy and Research Unit from web and classified adverts (including managed properties).

The breakdown of average rental and purchase prices of properties by type¹ and number of bedrooms is shown in **Figures 2.1.1** and **2.1.2** for 2010 to 2014. Each shows the average prices of the component categories which, when combined with information on the Island's property stock, are used to calculate average, mix adjusted rental and property purchase prices (see the **Quarterly Residential Property Prices Bulletin** for more detail on purchase prices).

The mix adjusted method has been used to calculate the change in the rental index (shown in **Table 1.2.1** and **Figure 1.2.1** on **page 1**) since 2010. The annual changes in the rental index prior to 2010 were calculated using a different source of rental data collated by the Unit.

Figure 2.1.2 shows that average purchase prices for all property types and bedrooms have increased between 2013 and 2014. In the rental market, as shown in **Figure 2.1.1**, growth in average prices has only been seen amongst one bedroom apartments and two bedroom houses and bungalows.

It should be noted that these prices are based on relatively small sample sizes and, as a result, fluctuations due to the changes in mix of size, quality or location of properties in each category are unavoidable.

These prices are not intended to imply the value of any given property, but to reflect historic average values and changes. Many factors, including location and quality, determine the actual value of individual properties.

¹ Please see the Annual Housing Stock Bulletin for definitions of the different type categories used.

3.1 Local market rental and purchase price ratios

Table 3.1.1 provides the ratios of both the mix adjusted average rent (per calendar year) and the mix adjusted purchase price to median annual earnings. Both relate to Local Market properties only.

The mix adjusted average rent was calculated for the first time in 2010. In order to give an impression of the trend in the ratio, the average rent has been calculated using changes in the rental index for the years prior to 2010. Similarly, the purchase prices used in these calculations for the years prior to 2009 use the changes in previously published residential property prices.

The trends are shown graphically in **Figure 3.1.1**. It can be seen that the purchase price to earnings ratio trended upwards over the five years ending in 2011, i.e. house purchase prices increased at a faster rate than earnings. Having remained stable at 15.1 in 2012, the ratio increased in 2013 to 15.3 and remained stable in 2014.

In comparison, the rent to earnings ratio trended downwards, albeit more slowly, in the five years ending in 2011, after which time it stabilised (0.51 in 2012 and 0.52 in 2013), returning to 0.51 in 2014.

Table 3.1.1 also provides the ratio of the mix adjusted average rent (per calendar year) to the mix adjusted purchase price. This measure gives a direct comparison of trends in rent and purchase prices (shown in **Figure 3.1.2**). The trend in this ratio has been upward over the five years ending in 2012, i.e. purchase prices increased at a faster rate than rents. However, the ratio decreased between 2012 and 2013 and then increased again in 2014 as purchase prices increased by a greater percentage than rents.

There is no international standard methodology for the calculation of these figures, so their values may not be directly comparable with other jurisdictions. The trends in these figures are more noteworthy than the actual values.

Table 3.1.1: Local market annual rent to earnings, purchase price to earnings and purchase price to annual rental ratios

	Annual rent to earnings ratio	Purchase price to earnings ratio	Purchase price to annual rent ratio
2008	0.55	13.6	24.8
2009	0.54	14.1	26.0
2010	0.56	14.7	26.5
2011	0.52	15.1	29.0
2012	0.51	15.1	29.6
2013	0.52	15.3*	29.3*
2014	0.51	15.3	30.2

Figure 3.1.1: Local market annual rent to earnings and purchase price to earnings ratios

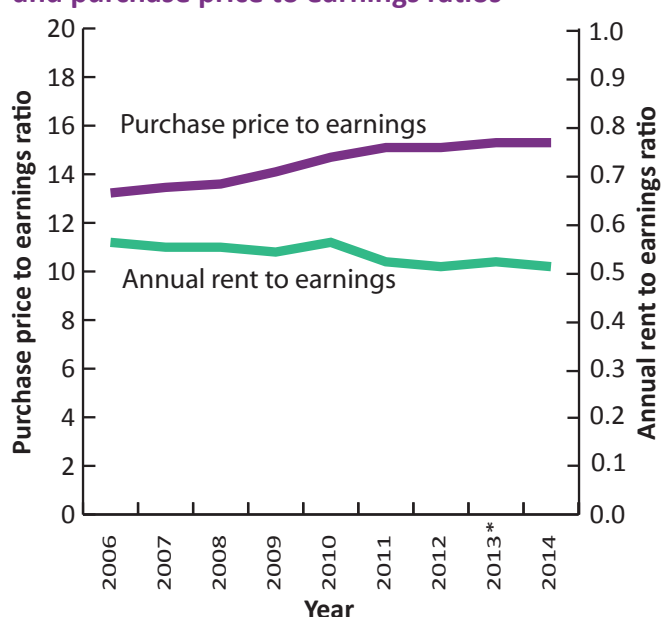


Figure 3.1.2: Local market purchase price to annual rent ratio



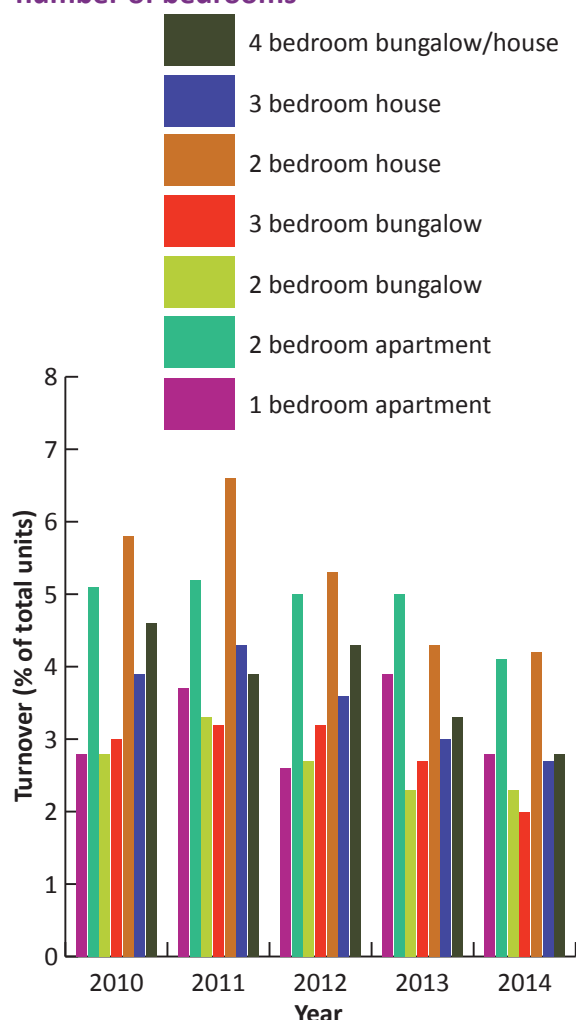
*Mix adjusted purchase prices for 2013 were re-stated following the discovery of an error in previously published figures.

4.1 Local market turnover

Table 4.1.1: Turnover (no. transactions as percentage of Island housing stock) by type and number of bedrooms

	Percentage of total units by type and number of bedrooms							
	Apartment		Bungalow		House		House / Bungalow	Total
	1	2	2	3	2	3	4	
2010	2.8%	5.1%	2.8%	3.0%	5.8%	3.9%	4.6%	3.7%
2011	3.7%	5.2%	3.3%	3.2%	6.6%	4.3%	3.9%	4.0%
2012	2.6%	5.0%	2.7%	3.2%	5.3%	3.6%	4.3%	3.7%
2013	3.9%	5.0%	2.3%	2.7%	4.3%	3.0%	3.3%	3.3%
2014	2.8%	4.1%	2.3%	2.0%	4.2%	2.7%	2.8%	2.8%

Figure 4.1.1: Turnover (no. transactions as percentage of Island housing stock) by type and number of bedrooms



As the make up of the Island's housing stock is known (see the *Annual Housing Stock Bulletin*), it is possible to monitor the turnover of purchased properties as a proportion of the Island's total stock. **Table 4.1.1** and **Figure 4.1.1** show the turnover of particular categories of property by type and number of bedrooms.

The total turnover (of the categories shown in **Table 4.1.1**) in 2014 was 2.8%, compared with 3.3% in 2013.

In 2014, two bedroom houses saw the highest turnover at 4.2%, 0.1 percentage points lower than in 2013. Similarly, between 2010 and 2012, two bedroom houses also accounted for the highest percentage turnover by category.

Two bedroom apartments experienced the second highest percentage turnover in 2014 at 4.1%. This category experienced the highest percentage turnover in 2013, at 5.0%.

Two bedroom bungalows were the only category not to record a drop in the number of transactions as a percentage of the Island's total housing stock between 2013 and 2014 (2.3%).

5.1 Contact details and further information

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