

CIRCULAR TO STATES MEMBERS – RENT CONTROL MEASURES (P.18/2022) AND AMENDMENT - 2 MAY 2022

Deputy Mézec has proposed that the Residential Tenancy (Jersey) Law 2011 be amended to introduce:

- **rent controls** on residential properties; and
- the transfer of all residential tenancies to **open-ended tenancies** – abolishing the giving of ‘no fault’ notice.

The Jersey Landlords Association (JLA) is aware that Deputy Warr has issued a ‘White Paper’ (the **White Paper**) consulting on similar changes (and other changes to the relationship between landlords and tenants) which is to be discussed in an in-committee debate on the same date as this Proposition and **would urge States Members to vote CONTRE this Proposition to allow for that consultation to run its course and for the following reasons:**

RENT CONTROL

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 of rented dwellings** (because landlords are less willing to invest in dwellings if improvements will not be covered by increased rent); and
- **lead to a reduction in the quantity of rented dwellings** (because landlords will sell and exit the market because their investment will become unviable).

Both of these factors are contrary to Jersey’s urgent need to increase the number of rented dwellings and maintain/increase living standards for tenants. The States of Jersey Economics Unit said in November 2014¹ 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 housing; are difficult to administer; [and] do not achieve the distributional goals they are advocated as the solution for.” and “Rent controls create substantial inefficiencies in housing markets without any redeeming contributions in terms of redistribution or fairness objectives.”

Even the Housing Policy Development Board’s report² (the HPDB Report), chaired by Deputy Mézec acknowledges that *“rent stabilisation could encourage landlords to sell, thereby bringing greater supply of homes for owner occupation on the market. However, this could exacerbate the shortage of rental accommodation.”* and *“The quality of rental properties could decrease as landlords are disincentivised from investing in their properties.”* and *“A significant risk is that rental growth becomes the norm and, therefore, rent increases could occur, where historically landlords have not uplifted rental values.”*

Ethics

Rent control would disproportionately affect landlords as a part of Jersey’s society and economy, as increases in their incomes will be fixed to a rate (RPI or another metric) whilst their outgoings (mortgage repayments, repairs, maintenance, renovation, utilities, professional services) may increase at rates significantly above RPI³. Would the government legislate to force any other sector of the economy (builders, architects, retail, the government itself etc.) to limit their ability to increase prices in this way?

Is this fair? During the pandemic every landlord had their rents frozen for 6 months with little complaint⁴ and many more voluntarily froze rents for a further 6 to 18 months. The JLA contacted our members (and other landlords through a press release) last year to ask them to voluntarily reduce any future rent increases as they are able. The White Paper confirms that *“In the past year calculations contained within RPI indicate a rental*

¹ ‘Rental Sector in Jersey: Proposed Policy Direction’ - report by the Minister of Housing – 29 July 2015 – page 23

² Housing Policy Development Board Final Report – March 2020 – Appendix 1, 7.3.29

³ Jersey RPI was 12.7% for the 12 months until March 2023.

⁴ <https://statesassembly.gov.je/assemblypropositions/2020/p.42-2020.pdf>

cost increase of 1.4%, which is substantially below the recent headline rates of inflation” and “it is reasonable to suggest that, in general, landlords appear to have shown restraint in increasing rents”.

Pensioner Poverty

A substantial number of Jersey landlords own a property to **supplement their State pension** (which currently provides £12,234 per year). **Freezing rent will directly lead to pension poverty amongst elderly landlords.** High earners (e.g. professionals working on a short contracts in Jersey) also rent. **By freezing all rents you may be taking money from poor pensioners to give to rich tenants!** As pensioners no longer work, they will never be able to make up this financial loss. For landlord pensioners the ensuing financial hardship would be **permanent.**

OPEN-ENDED TENANCIES

Open-ended tenancies would make terminating a lease a lot less flexible for landlords. They would mean that both parties would need a special reason for terminating a lease and that a simple ‘no-fault’ notice period (currently 3 months from a landlord and 1 month from a tenant) would no longer be enough. The HPDB Report acknowledges that *“Less flexibility for landlords may mean they are unwilling to let their property and reduce supply on the market”* and that such a policy *“May reduce mortgage availability for buy-to-let landlords as mortgage providers want to be able to recover the asset quickly. As a result, this may reduce private rented supply”*. Furthermore:

A Severe Shortage of Short Lets and Decrease in Essential Workers

Open-ended tenancies would mean families will be **unable to temporarily lease out empty property** in the case of someone working abroad for a year, elderly parents moving to a care home or indeed on the death of their parents as they may no longer have a **legal right to repossess a family home** after a short time period.

Fixed term tenancies are very attractive to essential workers planning to sign a 1 to 2 year job contract. If job contracts are extended, open-ended contracts will allow these temporary tenants to live in the rented accommodation permanently. This lack of control will dissuade landlords hoping to sell a property within a set time period. **Do States members want to inadvertently facilitate the loss of applicants and workers when many industries are already desperately short staffed?**

Decrease in the Number of Rental Properties

Rent control and/or open-ended tenancies will force landlords out of the market (especially those with fewer properties or big mortgages), exacerbating Jersey’s existing housing problems. This may be through choice of individual landlords or through landlords not being able to pay their rising mortgages or repair and maintenance costs (when limited in their ability to increase rent) 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.) Increasing amounts of regulation recently, plus the threat of more regulation has already caused many landlords to sell.

Not only will this lead to homelessness but also a **loss of tax revenue on rental earnings. Increasing supply of housing is now key to solving the issues with Jersey’s housing market and a Rent Freeze and/or open-ended tenancies will do more to decrease supply than anything else.**

Please vote **CONTRE** Rent Control Measures (P.18/2022) and Amendment.

The JLA

The JLA represents the interests of residential landlords. We have over 200 members, comprising landlords and letting agents responsible for the provision of 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. The JLA are always willing to be consulted on and discuss ways to work with all interested parties on policies relating to rented dwellings in Jersey.