

**WRITTEN QUESTION TO THE MINISTER FOR HOUSING  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 16th APRIL 2013**

**Question**

Will the Minister list for members what the fair rent for the full range of properties from hostel, bedsit, 1 to 5 bed flats and houses would be today if rents were set at the proposed level of 90% of market rents as suggested in the Housing Transformation Programme?

Does the Minister accept that around 50% of all Housing Company tenants will be paying rent at 90% of market levels within 5 years of the formation of the company and that, since all rents whether at the 90% rate or not, are subject to annual rises of at RPI plus 0.75%, most rents will have risen in line with market rents by some 23%?

Will the Minister state why the figures showing additional rent income and contribution from Income Support on page 52 are not indexed to the figure RPI plus 0.75% when figures on page 45 which also include figures for net profit are indexed and will he undertake to provide indexed figures?

Can the Minister state in what year the financial model becomes viable when the Table on page 45 (P.33/2013) shows a £139,000 deficit?

**Answer**

It is important to recognise that the 90% rents policy if approved will require that rents for individual properties are set at 90% of the market rent for an equivalent property in the local rented market. That will necessitate a significant amount of benchmarking of individual units on a site by site basis and will take into account the square footage of the units, condition, amenities, parking, energy efficiency and other factors which have a bearing on value.

A broad benchmarking exercise was carried out in 2011 and from the data collected it is possible to give the range of market rents requested, updated to current values, as follows:-

<b>Property Type</b>	<b>Number of Beds</b>	<b>Lowest 90% Rent per week</b>	<b>Highest 90% Rent per week</b>	<b>Number of Units</b>
Bedsits	0	94.05	136.37	284
Flats	1	119.37	219.23	1622
	2	141.08	260.44	1268
	3	217.03	282.15	132
	4	282.15	303.85	2
Houses	1	151.92	227.88	50

2	195.33	292.99	243
3	148.58	325.55	724
4	260.44	368.96	118
5	260.44	368.96	7
6	282.15	282.15	2

If my proposals are approved, we would carry out another market rent benchmarking exercise in advance of the increase coming into effect in April 2014.

Section 5.2.3 of the Housing Transformation Programme's Full Business Case illustrates how the modelled convergence of current rents to 90% of market under the proposed rent policy will occur. This indicates that 51% of tenants, including those in newly developed properties will be at the 90% level by year 5. Tenants will see annual rent increases linked to RPI plus 0.75%. If RPI rises in line with the central scenario projections of the States of Jersey Statistics Unit, then tenants will see aggregate increases of 21% by year 5 of the Full Business Case.

The figures showing the additional rental income and contribution from Income Support on page 52 of the Full Business Case have not been indexed in order to aid the understanding of the profile of the additional costs of Income Support over the 30 year period. I would be delighted to provide the indexed figures if the Deputy requires these.

I am happy to confirm that the financial model is viable throughout the 30 year period of the Business Plan. The Deputy is correct to highlight deficits in the early years of the model, when the new Housing Company is tasked to bring all homes up to Decent Homes Standard, whilst also developing a substantial number of new homes. Following this initial period, the financial model show a period of consolidation when the Company will be repaying its outstanding loans and thereafter from year 18, substantial cash surpluses will accrue, if there is no requirement to provide further units of accommodation.