

## **CIRCULAR TO STATES MEMBERS - COMMON STRATEGIC POLICY (P.98/2022) (SIXTH AMENDMENT)**

Deputy Mézec has proposed that the Common Strategic Policy (P.98/2022) be amended to:

- tax homes which are left empty for too long;
- introduce a landlord licensing scheme;
- introduce European-style 'rent stabilisation' by banning inflationary rent increases; and
- making tenancies open-ended by default.

### **Tax on Empty Homes**

No landlord wants a good, rented dwelling to be without a tenant if they can avoid it. There could be many good reasons that a home is empty: the owner has died (and the property is subject to a complicated inheritance) or is temporarily living in a care home; the house is being sold, built or demolished, or even being repaired; or the dwelling is between tenants. The 2011 Census indicates that most properties that were vacant at that time were vacant for one of these main reasons.

Waiting for planning permission to be granted for new build properties or for repairs to a rented dwelling can take many months. At the moment, it can also take many months to find a builder who has time to do building work at a rented dwelling. It would be unfair to tax such properties.

Given this, such a tax may cost more to administer than it would bring in. **Please see more on this topic on our website (<https://www.jla.je/consultations> - Empty Property Tax).**

### **Landlord Licensing Scheme**

A landlord licensing scheme would be costly to administer, inflationary and could be used to unfairly punish landlords who do not meet nebulous licensing conditions, when most rented dwellings already meet minimum standards. Such a scheme has now been defeated 3 times in the States Assembly, due to lack of costings and detail relating to the operation of the scheme. This proposal could easily be replaced by a much cheaper and easier to administer register of Jersey property or rented dwellings.

The Public Health and Safety (Rented Dwellings) (Jersey) Law 2018 already provides sweeping powers to the Environmental Health Department to investigate rented dwellings and make owners improve those that do not reach minimum standards or to prohibit the use of a dwelling as accommodation.

### **Rent Stabilisation**

Rent Stabilisation (otherwise known as rent control) is a policy which is discredited by many economists and governments for a number of reasons, including that it can actually lead to a reduction in the quality (because landlords are less willing to invest in rented dwellings if improvements will not be covered by increased rent) and even the quantity (because landlords will sell rented dwellings with lower rents to owner occupiers) of rented dwellings. Both of these factors are contrary to Jersey's need to increase the standard and number of rented accommodation.

The States of Jersey Economics Unit reported in November 2014<sup>1</sup> that:

*"economic theory, supported by evidence from actual experience, suggests that rent controls: reduces the availability of rental housing; reduces the quality of rental housing; causes misallocations of*

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<sup>1</sup> 'Rental Sector in Jersey: Proposed Policy Direction' - report by the Minister of Housing – 29 July 2015

*housing; are difficult to administer; [and] do not achieve the distributional goals they are advocated as the solution for.”*

*“Rent controls create substantial inefficiencies in housing markets without any redeeming contributions in terms of redistribution or fairness objectives.”*

**Please see more on our website (<https://www.jla.je/consultations> - P.80/2022 Mini-budget).**

### **Open-ended tenancies**

Open-ended tenancies make terminating a lease a lot less flexible for landlords and tenants. They would mean that both parties would need a special reason for terminating a lease and that a simple ‘no-fault’ notice period (currently three months from a landlord and one month from a tenant) would no longer be enough.

This policy would also decrease the availability of housing in Jersey, as when short let opportunities come up (e.g. where someone is working abroad for a year or moving into a care home or where a property is temporarily empty on the death of owner) the owner would be unwilling to put the property on the rental market for fear that they would be unable to get it back. This will impact on the number of short lets available to essential workers.

Rent stabilisation and/or open-ended tenancies will force landlords out of the market (especially those with fewer properties or those with mortgages to pay – the cost of which is increasing), exacerbating Jersey’s existing housing problems. Either through choice of individuals or through landlords not being able to pay their rising mortgages or repair/maintenance costs (when limited by rent stabilisation) and then becoming bankrupt or selling up. This will then have a knock-on effect on the entire housing sector (estate agents, the construction industry etc.). **Please see more on our website (<https://www.jla.je/consultations> - P.2-2022 Tenancy Notice Periods and P.80/2022 Mini-budget).**

### **General**

Conversely, the JLA would welcome an increase in the proportion of homes required to be designated as affordable in developments and the introduction of a shared-equity ownership scheme. Deputy Mézec, however, seems to make no mention in his proposition about building more homes.

The main problem with Jersey’s housing market is a serious lack of supply and a very large demand. This pushes up house prices and rents. If Jersey’s population is to increase then this government’s focus must be about making it easy for an adequate number of houses that are suitable for all of Jersey’s residents to be built and made affordable for residents, rather than disrupting the workings of the free market, with many potential unintended consequences.

The JLA are always willing to consult on and discuss ways to work with all interested parties on policies relating to rented dwellings in Jersey.

### **The JLA**

The JLA is an organisation which represents the interests of residential landlords in Jersey. We have over 200 members, which comprise landlords and letting agents responsible for the provision of residential units of accommodation (including private rented dwellings and lodging houses). Our goal is to promote an environment in which relationships between Jersey’s landlords and their tenants can thrive. The JLA aid and assist our members in driving up standards, achieving a high level of legal and regulatory compliance and promoting industry best practice.