

Mr John J Scarrott – 14th May 2021

Scrutiny Matters Feedback - Affordable Housing Definition

Affordable housing is defined as "housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education".

Firstly you need to look at the earnings of 'very low to moderate' earners, then calculate their cost of living as above and see what they have left. This will tell you how much they can afford to pay as rent or a Mortgage, then you know what you need to set rents and property prices at for them to be classed as affordable. Simple reverse engineering of a solution.

Here is my FOI request recently published, giving salary details. You can see that there are large numbers in the low to moderate earnings bracket. This data can assist with the above calculations.

<https://www.gov.je/government/freedomofinformation/pages/foi.aspx?ReportID=4566>

Scrutiny Matters Feedback - Affordable Housing For The Long Term

The problems with current affordable housing schemes:

- 1) They are not 100% reserved for first time buyers
- 2) They are not sold at a price that mid to low level earners can afford, which means they are not actually affordable housing.
- 3) Where some are reserved for first time buyers when new, when they are sold on they are not forced to be sold on to other first time buyers. That means they only last for the duration of one first time buyer, then they will end up being bought up as buy to let properties.

We need to put in the deeds:

- 1) The properties can only ever be sold to first time buyers or to SOJ (for Social Housing needs)
 - 2) The sell price can only be increased by the inflation rate each year, or better still a specific number, like 1%, so that they do not become part of the big property profiteering racket, instead having their affordable housing status maintained indefinitely.
 - 3) They cannot be let or partly let, they must be owner occupier only
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Scrutiny Matters Feedback - Toxic Mortgage Debt

In 2008, global toxic mortgage debt caused the financial markets to crash. It took a decade to recover for the biggest economies, but some like Greece will not recover for decades to come, as it had to borrow billions to prop up its economy and prevent it from being declared bankrupt.

Jersey is digging a huge hole to fall into with it's housing price inflation, caused by the lure of 5% return on buy to let. This is causing buyers to have to borrow up to 6x earnings, which is above the level that caused the financial market crash in 2008. It is unsustainable. Any move away from Jersey by the finance sector would quickly see this level of debt turn toxic, causing a housing market crash and possibly worse.

Scrutiny Matters Feedback - Essential Workers Moving Away

Not only is Jersey pricing out the Jersey born, it is also now pricing out many essential workers. How can Jersey (Public and Private Sectors) keep or attract the expertise it needs, when the cost of accommodation now makes it unviable except for the very highest earners?

I know several people that moved here to take up positions in several different sectors, all thinking that the salaries would leave them with enough to save for holidays and retirement etc, but having moved here have discovered the cost of accommodation taking a big and increasing slice of their earnings, such that they are already looking at vacancies in the UK and further afield (Australia being top of the list for many).

The way housing prices are going, there is likely to be a mass exodus of essential workers over the next 5 to 10 years, and we won't be able to replace them, because the salaries will not be high enough to outweigh the cost of accommodation.