

3.9. Deputy G.P. Southern of the Minister for Social Security regarding increases in private sector rent levels:

What evidence does the Minister have to support the statement in R.44/2013 that private sector rents are not “clustered” around income support levels and that raising the level of rental support to private sector income support claimants will not lead to further increases in private sector rent levels?

Senator F. du H. Le Gresley (The Minister for Social Security):

The report published as R.44 was written by Michael Jones, an independent housing expert. Mr. Jones examined detailed income support data in respect of private sector tenants, and identified that just under half were paying rents below the income support level and just over half were paying rents above the income support level. He did not identify any clustering around maximum income support levels. Mr. Jones also identified that income support claimants make up just under 20 per cent of the total of the residentially-qualified rental market. His conclusion, based on both the level of the current rentals being charged, and also the relatively small proportion of income support claimants in the private sector, is that he would not expect that his recommended change in benefit policy would have any significant impact on private sector rent levels.

3.9.1 Deputy G.P. Southern:

Could I ask 2 clarifications to that particular statement? Can the Minister state what qualifications the reviewer has? Are they mathematical or statistical because to my mind a 56-44 split around the income support level is fairly evenly balanced and suggests to me, depending upon what the actual sums are, a degree of clustering, and secondly how well does he know Jersey and its rental market.

Senator F. du H. Le Gresley:

Mr. Michael Jones is employed by the Cambridge Centre for Housing and Planning Research which is the Department of Land Economy in the University of Cambridge so Mr. Michael Jones has been advising the steering group to do with housing transformation programmes for a number of years now and is well versed in the Jersey economy and rental sector. In preparing his report he received detailed information not only on income support claimants but also from the Statistics Office based on the statistics for rents in the private sector collected through the Jersey Private Rental Sector Index over a period of 3 years, 2009 to 2011, and his findings were from that data that 63 per cent of private sector tenants pay rents at less than the 30th percentile. That means that the majority of our private sector tenants are renting properties in the lower 30th percentile of rents paid in the private sector and also we established that 14 per cent of our income supported households in the private sector are non-qualified tenants and obviously in those cases those rents tend to be higher than those for qualified.

3.9.2 Deputy J.H. Young:

The Minister has given us a statistician’s view obviously from Mr. Jones; could you tell us whether that particular piece of work in reaching that conclusion took any evidence- verifying evidence - from local estate agents that are in practice as to whether or not this move was going to have any potential effect on private sector rental levels?

Senator F. du H. Le Gresley:

I was not involved in the research process so I cannot answer the Deputy’s question exactly but I am sure that the index that I have referred to before takes account of leases granted which require consent under the Housing Law and therefore that information is up-to-date information which is information collected over a 3-year period and therefore is very good data on which to base a report. I hope I have answered the Deputy’s question.

3.9.3 Deputy J.H. Young:

Can I ask a clarifying? Does the Minister know whether that data includes, for example, information on share-transfer properties which is, of course, not recorded?

Senator F. du H. Le Gresley:

Yes, it does in fact. Obviously in this sector that we are talking about I think something like 80 per cent of private sector tenants on income support live in one or 2-bedroom accommodation or bedsits. The data, as I said before, is provided by the Statistics Unit to assist Mr. Michael Jones. I think the point that the Deputy is making is that on share-transfer the information is not necessarily conveyed because the leases are not always requiring approval but, as I say, a wide range of data was used to arrive at the conclusions made by Mr. Jones.

3.9.4 Senator S.C. Ferguson:

Mr. Jones has been working on the market as it exists and the effects of changes as it exists, but given that the private section subsidy distorts the market, has the Minister obtained reports from Oxera to look at the real economic effect of changes or even removal of these subsidies so that these can be assessed?

Senator F. du H. Le Gresley:

No, we have not commissioned Oxera to look into the matters. I would stress however that the relevance of increasing support to private sector tenants on income support is to assist the Minister for Housing with the waiting list for the gateway.

[10:45]

It is quite clear that we are having to support more households who have perhaps unsuitable accommodation in some cases in the private sector, and the more that we can do to assist them to have a greater range of choice the less pressure there will be on new-build and completing new properties in the social housing sector.

3.9.5 Senator S.C. Ferguson:

Supplementary. But if the price has been increased because of the subsidy is it not worthwhile to look at the effects of removing the subsidy and therefore removing the pressure on the Housing Department and so forth?

Senator F. du H. Le Gresley:

In answer to the Senator's question, there is no evidence that the price is increasing because of the subsidy and if the Senator has evidence perhaps she would let me have it.

The Bailiff:

Final question, Deputy Southern.

Deputy G.P. Southern:

Final? Okay.

The Bailiff:

Final plus your supplementary.

3.9.6 Deputy G.P. Southern:

Or the clarification. Is the Minister aware that many landlords pay strict attention - very close attention - to the States' rule of rent increases being not more than 2.5 per cent and often used that mark by which to raise their rents annually in the private sector. Is he content that in future when they look at States policy they will see a policy of inflation plus 0.75 which is 4.25 for

States sector rents rising periodically – annually - and does he not fear that the private sector will adopt the same practise?

Senator F. du H. Le Gresley:

Average increases in rents over 2009 to 2011, a 3-year period, was the following: bedsits 2.75; one-bed flat 2.02; and 2-bed flat 1.55, therefore I reject the Deputy's statement.

3.9.7 Deputy G.P. Southern:

Will the Minister refer to the period just before the ones he quotes, which was when the housing market rents and prices were slowing down - cooling down - when they were galloping?

Senator F. du H. Le Gresley:

The reason rents were galloping - the word the Deputy uses - in that period was because of shortage of supply. We have had a lot of new units created. Certainly we have seen a lot of developments of flats and that has eased the market.

Deputy G.P. Southern:

Sir, if I may?

The Bailiff:

You have had your supplementary, I think.

Deputy G.P. Southern:

I seek clarification.

The Bailiff:

Well let us see if it is, but I doubt it.

3.9.8 Deputy. G.P. Southern:

It might be clarification. **[Laughter]** Is the Minister aware that the Stats Department suggest a shortage currently of over 400 houses and the waiting list is currently over 800 people waiting for housing? Does he not think that that galloping is likely to happen now as well?

The Bailiff:

Not clarification. Good try but it was a good way short also. **[Laughter]**