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To: Scrutiny
Subject: Housing Issues

To whom it may concern. (please confirm this has been received)

I wanted to offer my thoughts on changes that I believe should be implemented in Jersey to help make housing more affordable.

As the majority of the population spend the majority of their income on accommodation it is very important to ensure those prices do not spiral upward as this then adds pressure for wage increases and increasing inflation which then reduces the value for money of our exported services and products.

Mortgage tax relief I believe to be unequal in that you can only benefit from it if you have managed to buy a property, yet many people are paying the equivalent amount in rent along with more income tax, even if earning the same salary, this is not treating people equally?

The intention of mortgage tax relief was to help people buy property, but it actually is another subsidy to a money lending industry who are able to lend more funds and make more money charging interest on that lending.

It has also fueled an artificial increase in building costs and labor as the value of the product was increased.

When mortgage tax relief was introduced the number of houses available to buy remained the same, only the prices went up as people could borrow more.

I believe with out mortgage tax relief, the same people would have still purchased the same properties, but would pay a lower price for them and then pay more income tax to the States leaving them in the same financial position.

If mortgage tax relief was phased out over a period of years, houses would not suddenly be knocked down therefore the number of available property would remain the same.

The cost of building new houses would adjust downward to match the available funds to purchase.

I personally would also like to see a cap of 25 years maximum on mortgage lending, some are becoming all of life and it does not seem morally right to allow people to be in debt for most of their life?

It may have to be capped at 30 years and then reduced over a period of years in order to prevent a sudden drop in property prices.

I believe it would be best to reduce the longest term a mortgage loan can be taken over to 20 years and a maximum of 60 years old, think how much better people standard of living would be if they can completely and have free accommodation, plus how much more income tax they would then be able to pay generating more income to the States to be spent on better quality public services.

Rent rebate I believe should also be removed over a period of years, this is another subsidy to allow landlords to keep rents at a higher level than the market can sustain.

Bringing down the value of property will also bring down the cost of renting property and inflation by a knock on effect.

Which in turn will again reduce wage increase pressure maintaining the value of our exported services and products.

Another option I believe should be introduced is a non-use property tax, As Jersey has a shortage of land to build on, it is not viable to allow natural market forces of supply and demand requiring many thousands of empty properties to reduce property prices.

However properties less than 10 years old would be not be included, this is so that property developers may see it as a risk and not develop new buildings, but with 10 years to either sell or rent a development out this should not happen.

At present the island is thought to be in need of 4000 new properties however 700 are currently built and empty?, why would we allow this to continue?

Their owners are able to keep them empty as it costs very little to do so.

When the economy is growing this tax would have no effect, but when the economy drops this tax would make property prices able to fluctuate downwards quickly, which in turn would help reduce staff wages demands making economy far more adaptable/flexible to market forces and reducing inflation pressure.

If this tax included commercial rents and reduced the amounts demanded, either on retail units or agricultural land, this would encourage new entrants into to those industries, to try running their own business further growing the economy.

The non-use tax would only apply to buildings over 10 years old, and then have been empty for 1 year, a monthly tax per square meter would then become chargeable at a set lower rate for a year, if it is still empty after this year, the rate per square meter would be doubled, encouraging the landlord to reduce the charge to let or sell the building/land.

The need to reduce property prices quickly during a down turn will reduce inflation, as for most people accommodation is their biggest expense, if this is reduced it will have a big effect.

I believe that a minimum rent is often placed on commercial property by the lenders, I believe this would simply stop if a non use tax was introduced, as it would not be to the lenders advantage.

All new future developments I believe should be a minimum of 4 levels high increasing the number of dwellings on a site as Jersey does not have enough building land to keep building houses.

To monitor property prices, as well as the price to either rent or purchase a property, the cost to either rent or purchase an average property should be compared as a percentage against the average wage, this would then allow prices to be accessed to see how difficult or affordable those prices are for the population to pay.

Only my thoughts, thanks for your time, I am happy to discuss further.

Best Regards, Ian.