



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 0.7% higher in 2012 than in 2011, but remains lower than in 2010.
- After five years of a rising price to earnings ratio, it remained stable in 2012 compared to 2011 as nominal earnings and house prices rose at the same rate.
- The rent to earnings ratio trended slightly downwards over the period between 2006 and 2012.
- In 2012, the highest annual level of turnover (at 5.3% of the total stock of that property type) was in two bedroom houses.

Figure 1.2.1: Rental index

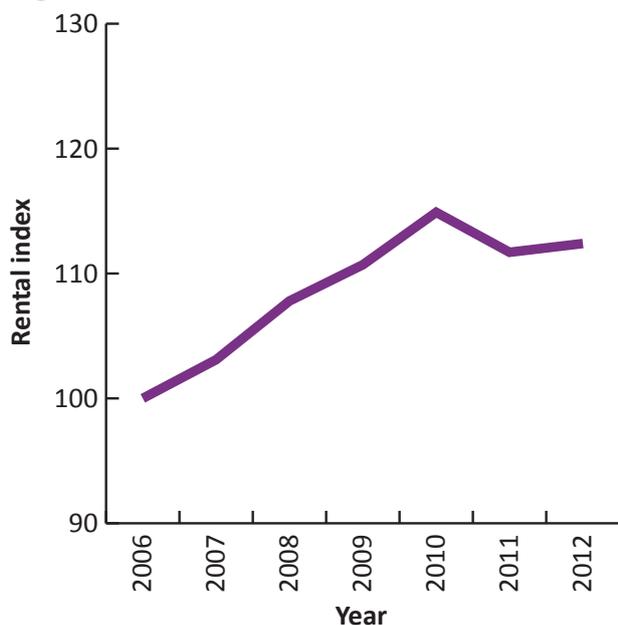


Table 1.2.1: Rental index

| | 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 |

* 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

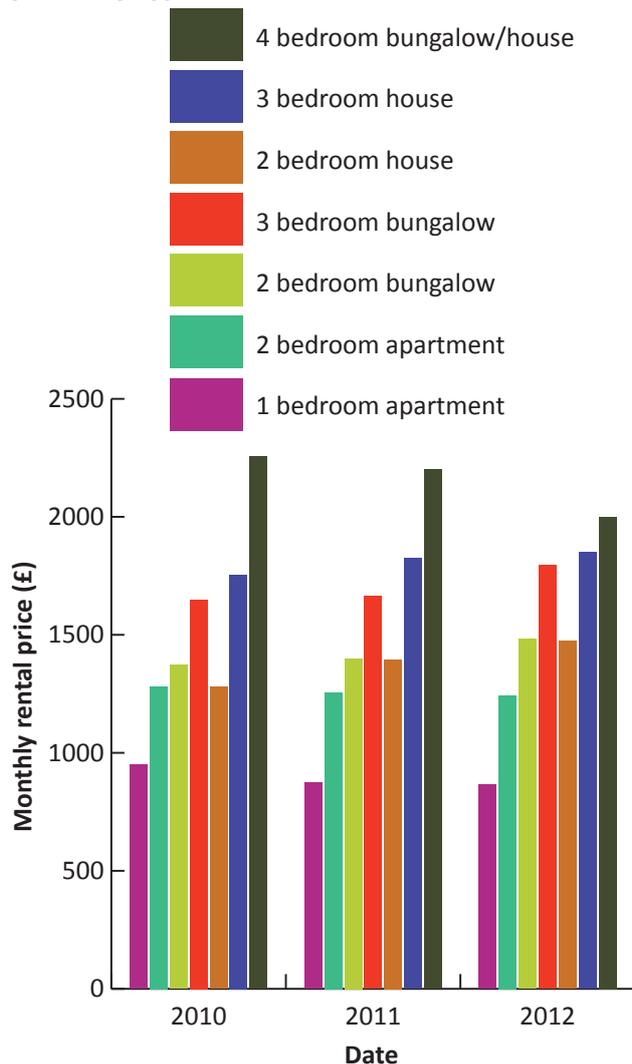
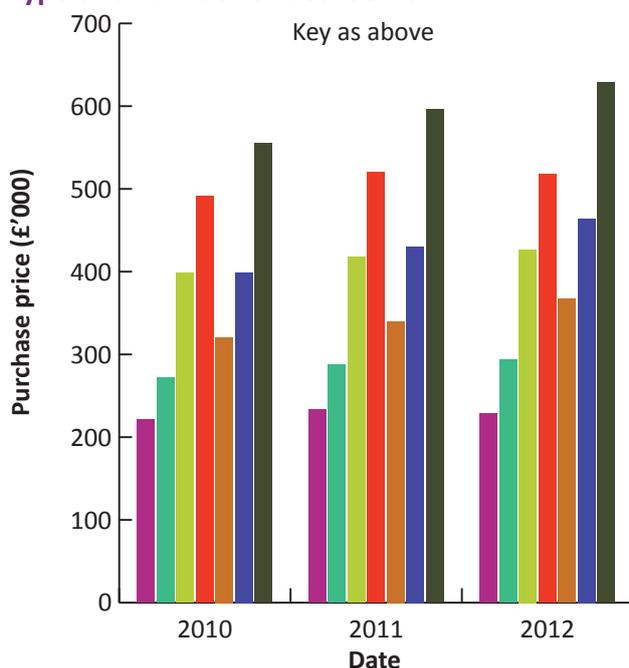


Figure 2.1.2: Annual average purchase prices by type and number of bedrooms



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 2010, 2011 and 2012 rental and purchase prices of properties by type¹ and number of bedrooms is shown in *Figures 2.1.1* and *2.1.2*. 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.

Figures 2.1.1 and *2.1.2* show that, whilst average purchase prices for all types of properties excluding one bedroom apartments have increased, growth in average rental prices has only been seen in two and three bedroom bungalows and houses.

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 the 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. However, the ratio remained stable between 2011 and 2012, at 15.1, as house purchase prices increased at approximately the same rate as earnings during that period.

In comparison, the rent to earnings ratio trended downwards, albeit more slowly, in the five years ending in 2011. It then stabilised slightly between 2011 and 2012, decreasing from 0.52 to 0.51.

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 was upward over the six years ending 2012 i.e. purchase prices increased at a faster rate than rents.

It should be noted that there is no international standard methodology for calculation of these figures, so their values may not be directly comparable with those published by 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 |
|------|-------------------------------|----------------------------------|-------------------------------------|
| 2006 | 0.56 | 13.2 | 23.6 |
| 2007 | 0.55 | 13.5 | 24.6 |
| 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 |

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

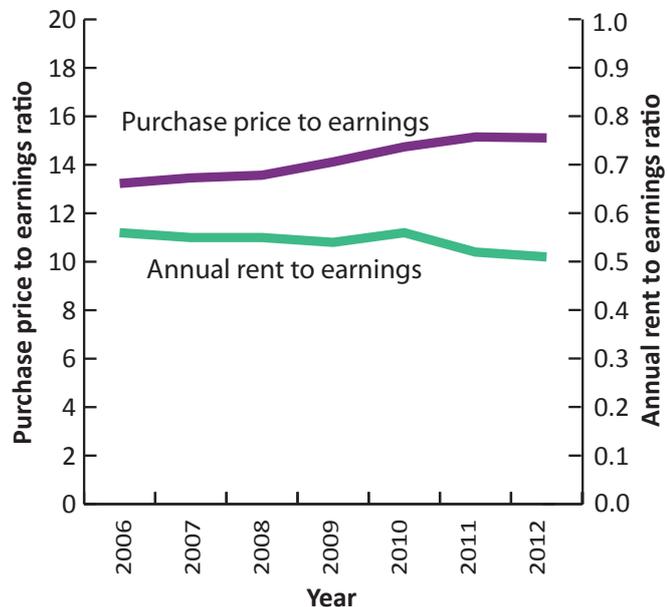
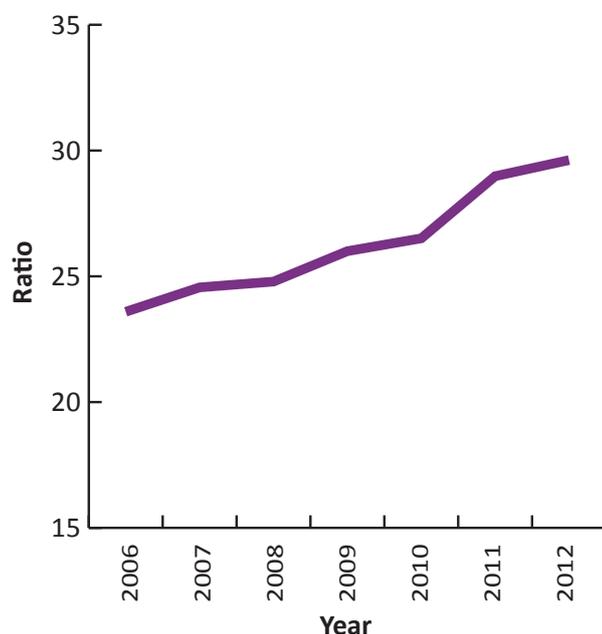


Figure 3.1.2: Local market purchase price to annual rent ratio

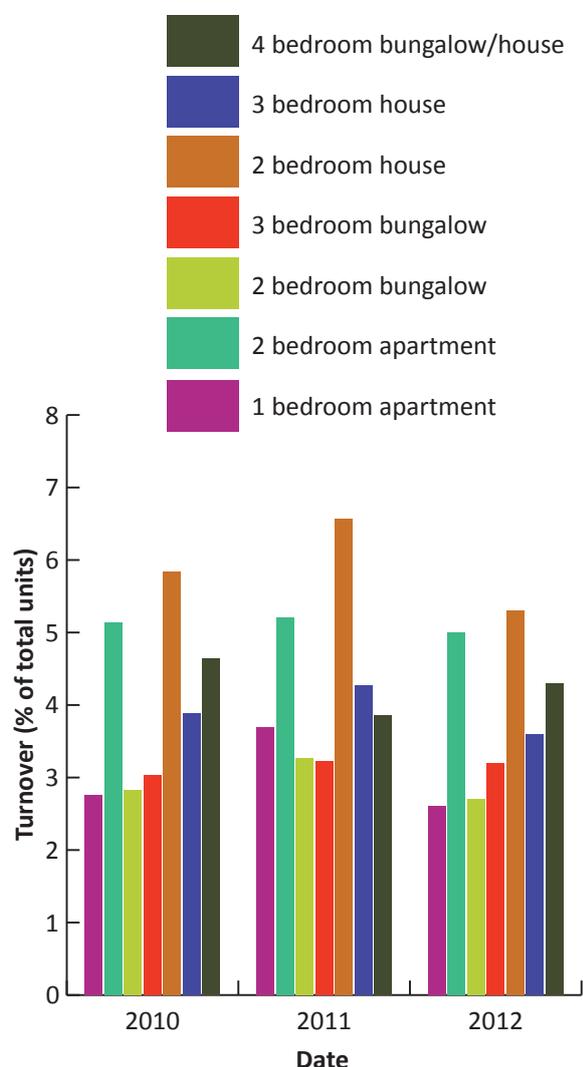


4.1 Local market turnover

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 | |
| | 1 | 2 | 2 | 3 | 2 | 3 | 4 | |
| 2010 | 2.8% | 5.1% | 2.8% | 3.0% | 5.8% | 3.9% | 4.6% | |
| 2011 | 3.7% | 5.2% | 3.3% | 3.2% | 6.6% | 4.3% | 3.9% | |
| 2012 | 2.6% | 5.0% | 2.7% | 3.2% | 5.3% | 3.6% | 4.3% | |

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



Now that the make up of the Island's housing stock is known, it is possible to monitor the turnover of 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 2012 was 3.7%, compared to 4.1% in 2011.

As in 2010 and 2011, two bedroom houses saw the highest percentage turnover by category in 2012 at 5.3%. However, this is lower than 2010 and 2011 when the percentage turnover was 5.8% and 6.6% respectively.

Two bedroom apartments experienced the next highest percentage turnover in both 2010, 2011 and 2012 (at 5.1%, 5.2% and 5.0% respectively).

5.1 Contact details and further information

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