

## The Weekend Essay

# There's a queue for the ex



■ Philip Syvret Picture: DAVID FERGUSON (37105200)

IT'S that time of year when end-of-term reports are being prepared. As the year draws to a close, does the government's response to changes in the Jersey property market during 2023 warrant a gold star or remain in the "could do better" territory?

Back in September 2022, the turnover of residential properties in Jersey was spinning along with all the momentum that had gathered during lockdown. Then Liz Truss got her hands on the levers of power. Her ill-advised mini budget collapsed trust in the UK's reputation for budgetary control. With inflationary pressures adding to the problem, the effect was repeated increases of the base lending rate over the first three quarters of 2023.

As a consequence, mortgage products disappeared, with new products and rates significantly higher than we've seen over the past ten years coming in replacement.

The UK, however, was not alone in making ill-advised political decisions. At the

## Property expert and law partner Philip Syvret's end-of-term report for the 2023 Jersey property market finds some pleasing aspects of government policy but plenty of room for improvement

beginning of the year, the Island's government imposed a 3% stamp duty uplift on landlords looking to buy. Landlord purchases disappeared and chains of transactions could not be completed.

The way in which that tax was implemented without proper consultation has been the subject of legal proceedings against the government in recent weeks. The Royal Court agreed that the govern-

ment's failure to properly consult meant that the tax could be challenged and recommended that the Treasury Minister give urgent consideration to possible changes.

Jersey's politicians have continued to impose significant regulation on landlords, further reducing the appetite of buy-to-let purchasers. Only this week, a licensing process for landlords has been adopted

without any indication of the regulations the landlords will be required to follow. That has rightly been compared to a procedure for issuing driving licences, while not telling drivers what the speed limit is.

As a consequence of these combined factors and others, there has been a significant reduction in the number of houses being bought and sold. In the past quarter only 155 properties were bought or sold.

Despite a downturn in turnover, however, the mixed adjusted price index shows only a marginal decrease in house prices of 2% over that quarter. Prices are relatively resilient right now. It simply seems things have hit a hard pause.

A significant pause, however, is not good. The ability to buy a home brings commitment by owners to the Island. House building, sales and refurbishment generate taxable economic activity.

Property turnover produces large reve-



# It in the buy-to-let market



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the benefit of the relief being quite small for buyers close to the £700,000 value. Announcing this stamp-duty relief to be implemented sometime in the future might also have contributed to the pause in the market.

*Overall, however, a good start.*

■ **Fix delays encountered in Planning, not by recruiting planners in large numbers, but by appointing key experienced additional officers**

A tricky area. The planners work hard, but one has the sensation that they are totally under-resourced. I am acutely conscious of the already high headcount and cost of public sector employment, but this area needs fixing. *No improvement showing yet.*

■ **Make quick decisions about new sites and re-zoning, then tell the planners to get on and deliver without interference**

The planning application “Validation Checklist” issued by the Planning Authority this year runs to no fewer than 21 pages, setting out which different drawings and reports are needed with any planning application. Quite simply, the red tape has snarled up the delivery process in construction and needs significant improvement.

The rejection earlier this year of a development in Broad Street, approved by an independent inspector and providing more than 230 homes, an apart hotel and £120 million inward investment left the property and construction industry speechless. A bizarre decision which needs to be corrected. *In summary, unnecessary complications which need to be reduced.*

■ **If you are going to put a levy on rezoned sites, consult quickly on terms and get on with it or not at all**

To add to the planners’ difficulties, this year the government has debated and recommended the adoption of a rezoning levy. Any new sites will be subject to an as-yet unquantifiable zoning fee. Developers and landowners cannot negotiate deals without knowing what the costs will be. Consultation and legislation drafting needs to be moved on to prevent delay in delivery of new housing.

The consultation and drafting have yet to materialise. *More unnecessary delay.*

■ **Get to work on the sites you already own**

St Saviour’s Hospital comes to mind, but so many others can be realised. The embarrassing delays in approving our new hospital continue, while build costs escalate because of inflation and increasing professional cost. It does not inspire an electorate to believe that government can manage its existing property resources. *A lack of application – needs improvement.*

■ **Ignore media hype about high-net-worth buyers impacting the market**

Big houses are not the issue. The lack of affordable units is. *A distracted approach in this area is regrettable.*

■ **Back off on the landlords or be ready to fund Andium and the Housing Trusts to build additional rental units for subsidised rents**

I have seen landlords drift away from residential property investment over the past few years as regulations are imposed. It is not a question of bad landlords exiting the market in the face of rules which will catch them out. Instead, it’s potentially good landlords being worried about cost and being caught out by a slip in the observance of so many regulations.

Ironically therefore, the consequence of over regulation is a reduction in supply of rental units, with an inflationary effect on rentals. Despite that, the licensing of landlords was approved this week without any detailed assessment as to the economic consequences of that legislation. We will wait to see where rental rates have got to this time next year.

To cap it all, Reform has proposed this week an amendment to the Government Plan seeking the removal of mortgage-interest relief for landlords. It is little wonder there is a queue for the exit door in the buy-to-let market. *A poor set of circumstances.*

■ **Play with a straight bat with your Islanders**

The Royal Court’s decision in recent weeks that the uplift on the buy-to-let stamp duty was implemented without proper consultation did not get significant media coverage. It does, however, highlight a failure in basic communication that needs to be improved.

In turn, if the government is going to impose regulation on landlords then it has to both set out its regulations with clarity and have the mechanisms to enforce the new rules. Otherwise those seeking to observe the rules will rightly complain that others are profiteering by avoiding the regulations without fear of sanction. *Needs improvement.*

■ **Work as a cohesive government within agreed strategy**

The irony of repeating this last item in a week when the squabbling between ministers has become so public is not wasted on me. The housing crisis remains. The demographic of our community is changing because of affordability of house prices and rental. Squabbling across the ministerial table or political-gesture resignations are not going to solve the problems our Island needs to address. *Needs much improvement.*

Of course, an end-of-term report should always finish with a positive note to encourage improvement for the next year. As we survey the global news, we can only remind ourselves that Jersey is essentially a peaceful and beautiful place to live. Adjustments in property prices are part of a global economic cycle over which we only have a modicum of control, but there is relative stability in property values and no significant falling in the desire to live and work in the Island.

That relative house-price stability, despite all of the changes in the past year, is a good thing. Government’s focus next year must be to ensure that there are enough houses for those who want to buy or rent, and commit to our Island community, and that those houses are, within reason, affordable to those wanting to make that commitment.

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nues in stamp duty. A buoyant and functioning property market brings wide-ranging benefits to the community.

If the government is not oiling the wheels of the property market it is failing its electorate.

Given all of that, it seems that the “could do better” report is inevitable. How then might the government have assisted in improving the situation? I suggested in a social media post earlier this year ten proposals on which government could act. Time for a report on how they are doing on those ten proposals.

The proposals were as follows:

■ **Implement assisted-buyer schemes in the wider market place, with careful price monitoring so that it doesn’t simply cause more price inflation**

We already had help-to-buy schemes for purchases from Andium and other public-

ly backed housing providers, but not for the properties being bought in the private sector. The Housing Minister has started to fix this by way of the First Steps scheme with a fund of £10 million offering a deferred loan of up to 40% as a second charge on a property being bought by a first-time buyer.

It is a small scheme starting in the new year, but is being viewed as a pilot. It’s a welcome addition to assist first-time buyers. *A good start.*

■ **Make a correction to first-time-buyer stamp duty thresholds and a commitment to a yearly update**

Again, the government wants to deliver here. The Government Plan proposes an increase in the threshold for reduced stamp duty for first-time buyers on homes valued up to £700,000. The tapering relief proposed, however, is not perfect with