



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 3.8% higher in 2013 than in 2012 and 1.5% higher than in 2010.
- The purchase price to earnings ratio increased to 15.4 in 2013, compared with 15.1 in 2011 and 2012, as house prices rose slightly faster than 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 2013.
- In 2013, the highest annual level of turnover of purchased properties (at 5.0% of the total stock of that property type) was in two bedroom apartments.

Figure 1.2.1: Rental index

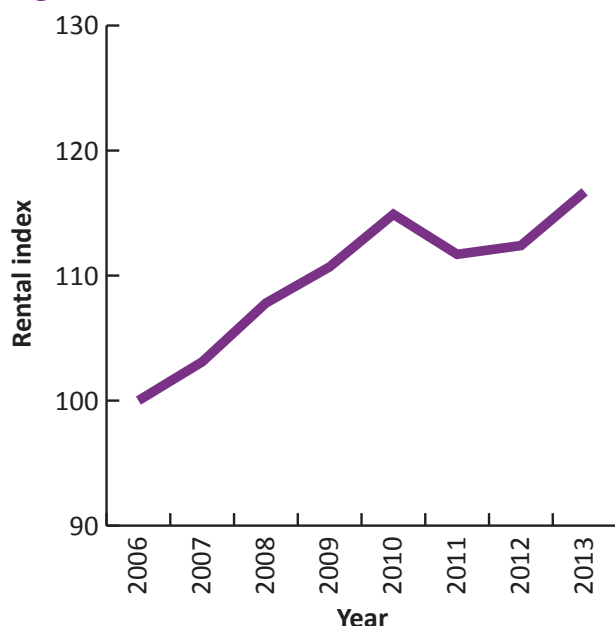


Table 1.2.1: Rental index

	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

* 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

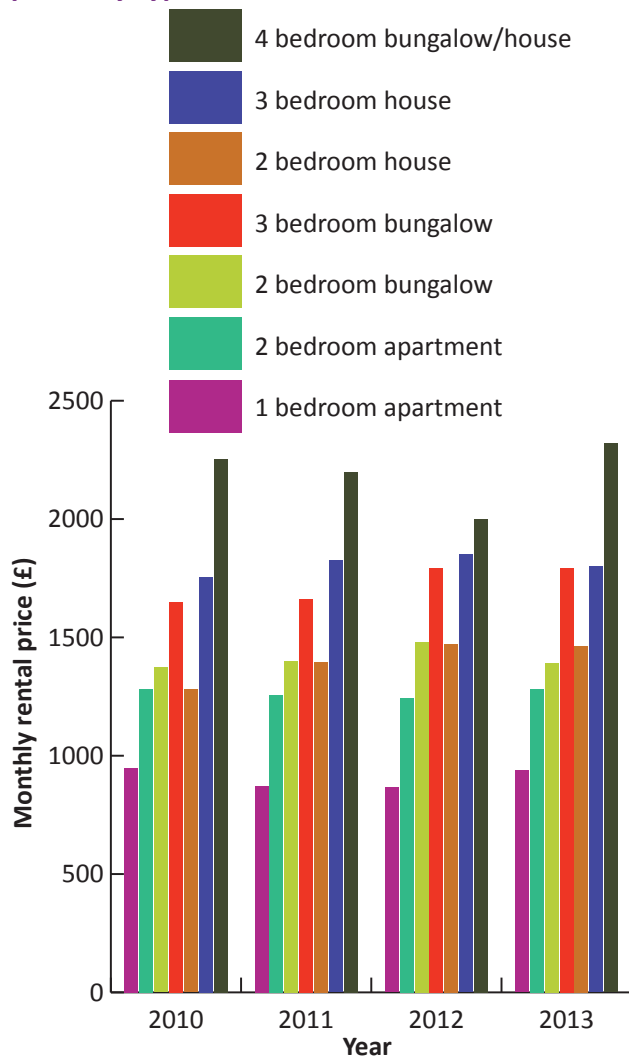
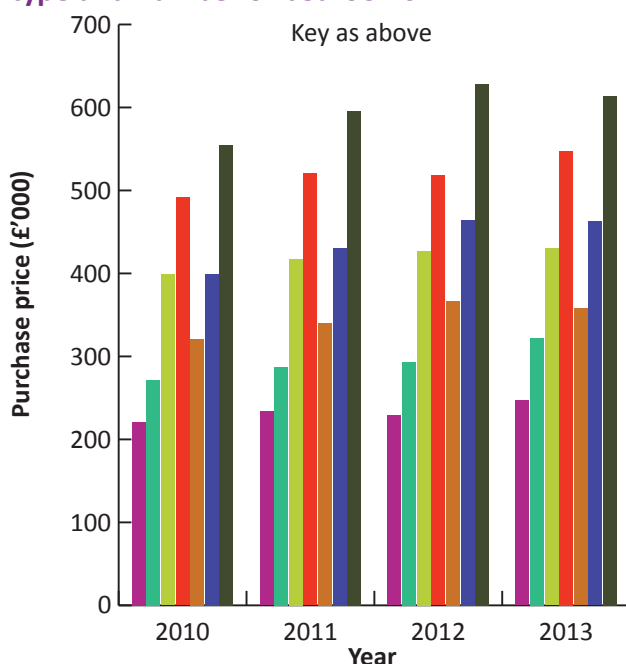


Figure 2.1.2: Annual average purchase prices by type and number of bedrooms



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 2013. 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 apartments and two and three bedroom bungalows have increased. In the rental market, as shown in **Figure 2.1.1**, growth in average prices has only been seen at opposite ends of the market, i.e. one and two bedroom apartments and four 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 slightly in 2013 to 15.4 as house purchase prices increased by slightly more than nominal earnings between 2012 and 2013.

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

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 as rents increased by a greater percentage than purchase prices.

There is no international standard methodology for the 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
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	15.4	29.4

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

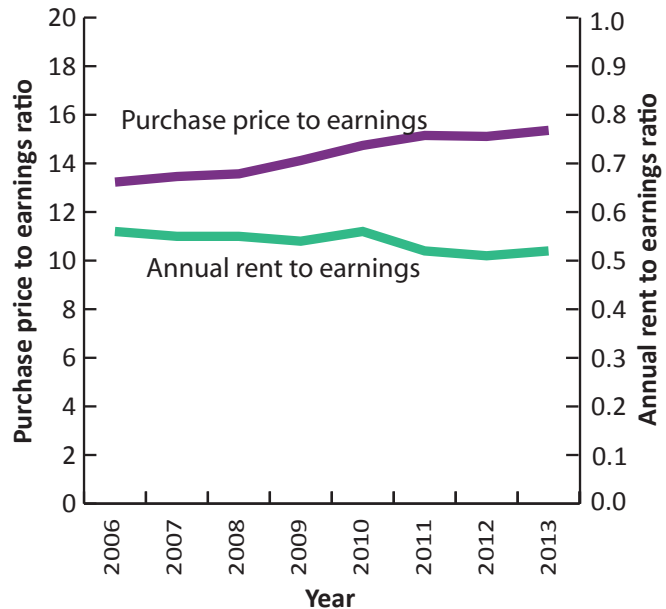
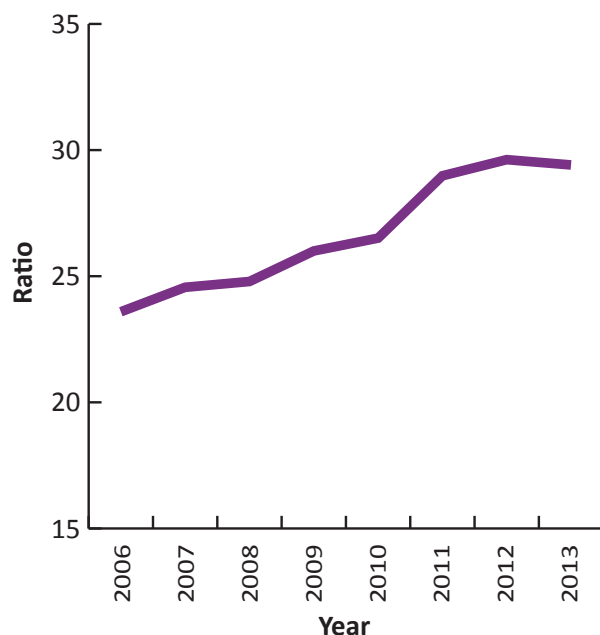


Figure 3.1.2: Local market purchase price to annual rent ratio

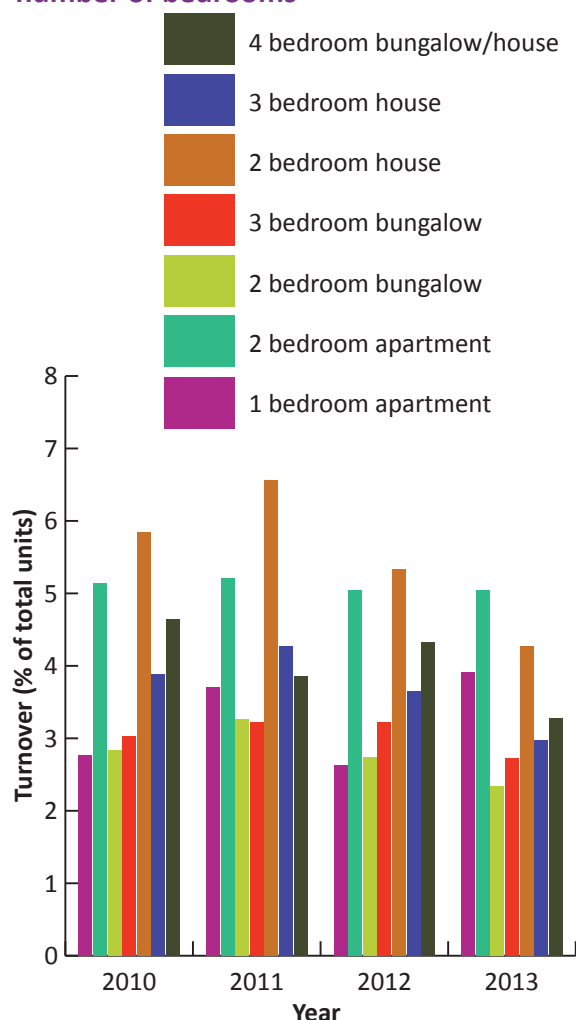


4.1 Local market turnover

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	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%

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 2013 was 3.3%, compared with 3.7% in 2012.

In 2013, two bedroom apartments saw the highest turnover at 5.0%. This was the same percentage turnover as in 2012, but at that time their turnover was second to that of two bedroom houses.

Two bedroom houses experienced the second highest percentage turnover in 2013 at 4.3%. Between 2010 and 2012, they had accounted for the highest percentage turnover by category.

5.1 Contact details and further information

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