

Jersey Market Insight



2023

Knight Frank's in-depth look at the Jersey residential property market's performance and prospects.

knightfrank.com/research



Jersey's pandemic boom ends but demand for property remains resilient

► Quality of life, strong connectivity with the UK and a highly-developed financial sector, mean the island remains a key location for high-net worth individuals.

Jersey's status as a credible employment option for financial professionals looking for alternatives to London and Paris, continues to support the Channel Island's economy and housing market.

The self-governing Crown Dependency has operated as an international finance centre for sixty years (with the finance sector generating 40% of the island's goods and services by value). Jersey had £489bn+ of regulated funds under management at the end of 2022, and there are more than 40 hedge funds on the island.

Close to 14,000 financial and legal professionals live and work in Jersey, accounting for a quarter of all private sector jobs on the island.

A 'low-tax' environment with 0% to 10% business tax regime, no capital gains tax and low personal tax rates relative to Europe, have helped the island attract businesses in the digital,

legal, biosciences and financial sectors in recent years.

"While the island lifestyle is a draw, it's the employment opportunities that make it work for those in financial services. I deal with many people working in wealth management, and one of the most active sectors in recent years has been the hedge fund sector," says Aimee Sinclair-Horgan, partner at Wilsons Knight Frank in Jersey.

Buying residential property on the island is subject to permissions, with preference given to people who have been resident for more than ten years. However, there are work-related routes to purchase a home on the island tied to hard-to-fill roles.

Jersey also operates a High Value Residency scheme that grants access to the island's property market for qualifying ultra high-net-worth individuals (UHNWI), with its extensive family and private office network another attraction.

£1,299,000

The average price of a 4-bedroom property in March 2023

42.9%

The increase in the average price of a 4-bedroom property between 2020 to 2022

15%

Number of sales above £1m in 2022

PRICE GROWTH CALMS

Residential property price growth has slowed as the cost of borrowing has increased, and buyers adjust to a new lending environment and reduced spending power. The average house price fell 2% in the year to March 2023, with housing transactions 11% lower in the same period.

However, in line with the global trend, the pandemic saw people reassessing their living arrangements, often looking for more space to live and work in. Overall, the average price of a property within the Jersey House Price Index increased by 28.9% between Q1 2020 and Q1 2023, outperforming the UK. (fig. 1)

Larger properties performed strongest over the pandemic, and the price of a 4-bedroom house on the Channel Island increased by 42.9% to £1.3m, outperforming all other tenure types (see fig 2).

In 2022, the number of £1m+ homes sold in Jersey was the second highest amount in the past decade, and equivalent to 15% of all sales. This was driven predominately by the domestic market.

AFFORDABILITY

Affordability is one of the challenges facing Jersey's residential market.



Capital: St Helier

Location: Bay of St Malo. 14 miles from France and 85 miles from the UK

Population: 103,000+

48 miles of coastline, beaches and bays

12 flights to London daily

Island wide gigabit broadband network

With Jersey's borrowing rates tied to UK lenders, the island economy experienced the same shock as the mainland after the tax-cutting mini-Budget last September.

According to Statistics Jersey, housing affordability for working households on the island was at its lowest level in 2022 since the global financial crisis in 2008.

The Bank of England has now made fourteen consecutive increases to the base rate, taking it to 5% to tame high inflation. This has pushed the cost of borrowing back close to last year's spike, with expectations of further increases to come due to stubbornly high inflation.

However, an island such as Jersey faces natural constraints on the amount of land available to develop to house a growing population. Statistics Jersey has forecast a shortfall of 1,590 homes from 2023 to 2025, driven in part by net migration to an island with a population of just over 103,000.

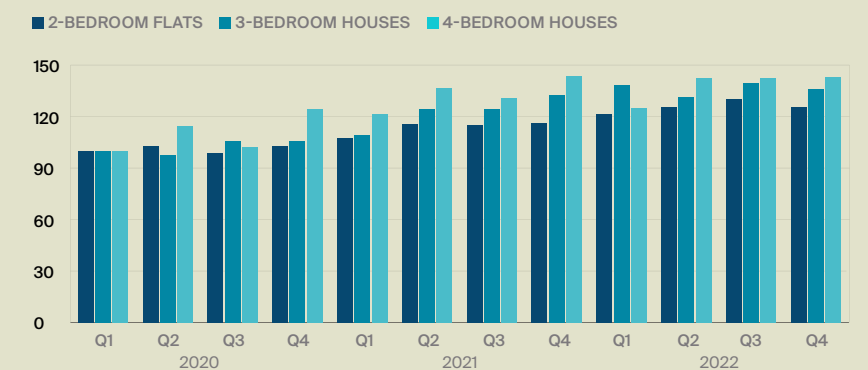
This imbalance between supply and demand is likely to reduce downwards pressure on prices.

Interest from UHNWIs attracted to Jersey's lifestyle, high-performing schools and low-tax environment remains strong.

According to the Attitudes Survey

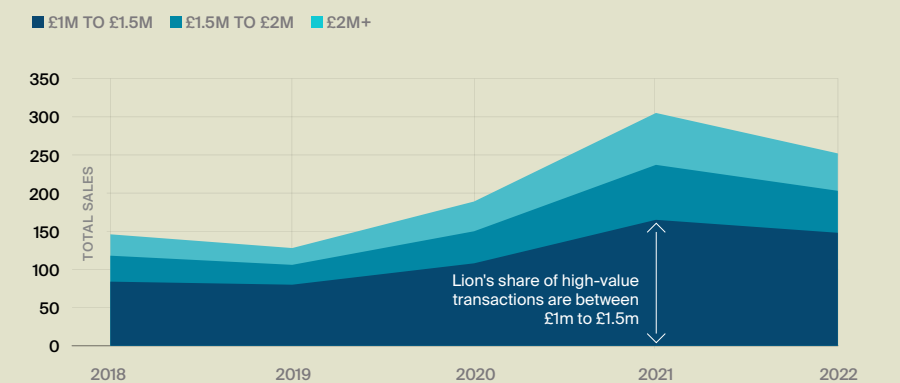
Fig 2: Race for space

Sales by size of property



Source: Statistics Jersey

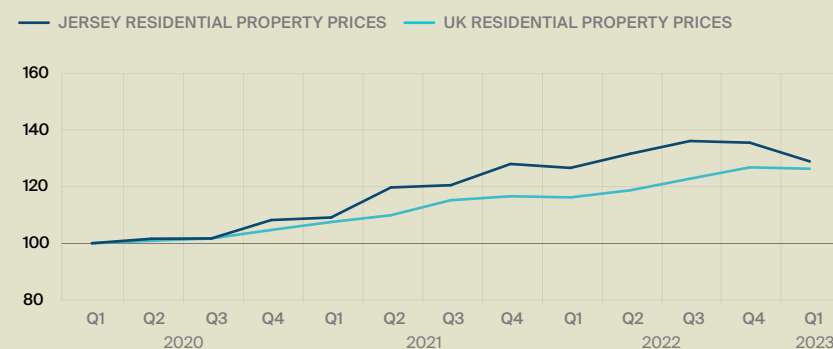
Fig 3: Jersey sales by price band and year



Source: Statistics Jersey

Fig 1: Jersey price growth stronger than UK's since the pandemic

Rebased to 100 = Q1 2020



Source: ONS / Statistics Jersey

£88.6m

The total value of properties purchased via the HVR scheme in 2022

70%

The number of people applying for residency that are under the age of 60

80%

The amount of HVR applicants that hold a British passport

in Knight Frank's Wealth Report, 15% of global UHNWIs plan to buy a home in 2023.

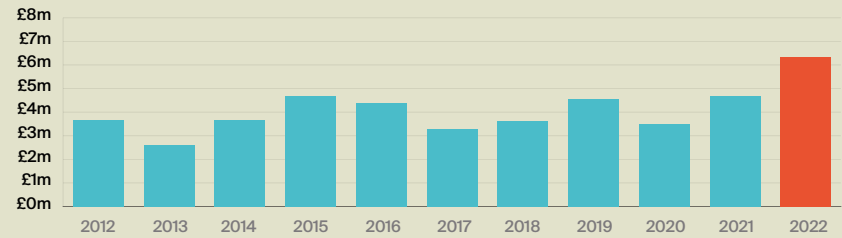
Some 32% of UHNWIs' global wealth is in primary or secondary homes.

However, the wealthy are seeking more global mobility at a time when policymakers are lifting their drawbridges. The UK closed its Tier 1 Investor Visa scheme in 2022, and Portugal and Ireland have halted new applications for their Golden Visa schemes.

Those wishing to relocate to Jersey can do so via the High Value Residency (HVR) scheme, which is run by Locate Jersey. Under proposals expected to be adopted from July, individuals are taxed at 20% on the first £1.25m of worldwide income and 1% on anything above this.

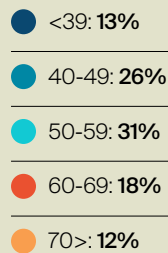
Successful applicants are granted 'entitled' status with conditions, which

Fig 4: Average price paid per HVR buyer at a decade high

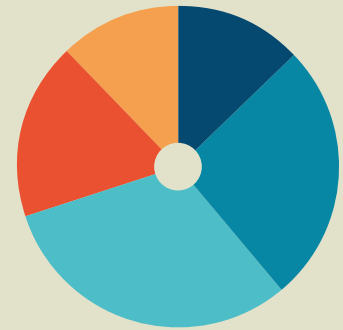


Source: Locate Jersey

Fig 5: HVR approvals by age



Source: Locate Jersey



allows them to rent or buy property. The minimum purchase value for property is expected to increase from £1.25m to £1.75m for apartments, and from £2.5m to £3.5m for houses. Despite this, Locate Jersey believes the island will remain attractive compared to rivals such as Singapore and Dubai due to its proximity to the UK mainland, strong financial services sector and established rule of law.

Jersey is not simply a retirement option. The HVR scheme attracts a high proportion of working age people (see fig 5).

Individuals approved through the scheme spent a combined £88.6m on property last year, the second highest amount in six years.

The average price paid per buyer reached a decade-long high of £6.3m (fig. 4).

Got a question? Do get in touch, and you can sign up for more analysis at knightfrank.com/research.

SIGN UP ONLINE



Chris Druce
Senior Research Analyst
+44 20 7861 5102
chris.druce@knightfrank.com



Filip Jendruh
Channel Islands - Senior
Relationship Manager
+44 208 176 9715
Filip.jendruh@knightfrank.com



Aimee Sinclair-Horgan
Partner, Wilsons Knight Frank
+44 01534 877 977
Aimee@wilsons.je



Oliver Rodbourne
Head of Channel Islands,
Country Department
+44 20 7861 1093
oliver.rodbourne@knightfrank.com