

WRITTEN QUESTION TO THE MINISTER FOR HOUSING BY DEPUTY G.P. SOUTHERN OF ST. HELIER

ANSWER TO BE TABLED ON TUESDAY 2nd DECEMBER 2008

Question

In the light of the results in the latest House Price Index which show the price of a 3-bed house at £540,000, annual house price inflation of 21% but the volume of sales one third lower than the long-term average, what steps is the Minister taking to ensure that young Jersey families can gain access to the market?

In particular, will he undertake to:

- (a) amend the Jersey Homebuy scheme;
- (b) address the availability of mortgages following the withdrawal of Jersey Home Loans from the market, including the feasibility of renewed States involvement similar to the old States Loan Scheme
- (c) bring down the ratio of house prices over average earnings, now standing at a factor of 16

and work with the Minister for Treasury and Resources to:

- (i) further amend stamp duty levels;
- (ii) restore the level of mortgage interest tax relief, and to index it to house price inflation;
- (iii) suspend the "20 means 20" implementation phasing out such relief?

Furthermore what measures, if any, are under consideration to assist those who wish to downsize following retirement to release larger family houses onto the market, in accordance with the Housing Strategy?

Answer

The average house prices reported recently are of course averages and to use the 3 bedroom example in the question will be made up from the prices of all 3 bedroom houses sold during the period but importantly excludes those in the first time buyer only category. The numbers of first time buyer homes transacting is relatively low in comparison to the overall market and statistics on these are only produced by the Statistics unit on an annual basis. Statistics for 2008 will not be available until February next year, however, some recent price comparisons provided by a firm of local chartered surveyors has suggested that recent transactions of new first time buyer 3 bedroom houses have been at prices of £420,000 - £440,000. That said, these prices are still too high, particularly given the present and almost unprecedented financial climate in which the World finds itself. Making first time buyer homes affordable is therefore one of our major challenges.

In relation to Deputy Southern's specific questions:-

- (a) I will be looking to make some changes to Jersey Homebuy and my Department has been in detailed discussions with lenders and developers in this regard. These negotiations are not yet complete. The first phase of Homebuy homes will not in any case be available until the New Year. I will ensure that Members of this house are advised of the changes as soon as I am in a position to confirm what they will be.
- (b) Reintroducing the States loan scheme would in my view be a retrograde step and would require massive and unsustainable States funding. It would involve government in something which the market is far better placed to provide. In any case such a step is wholly unnecessary. Despite rumours to the contrary lenders are still lending and with interest rates at historically low levels borrowing money is still relatively inexpensive. Whilst it is the case that lenders have tightened their lending criteria, our ongoing discussions with them has demonstrated a real willingness to lend particularly on those affordable housing schemes such as Homebuy and the Housing Department's own scheme to sell rental homes to tenants. The

Economic Development Minister has commissioned a mortgage market review and we should await those findings before deciding that it is necessary to make significant changes to the Jersey mortgage market.

- (c) As mentioned earlier, the figures presented in the question relate to the non first time buyer market. In actual fact a realistic price at present for a 3 bedroom first time buyer home is approximately £430,000 sometimes less, and on this basis represents twelve and a half times average income. House prices at such high multiples of average income are a product of past house price growth associated with a high level of demand in the market. It is the development of Homebuy which will bring down these ratio's considerably.

Deputy Southern has asked what else can be done and has highlighted three particular suggestions. Later today we will debate the first of these as part of proposed amendments to the Business Plan which include a proposal to remove the payment of stamp duty for those purchasing a home through one of the shared equity schemes approved by this House.

As Housing Minister, I have vigorously pressed for affordable housing policies to be at the heart of government policy, and with my colleagues, in particular the Ministers for Treasury and Resources, Planning and Environment, and Economic Development, have delivered on policies which include shared equity, a sizeable expansion in planned life-long homes, improvements in social housing, and in response to the recent market changes, a review of mortgage finance in Jersey. This approach shall continue in the context of rapid market change and an overall fiscal policy response on which the Fiscal Policy Panel will no doubt advise.

Finally, turning to the final part of the question in relation to meeting the aspiration of those wishing to down size in the owner occupied market. This is something that I have been keen to pursue with the Planning Minister and the house will recall that a number of sites were approved for rezoning earlier this year. 4 of these sites are proposed for life-long homes as follows:-

SITE	LIFE LONG HOMES FOR PURCHASE	LIFE LONG HOMES FOR SOCIAL RENT
Field 516, St Saviour	98	80
Field 274, St Clement	19	15
Field 605, St John	9	7
Field 561, St Mary	3	
TOTALS	129	102

With regard to the further provision of life long homes, the latest Housing Needs Survey identified a total 5 year shortfall of up to 400 life-long (over 55's) homes. These rezoned sites will go some way to addressing that shortfall, however the Island Plan will need to continue to make further future provision to meet the demands of the Island's ageing population. Bringing forward sites for rezoning is of course in the remit of the Planning Minister rather than mine, however, the Planning Minister and I enjoy a good working relationship and he can always rely on my unwavering support in his efforts to bring forward sites for housing.