



**Corporate Services Scrutiny Panel
Starter Home Deposit Loan Scheme Review
Hearing with the Joint Presidents of the Jersey
Estate Agents Association**

MONDAY, 25TH FEBRUARY 2013

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen (Vice Chairman)
Deputy S. Power of St. Brelade
Deputy R.J. Rondel of St. Helier

Witnesses:

Mr. M. Matthews (Joint President, Jersey Estate Agents Association)
Ms. S. Marett (Joint President, Jersey Estate Agents Association)

[14:02]

Deputy J.G. Reed of St. Ouen (Vice Chairman):

Welcome, members of the press and public, to our public hearing. I draw your attention to the code of behaviour that is on the wall and we respectfully ask you to abide by that code. I would also like to extend a welcome to Mr. Marcus Matthews and Ms. Shelagh Marett. Thank you for making yourself available to this panel. I would like to draw your attention to the notice in front of you and ask that you just remind yourself of its contents.

Mr. M. Matthews:

Okay.

The Deputy of St. Ouen:

Before we start the questioning session, perhaps we can just go round the table and briefly introduce ourselves.

The Deputy of St. Ouen:

Thank you very much and welcome. I would just like to start with a few general questions. What involvement, if any, have you had in the development of these proposals?

Mr. M. Matthews:

We have not had any involvement so far. This is our first involvement right now.

The Deputy of St. Ouen:

Perhaps more importantly, what interest, if any, have any of your clients expressed with regard to these proposals?

Ms. S. Marett:

My personal view is we have not really discussed it with anyone currently. I do not know if you have.

Mr. M. Matthews:

Yes, I have with a few potential property purchasers and they are quite keen to hear more. I think to help them purchase property, any sort of help would be welcome from these people, yes.

The Deputy of St. Ouen:

So generally people ... can you just describe the sort of people that are currently walking through the door at the moment and the sort of questions that they are posing to you?

Mr. M. Matthews:

Yes. Questions, you know, people are willing to buy homes. They are struggling out there with their deposits. It is quite simple. They are struggling to borrow the money from banks. That is quite evident as well from feedback we gather from potential purchasers. That is, yes, pretty much how it is, really.

Deputy S. Power:

It might be interesting to see, particularly you, Mr. Matthews, if you could profile the age group of the people that have made enquiries at the moment, roughly if it was possible to say. Are they 20s, 30s, 40s, 50s or what as an across the board?

Mr. M. Matthews:

Yes, it is more that sort of age group, the lower sort of age group.

Deputy S. Power:

The younger?

Mr. M. Matthews:

The younger age group, really, people that are in rented property and looking to buy their first homes.

Deputy S. Power:

So it would be fair to say that the trickle of information about the starter home deposit scheme has gotten out there and the confirmation is that you have had some enquiries?

Mr. M. Matthews:

Yes.

Deputy R.J. Rondel:

Could I just ask you to just confirm that you have not been consulted at all during the lead-up to the proposition or anything at all?

Mr. M. Matthews:

No.

Deputy R.J. Rondel:

Have you made representation to the scheme at all?

Mr. M. Matthews:

No.

Senator S.C. Ferguson:

Where do you think the problems are going to lie with the scheme? Or what would you have brought to the attention of the people putting the scheme together if you had been consulted?

Mr. M. Matthews:

Problems ... I see that lenders have been approached with regards to the scheme and they are saying ... I think it was saying over here that they are going to be cooperative with the deposit scheme. I am not too sure how that is going to affect what lending ... if it is going to affect their

lending, how much they are going to lend to buyers. I say they are cooperative, but lenders can change their minds at the drop of a hat, as we know. I think it would have to be, once they agree to it, firmed up, so to speak. They change their minds and their lending criteria changes every day.

Deputy R.J. Rondel:

So would you say there could be a danger that we are coming up with a scheme that could have the impact of other people tightening up so that the benefits may not be all passed on to the purchaser?

Mr. M. Matthews:

I think so, yes. I think so. That is a danger, I think, but different lenders ... there are different lenders out there with different criteria. You have certain lenders that look at Jersey as its own ...

Deputy S. Power:

Microcosm.

Mr. M. Matthews:

... micro market, so to speak, and then you have the big high street lenders that do not look at Jersey, different lending criteria.

Deputy S. Power:

One of the initial thoughts we had and it was put to us was that if the banks are reluctant to be flexible on deposits at the moment, how flexible will they be on sharing security? Have you given that any thought?

Mr. M. Matthews:

Do you want to answer that one?

Ms. S. Marett:

It is difficult. Until the test is actually put, it is difficult to know what the banks will do. You mean in terms of a charge over the property?

Deputy S. Power:

The second charge.

Ms. S. Marett:

Yes. They can say that they will be willing to do it, but in practice when the time comes whether they will is something we will not know until the scheme is in ...

Deputy S. Power:

As experienced estate agents, have you come across much second charge activity in the residential market? Is it common? Is it...?

Mr. M. Matthews:

As estate agents, we do not really get involved too much on the financial side. We refer people to lenders and to financial advisers, really, so we do not really get too involved.

Deputy S. Power:

So you do not have much contact on the financial or legal side?

Ms. S. Marett:

Not really, no.

Deputy S. Power:

You try and avoid it?

Ms. S. Marett:

We try and avoid it.

Deputy R.J. Rondel:

Hopefully you will be able to answer this one. The current situation of the housing market, what is your view of the current marketplace within the Island? Are there a lot of surplus properties out there or there are not enough properties?

Ms. S. Marett:

There are a lot of properties out there, but there is probably a need for ...

Deputy R.J. Rondel:

A lot more.

Ms. S. Marett:

... a lot more cheaper, a lot more of the ...

Deputy R.J. Rondel:

Affordable homes?

Ms. S. Marett:

Yes, more affordable, yes.

Mr. M. Matthews:

I think a lot of people out there at the moment on the market that have been looking to sell need to be a bit realistic with what they are asking at the moment.

Deputy R.J. Rondel:

Is that a case of supply and demand?

Mr. M. Matthews:

Yes, there is a lot of supply. There is a lot of supply out there.

Ms. S. Marett:

The people that are being more realistic with the prices are finding that they are selling, but there are those that feel that their property is worth X and they are not prepared to drop it, so it stays on the market.

Mr. M. Matthews:

Yes. There is, I would say, a lack of what we call ready, willing and able buyers at the moment. There are a lot of chains formed, properties stuck in chains. There are not so many ready, willing and able buyers.

Deputy R.J. Rondel:

Are you able to back up with any figures at all how many properties you believe may well be available?

Mr. M. Matthews:

That is a difficult one to come up with.

Ms. S. Marett:

That is a difficult one, yes.

Deputy R.J. Rondel:

What about willing purchasers?

Mr. M. Matthews:

Yes, I can print off a report tomorrow that will tell you how many able purchasers on our books that are able to proceed.

Senator S.C. Ferguson:

Do you have many houses for sale that are actually empty?

Mr. M. Matthews:

A few. We have a few, yes. Vacant properties, yes. Again, I could do a report on what we have on our books. We have about 141 homes on our books for sale. I can print a report on what is empty, what is available, who is stuck in chains, and on purchasers: who is able to go forward, who is mortgage approved.

Deputy S. Power:

Who is not.

Mr. M. Matthews:

And who is not.

Deputy R.J. Rondel:

That would be useful.

Deputy S. Power:

Ms. Marett, you said that you get the impression that if there was more product available in the lower end of the market ...

Ms. S. Marett:

In the lower end of the market, the first-time buyer price range.

Deputy S. Power:

These are people who want to get on the property ladder for the first time?

Ms. S. Marett:

Yes.

Deputy S. Power:

And have not transacted before or they are in a small one-bedroom, whatever, share transfer?

Ms. S. Marett:

Yes.

Deputy S. Power:

But that is where you think the market is?

Ms. S. Marett:

I think we need more of the first-time buyer family homes rather than actual flats, more affordable 2 and 3-bedroom properties.

Deputy S. Power:

So, in your opinion, is there a sufficient number, is there a supply of affordable flats but that there is not a supply of 2 and 3-bedroom houses? Is that roughly what you would say?

Ms. S. Marett:

Possibly, yes. Would you say that?

Mr. M. Matthews:

Yes, kind of. I think first-time buyers, I think everybody looks at 2 and 3-bedroom homes, first-time buyers, and when I first purchased a property I did not jump straight into a 2 or 3-bedroom home. I could not afford it.

Ms. S. Marett:

You worked your way up.

Mr. M. Matthews:

I lowered my sights a little bit and went into a one-bedroom flat and then worked that way. I think everybody nowadays wants to leave home and they want a 2 or 3-bedroom house.

Deputy S. Power:

With a garage and a garden.

Ms. S. Marett:

Yes, for £300,000.

Mr. M. Matthews:

They need to lower their sights a little bit to what they can afford, really.

The Deputy of St. Ouen:

I would like to just explore affordability aspects. You mentioned that certain sellers are asking unrealistic prices and that those who are offering their property at X that reflects the current market are able to sell their homes. What sort of influence do you expect to happen with regards to the prices being asked for property over the next, say, 6 to 12 months? Do you see a reduction in unrealistic prices and people seeking to sell their properties at a more realistic level or do you still see the unrealistic values being maintained in the market?

Mr. M. Matthews:

It depends on the seller, really, and their onward move and if they want to sell or not, really, I think. There are a lot of sellers out there looking to downsize. There are a lot of sellers out there looking to leave the Island. There are a lot of sellers out there looking to sell to release equity in their property. It just all depends on the seller and how much they want to sell their house, I would say.

Deputy R.J. Rondel:

When you said you had vacant properties on the market, what is the reason for that? Is that people who have left the Island or have managed to find somewhere and they are just waiting for buyers? What is the main reason?

Mr. M. Matthews:

We have a few vacant properties, nowhere near as many as owner-occupied properties.

[14:15]

We have a few, whether they were bought initially by sellers as investments and were rented out and they have decided to sell them ...

Ms. S. Marett:

Yes, we have a few flats like that as well.

Mr. M. Matthews:

Yes, people going their different ways, splitting up, leaving the Island or ...

Ms. S. Marett:

We have a couple of properties that have been inherited, where somebody has passed away and they want to put the property on the market.

Deputy S. Power:

But of the listings that either of you have on your own individual operations as estate agents, would you say that of the total picture you are going to paint of listings most of those would be houses above or flats above the starter home entry level or they would be people downsizing from a larger house to a smaller house or people leaving the Island? So the majority of the houses you have on your books, or the properties you have on your books, would they qualify for these people that are trying to get on the ladder for the first time?

Mr. M. Matthews:

I think we both have a wide range of properties.

Ms. S. Marett:

Certainly, a lot of our flats would because we have Uniquely Flats, which we just sell flats. So a lot of those would come under the one bedroom or the 2 bedroom.

Deputy S. Power:

So they would be in that area, that market area?

Ms. S. Marett:

Yes.

Mr. M. Matthews:

Yes, we have a wide range of property for sale from £120,000 up to £3.5 million, £4 million, right across the spectrum, but I am sure this would help certain ... yes, as I say, more the lower end sort of people.

Deputy R.J. Rondel:

The proposals would apply to properties in the lower quartile of prices. Could you just give your definition of the current status of the market at that level in respect of the properties that may well be available?

Mr. M. Matthews:

Status of ... sorry, can you repeat that again?

Deputy R.J. Rondel:

Just how many properties, what is the current status of the properties in that lower quartile that may well be available? Is there a big supply?

Mr. M. Matthews:

Is there a big supply of properties at that level? I would say there is, yes. I would say there is quite a lot out there. There are a lot of new developments recently, in the last few years that have popped up.

Ms. S. Marett:

The scheme does not cover the Dandara developments, though, does it? So while there are some of those still available I think the new developments would not be covered by the deposit ...

Deputy R.J. Rondel:

Is there many new developments that are ...?

Ms. S. Marett:

There are still a few at Castle Quay and obviously I believe Dandara are building some new ones by the Parade.

The Deputy of St. Ouen:

I just want to understand a little bit more about the particular areas of the market. We are told that ... let us take one-bedroom flats, let us take that as a for instance. Well, 2-bedroom flats. We are told there is a mean price but obviously the market can be further divided into quartiles. You seem to have just suggested that there is quite a number of properties in that lower quartile market, which some may argue that that is the most affordable section of the market. If you are correct in saying that actually these people are struggling to find the money to pay the higher prices, can you just elaborate a little bit more on that particular area and explain why, if there is a big supply, there has not been the take-up in those lower priced properties?

Mr. M. Matthews:

Why? Well, for the last 4 years the lending has been tough for everybody. I would say that is one of the main reasons, and people saving their deposit. It has been difficult for them. They are living in rented accommodation over here. To get on to the ladder is quite tough because they have to pay what I would say are fairly high rents, plus trying to live, plus trying to save a deposit. It is hard for them.

The Deputy of St. Ouen:

But we have not seen the same sort of situation that they have seen, for argument's sake, in England where they have had a negative equity effect on the market. One would expect that if there is a tightening up of the lending, then you would expect a reflection in the value of property.

We are struggling to understand why we have not seen that if there is, as you quite rightly say, this tightening of lending and a supply of low-priced houses or units.

Mr. M. Matthews:

I think that there are some people out there that are not moving and they are stuck and they are in negative equity, I think some people. We do not hear of it too much, but they purchased high, when the market was racing high and they purchased high, and now they are trying to sell when the market is at a low. They borrowed their deposit and the banks were chucking money at them, but some people are in a position ...

The Deputy of St. Ouen:

But what about those that are purchasing now? Those that can purchase presumably will have the benefit or could have the benefit of buying properties at a far more realistic level than in the past.

Mr. M. Matthews:

Yes, for sure, yes.

The Deputy of St. Ouen:

Are you noticing that effect?

Ms. S. Marett:

It is difficult to put into words. I cannot think of the words ...

Mr. M. Matthews:

No, cannot think of the words.

Senator S.C. Ferguson:

You are not finding that property prices have dropped at all?

Ms. S. Marett:

They are dropping but very, very slowly. Again, as we said, it depends on the circumstances of the vendor whether they are prepared to wait or whether they just want to sell for whatever reason. They might want to leave the Island or they have lost their job and they cannot afford the mortgage anymore. So there are many different circumstances.

Deputy S. Power:

Affecting the market.

Ms. S. Marett:

Yes.

The Deputy of St. Ouen:

Have you seen the latest Jersey house price index?

Mr. M. Matthews:

Yes.

Ms. S. Marett:

Yes.

The Deputy of St. Ouen:

How do you reconcile what is stated in that index with regard to turnover of properties in 2012 was about 10 per cent higher than 2011 - which shows obviously increased demand but actually one and 2-bedroom flats have risen in value - with what you have just been speaking to us about, which is actually that there is quite a lot of supply but property is not selling because of the lack of ability for people to be able to borrow?

Mr. M. Matthews:

Can you ask that again so I can just totally understand what you said?

Ms. S. Marett:

We are not statisticians so it is ...

The Deputy of St. Ouen:

Sorry, okay. In summary, we are told with regard to the Jersey house price index that the turnover of properties sold in 2012 was about 10 per cent higher than in 2011, but the mean price of one and 2-bedroom flats and of 2-bedroom houses was slightly higher in 2012 than 2011. So, on the one hand, the statistics are suggesting that actually people are now buying to a greater extent, where the number of people buying in 2012 was higher than those in 2011, which indicates, if you like, that because of the reduction in house prices it has become more affordable; therefore, even though with the tight lending that is available people are still able to get on the rung of the property ladder. I am just trying to square the circle, if you like, because on the one hand we have been told that and on the other you are saying there is a lot more that needs to be done to encourage people to buy.

Mr. M. Matthews:

Yes. I think people are getting used to the way lending is and they have had 4 years now of getting used to the way people are lending.

Deputy S. Power:

Things have tightened up, yes.

Mr. M. Matthews:

It is not a great difference in turnover, I do not think. People are saving for their deposits but not as many as there should be.

Deputy S. Power:

The market is very difficult.

Mr. M. Matthews:

There are plenty out there that still need the help.

Deputy S. Power:

So the message really is that the market is still very difficult?

Mr. M. Matthews:

Yes.

Deputy S. Power:

Very tricky?

Mr. M. Matthews:

Yes.

Deputy S. Power:

And that has been reflected.

Ms. S. Marett:

You do need a deposit. As Marcus says, people have now had a few more years to accept that times have changed and they do need to save a deposit. We have shown people properties and then they have changed their minds and said: "I think I will wait another 6 months or 12 months before I decide to buy."

The Deputy of St. Ouen:

I suppose this is the difficulty. We are all trying to second guess what the future holds, but we have been used for many years to seeing property prices continue to rise year on year, good investment with a good return, and the ability to access reasonably easily mortgages which allow us to buy property at, some would argue, inflated prices. Obviously, more recently we have seen the tightening up by the lenders and the banks and a corresponding reduction on the house prices. Looking ahead, is it your view that we are going to return to that pre-economic crisis position or are we more likely to just see a maintenance of the current situation?

Ms. S. Marett:

I think it is more likely that we will see a continuation of the situation we are in now for certainly the next 6 to 12 months, in my view.

Mr. M. Matthews:

Yes, my view is it is very, very difficult to predict. We get asked every day what is the housing market going to do in 2 or 3 years' time. There are a lot of factors to take into consideration globally.

Deputy R.J. Rondel:

This particular scheme is going to have maximum price limits on properties: one-bedroom flats, £171,000, and 2-bedroom flats, £262,000. Do these maximum prices really reflect the upper range properties in the lower quartile, do you feel?

Mr. M. Matthews:

Well, going back, as Deputy Reed talked about the statistics, going back to the last quarter statistics that were released, the mean average price for a one-bedroom apartment is £205,000. So if the maximum purchase price is £171,000 I think it should be increased. Well, all 3, really, 2-bedroom flats and 3-bedroom houses.

The Deputy of St. Ouen:

So you think the price is set at about the right level?

Ms. S. Marett:

The ceiling should go up.

Deputy R.J. Rondel:

No, he is saying it should go up.

Deputy S. Power:

He is saying it is set lower.

Ms. S. Marett:

Yes.

Mr. M. Matthews:

It should go up, yes.

Deputy S. Power:

It is set too low.

The Deputy of St. Ouen:

Oh, it is too low?

Mr. M. Matthews:

Too low.

Ms. S. Marett:

Yes, taking into account the statistics that were published.

Mr. M. Matthews:

You can purchase a one-bedroom flat for £171,000, that is for sure, but if the mean average price of a one-bedroom flat as pushed out by the States' statistics is £205,000, there should be a slight increase.

Senator S.C. Ferguson:

If you look at the prices of the things you have on the books, can you actually produce anything for people at those sort of levels?

Mr. M. Matthews:

We could. We could. But there is more, we could offer them more if there was slightly more money on the maximum purchase price.

Senator S.C. Ferguson:

How much would you put it up?

Ms. S. Marett:

To the mean.

Mr. M. Matthews:

I would put it in line with the mean prices of the ...

Ms. S. Marett:

So it would be £205,000 for a one bedroom.

Mr. M. Matthews:

Well, okay, look at the 2-bedroom flat maximum purchase price, £262,000. The mean average price from the last quarter in 2012, the mean average price for a 2-bedroom flat is £342,000. I think they need looking at a little bit, those figures.

Deputy S. Power:

Yes. Based on the qualification eligibility thing that the States have set, you are saying the mean average price and these figures are saying it is £320,000, £330,000 - that is a 2-bedroom flat- and the States have set a price at £260,000, so there is a gap of at least £60,000 to £70,000, which might cause problems.

Ms. S. Marett:

Yes.

Senator S.C. Ferguson:

You are saying that you really could not find much? You could find something, but not much at those price levels?

Mr. M. Matthews:

Yes.

Ms. S. Marett:

£171,000 would get you a one-bedroom flat but it would probably have no outside space and no parking. Would that be about fair?

Mr. M. Matthews:

I would say that, yes.

Deputy S. Power:

Just moving on in that area, how much activity, how much turnover have you witnessed, say, in the last 12 months in that area, the one-bedroom flat at £171,000 or the 2-bedroom flat at £260,000? Is it active? Is it slow? How would you describe it?

Ms. S. Marett:

We have actually had a few investors buying the cheaper flats. Quite a few investors have come in and bought that sort of price range.

Deputy R.J. Rondel:

Would that be local investors or ...?

Ms. S. Marett:

Yes, local investors, yes.

Deputy S. Power:

And 2-bedroom flats?

Ms. S. Marett:

Two-bedroom flats less, less to investors, but certainly the one-bedroom and studios.

Deputy S. Power:

So the only market activity in that area, one-bedroom flats, has been in your experience ...

Ms. S. Marett:

Not the only.

Deputy S. Power:

Not the only?

Ms. S. Marett:

No, not the only.

Deputy S. Power:

But you have had some activity at that level?

Ms. S. Marett:

Yes.

Deputy S. Power:

But bought by people to rent as a buy-to-sell?

Ms. S. Marett:

Yes.

[14:30]

Deputy R.J. Rondel:

So the one bedroom, just to come on to that, it is buy-to-let, that is what they are buying it for?

Ms. S. Marett:

Yes.

Deputy R.J. Rondel:

What sort of people are letting those, is it local?

Ms. S. Marett:

They are letting them out to locals, yes.

Deputy S. Power:

They are all (a) to (h)?

Ms. S. Marett:

Yes. Some are (a) to (j).

Deputy S. Power:

Of the one and 2 bedrooms that you are selling, that you have on your books, would most of those be share transfer or would there be a mixture of share transfer, flying freehold? Describe it roughly?

Ms. S. Marett:

We have a mixture. Possibly we have more share transfer than flying freehold.

Deputy S. Power:

Okay.

The Deputy of St. Ouen:

I am just thinking, if as you are saying currently investors are purchasing properties within these sort of price ranges, what is the likely impact of introducing another group of people into that market?

Ms. S. Marett:

Do you mean introducing investors?

The Deputy of St. Ouen:

No. You say investors are already currently purchasing in these price ranges. This proposal suggests that a whole new group of people are going to be encouraged to look at that section of the market. I just want to get a feel from you about what your thoughts are on the likely impact on supply and price.

Mr. M. Matthews:

Introducing the scheme, yes, to the market ...

Deputy S. Power:

Just to put it another way, I think Senator Ozouf was saying there might be 70 to 80 new entrants into the market, so split among all the estate agents and all the properties, will it make much of a difference, any difference?

Mr. M. Matthews:

To the market?

Deputy S. Power:

To the market.

Ms. S. Marett:

Yes, it will have an impact.

Mr. M. Matthews:

As in would it help the market move, is that what you are asking me?

Deputy S. Power:

Yes.

Senator S.C. Ferguson:

Will it push the price up or ...?

Mr. M. Matthews:

It is difficult. I think it is going to be a difficult one to predict, really. It will help. It depends I think what properties ... the onward move, I would say, of the property that they are buying. Say you have 50 to 70 people go in and they are looking on estate agents' books. If those 50 to 70 people buy properties that have been bought as buy-to-lets, then the people are not going to move on and push the market forward or move up, because they were buy-to-lets. It all depends on which properties they buy.

Ms. S. Marett:

Yes, it all depends on the circumstances of the person.

Mr. M. Matthews:

Of the seller.

Ms. S. Marett:

Of the seller. So if somebody is selling a one-bedroom flat to one of these first-time buyers with the loan scheme and they are looking to buy a 2 bedroom, then that is good.

Mr. M. Matthews:

Yes, it will help the market move.

Ms. S. Marett:

Because then those people selling the one bedroom will be able to purchase a 2 bedroom, and the 2-bedroom-flat people will be able to buy their house.

Senator S.C. Ferguson:

Are the people buying to let finding problems or having problems in finding people to let to?

Ms. S. Marett:

They prefer to buy with tenants already in.

Senator S.C. Ferguson:

I have heard that one or 2 people ...

Deputy R.J. Rondel:

Surprise, surprise.

Senator S.C. Ferguson:

... have bought to let but, in fact, have had trouble finding tenants.

Mr. M. Matthews:

I think that would depend on what they are asking for the properties and how good a condition the property is in.

Ms. S. Marett:

Yes. Certainly, the majority of the ones we have sold we have sold with tenants in situ.

Mr. M. Matthews:

I think the rental market is quite strong at the moment.

Deputy S. Power:

Quite buoyant?

Mr. M. Matthews:

Quite buoyant.

Ms. S. Marett:

The rental market, yes.

Deputy S. Power:

I was going to ask, too, in terms of those in the current climate looking to buy a property for the first time, could you give us an idea of what that ... you said earlier they were in the younger age group. Roughly are they ... could you tell us a little more about that group that is trying to get on the property ladder for the first time, both your experiences?

Ms. S. Marett:

Well, in my experience they would be 20s to 30s without children and they are looking for their first home, one-bedroom flat, yes.

Deputy S. Power:

So this would be somebody with a joint income?

Ms. S. Marett:

Yes.

Deputy S. Power:

Trying to get on the ladder for the first time?

Ms. S. Marett:

Yes.

Deputy S. Power:

Without children?

Ms. S. Marett:

Yes.

Deputy S. Power:

That is a significant feature, is it, people without ... well, it has to be, I suppose, a one-bedroom flat, yes.

Ms. S. Marett:

Yes.

Deputy S. Power:

So these would be quite young, middle to late 20s, whatever?

Ms. S. Marett:

Yes.

Deputy S. Power:

Would you agree, Marcus?

Mr. M. Matthews:

Yes, I quite agree, yes. I think people as well, first-time buyers, get a little bit disillusioned about what they can afford to buy and what they can live in. They are leaving home, they are leaving the parents' house, which is a nice family home, and they are moving out. They are into buying their first property and this is what you can have and this is what you can afford.

Deputy R.J. Rondel:

The expectations are...?

Mr. M. Matthews:

Expectations, yes, are quite high.

Deputy S. Power:

Going back to these first-time prospective buyers, their biggest single problem is what? Is it the deposit? Is it the mortgage? Is it the net disposable income criteria? What is the biggest problem they face right now out there?

Mr. M. Matthews:

Both. I would say both the lending and ...

Ms. S. Marett:

All 3 of those, yes.

Deputy S. Power:

It is getting approval and the deposit?

Mr. M. Matthews:

Yes.

Senator S.C. Ferguson:

Built on top of having expectations rather higher, perhaps, than their income would allow?

Mr. M. Matthews:

Yes, I would say so.

Senator S.C. Ferguson:

How do we cope with that?

Mr. M. Matthews:

How do we cope with that? I do not know. We have to re-educate people, really, I think, in a way, just: "You cannot afford that. You have to start here and move your way up."

Deputy S. Power:

I think we have come from the insanity of 4 or 5 years ago where people were getting a mortgage, 105 per cent, 110 per cent, and they were buying a car on a 20-year ... the car and all sorts of foreign holidays, and those days are gone.

Mr. M. Matthews:

Exactly.

Ms. S. Marett:

Yes.

Deputy S. Power:

So reality has come into it.

Ms. S. Marett:

With unemployment uncertainty as well, people are being a lot more realistic: what if I lost my job?

Deputy S. Power:

These prospective purchasers for the first time, are they being careful about their secondary stuff like credit card debt and car loans and stuff like that? Because that is taken into account as well.

Ms. S. Marett:

Oh, yes.

Mr. M. Matthews:

It is, but we again, as estate agents ...

Deputy S. Power:

You do not get to see that?

Ms. S. Marett:

No.

Mr. M. Matthews:

We do not get to see too much of that side. What we do hear is certain lenders, when a person first goes out into trying to find a mortgage or borrow money for their first properties, they go to lenders. Lenders will do a quick calculation on their salaries and go: "Off you go, you can go and buy something for £250,000." So off they go, out into the market, and they come and see us,

£250,000 to spend. What the lenders say is: "Once you have found a property, come back and then we will go through everything together", and at that point is when buyers lay their cards on the table: "I have this credit card and I have that car loan and I have that debt." Then ...

Ms. S. Marett:

Then it all falls apart.

Mr. M. Matthews:

... it all falls apart. The borrowings are reduced dramatically. It all changes. So that is what we are finding. We do not really get too involved in the financial, asking the questions about their cards and their cars and their loans.

Ms. S. Marett:

Sometimes they come to us and they have not even been to the Mortgage Shop and we say: "Really, what can we show you because we do not know what you can borrow."

Deputy S. Power:

But inevitably if a young couple come to you as a first-time buyer and they go on to say: "We can afford one for £260,000", 3 weeks later they come back to you and say: "Actually, we cannot afford this one for £260,000 because I have this loan, I have that credit card, I have that dental bill or debt, so I cannot afford it and I cannot raise the mortgage"?

Ms. S. Marett:

Yes.

Deputy S. Power:

So you do get to hear of the secondary information?

Ms. S. Marett:

Yes, we do, yes, but if we were to try and say that to them beforehand it is not our place to say: "Go and get your house in order" but we do say: "You really need to go and talk to the mortgage people and they will be able to advise you."

The Deputy of St. Ouen:

When you talk about the difficulty in creating a deposit or generating a deposit towards a mortgage, what sort of deposit are we talking about here?

Mr. M. Matthews:

Well, I printed off earlier from a local mortgage broker they are offering 90 per cent mortgages, 5 times your income, at a fairly good interest rate. They are offering 100 per cent mortgages as well. They have to be backed by guarantor but they are available out there.

The Deputy of St. Ouen:

So when we talk about the difficulty in generating the deposit to match the mortgage, we are actually looking at the ... if we are looking at a 90 per cent mortgage, for argument's sake, we are looking at the 10 per cent that they are struggling with?

Mr. M. Matthews:

Yes. That is one thing I did not quite understand where this 20 per cent deposit was coming from. I do not know why it talks about 20 per cent all the time because you can get your normal 90 per cent with a 10 per cent deposit mortgage.

The Deputy of St. Ouen:

At the moment, the scheme as it is currently presented is suggesting that regardless the first 5 per cent deposit has to be found by the purchaser, so in the model that you gave us we are looking at an additional 5 per cent to make the difference from 90 to 100. Are you saying that actually there is a bigger difficulty in achieving that first 5 per cent than actually looking at the 5 per cent that follows?

Mr. M. Matthews:

Right, I see. Okay. No, I think ... we are not mortgage advisers ...

The Deputy of St. Ouen:

No, I appreciate that.

Mr. M. Matthews:

... and we do not deal with people walking in talking about their finances. You are probably better off asking a mortgage adviser how difficult it is for these people to get their first 5 per cent, yes.

The Deputy of St. Ouen:

The conversations you have had, as a prospective purchaser who is coming in and saying: "I want to buy but I have to find my 5 per cent or I have to find my 10 per cent before I can."

Mr. M. Matthews:

One thing I think people, first-time buyers, do not realise is there are mortgages out there for people and the whole press ...

Deputy S. Power:

Media.

Mr. M. Matthews:

... everybody thinks: "I will not get a mortgage." They can get a mortgage. "I will never get a mortgage." They do not even bother going out there and trying.

Ms. S. Marett:

Exactly. We try and say to them: "Go and see ..." They say: "I bank with whatever, I will go and see the bank." We say: "Go to a broker because everybody's circumstances are different. Five minutes of your time, and they will see you in a lunch time, and you just say: 'We have this, this and this' and they will say: 'Well, that bank will not lend to you and that company will not, but this one is perfect for you'." They can tailor-make depending on the circumstances and I think most people that can afford a 5 per cent deposit can probably get the 10 per cent deposit. It is the ones that cannot even get the 5 per cent deposit because sometimes people will say: "Actually we would rather get a bigger deposit and then we are borrowing less."

Deputy S. Power:

Do you think there is much evidence out there that in the deposit, say the 5 per cent, and then the States are proposing to come in with 15 per cent ... in a number of cases that I have come across recently it is parents or in-laws are helping with some of the deposit, not all of it. But if the States come in with 15 per cent, parents could come in with the 5 per cent and help them. It might trigger that area of the market as well because we all know about mum and dad's bank. Do you think that might be a factor where parents are not prepared to stump up the 20 per cent but they might ...

Ms. S. Marett:

But they might be prepared for 5 per cent, yes.

Deputy S. Power:

Have you seen any evidence of mum and dad's bank?

Ms. S. Marett:

We have. We have had a few where mum and dad are lending them the deposit, yes, and actually sometimes it causes a bit of upset because they have not actually told the mortgage company that

they are getting it from mum and dad and then it is a whole different set of papers to be completed. But yes, I think if the parents only had to stump up 5 per cent then it might ...

Deputy S. Power:

So that, in actual fact, might trigger some of the market as well?

Ms. S. Marett:

Yes.

Deputy S. Power:

It could actually qualify even a unique group of people whose parents have some net disposable and it could enable them to get into the market. So that is an element as well that could happen because of this scheme, parents not willing to do the 20 but could do the 5?

Ms. S. Marett:

Yes.

Deputy S. Power:

I thought that, too.

Mr. M. Matthews:

Yes. I do not think even mum and dad's bank account is great these days a lot of the time as well so ...

Ms. S. Marett:

So a 5 per cent would be ... yes.

Deputy S. Power:

That is what the point was, not the 20 but the 5.

Mr. M. Matthews:

Yes, they would find it a lot easier, yes, absolutely.

Deputy S. Power:

Looking at the figures, say, on a one bedroom, we are looking at a deposit is £8,500 to £9,000, on a 2 bed is £13,000 and on a 3 bed is £20,000. That is the 5 per cent, then the States come in with the other bit, 3 times that, so that is possible.

Senator S.C. Ferguson:

But the real answer, presumably, would be to have more people with realistic asking prices?

Ms. S. Marett:

That is an underlying factor.

Senator S.C. Ferguson:

Yes. Would a scheme like this actually ... people have said to us that they think it might, in fact, lead to a reduction in prices. Do you think that is possible?

[14:45]

Ms. S. Marett:

Lead to a reduction? There is always a danger that it might increase prices.

Senator S.C. Ferguson:

From the estate agents' angle or from the client?

Ms. S. Marett:

No, from the vendors' angle. They might think: "Oh, we could put our prices up here."

The Deputy of St. Ouen:

Or they might choose to hold out for a higher price with the view that now there are a few extra people who have cash in their pockets ...

Ms. S. Marett:

Yes.

Deputy R.J. Rondel:

Would you agree that that could be a danger that prices could be tightened; therefore, wiping out some of the benefits that we are trying to achieve through this scheme?

Ms. S. Marett:

There is that danger. We have no way of predicting whether that would happen.

The Deputy of St. Ouen:

Just going back to focusing on a particular quartile of prices within a particular property range, how realistic is it to believe that you can be that targeted or you can target a particular scheme to that

group of properties? Would it be better to extend that price range for those that are looking to purchase whether it is a one-bedroom flat or a 2-bedroom flat?

Ms. S. Marett:

You mean to make the scheme more general rather than specific?

The Deputy of St. Ouen:

Well, just picking up on the comment you have already made, you basically said that the maximum prices are unrealistic based on the information that is available. My question to you is, okay, if we were to devise a scheme to help people access the market, then what level would you set it at, would you believe would be more helpful to your clients?

Ms. S. Marett:

I suppose anything up to half a million or whatever.

Mr. M. Matthews:

Yes. I am not 100 per sure of that question, but certainly ... are you talking about the maximum purchase prices?

The Deputy of St. Ouen:

Well, yes, this scheme promotes a maximum purchase price. At the moment, it is set at £171,000 for a one bedroom and £262,000 for a 2 bedroom. From what you have just been telling us, that could be a price that is considered unrealistic.

Ms. S. Marett:

Yes, I think we need to ...

The Deputy of St. Ouen:

I am asking you if we sought your advice as to what level it should be set, those maximum levels should be set at, what price would you suggest?

Ms. S. Marett:

In line with what statistics published.

Mr. M. Matthews:

Like I said before earlier, I think they should be more aligned with the mean average prices that are produced by the statisticians.

Deputy S. Power:

If the Minister for Treasury and Resources were to come to you 2 and say: "What would be the best scheme to maximise some activity that we do not see now?" you would have widened the band, would you? You would have made it easier to ...?

Ms. S. Marett:

Yes.

Deputy S. Power:

Roughly what would you have done? To make it a more useable scheme what would you have changed to the scheme we have, roughly?

Mr. M. Matthews:

More useable scheme?

Deputy S. Power:

Of use to the ...

Ms. S. Marett:

Make those prices more realistic with what is available.

Mr. M. Matthews:

We would adjust the prices, yes.

Deputy S. Power:

Up?

Mr. M. Matthews:

Up, yes.

Deputy S. Power:

And a wider band?

Mr. M. Matthews:

Probably a wider band, yes.

Deputy S. Power:

You mentioned half a million. In what context did you mention that?

Ms. S. Marett:

Well, no, I ...

Mr. M. Matthews:

The average mean price.

Ms. S. Marett:

Yes. I think in general just widen the band in each category.

Deputy S. Power:

That might have made it easier?

Ms. S. Marett:

Yes.

Senator S.C. Ferguson:

But the problem being that once government starts playing with prices in the marketplace it distorts the marketplace.

Ms. S. Marett:

Could you link it so that it is linked quarterly to the statistics, so it was not a set ...?

Senator S.C. Ferguson:

Yes, but does it not become a self-fulfilling prophesy?

Ms. S. Marett:

Yes, it is a difficult one.

Mr. M. Matthews:

Maybe you can release the 70 that you are proposing to put out there over a period of time. I do not know, maybe that money could be set over a year so it possibly would not affect it. You put 100 people out there now, it might affect it.

Deputy R.J. Rondel:

How long do you think it would take? Do you think it would take a long time for the scheme to be fulfilled with the present demand you have? It is going to be on a first come, first served basis. Do you think it would take 6 months, 12 months, to get 100 people? Do you have a view on that?

Mr. M. Matthews:

I am not too sure. I think we will get a fair bit of interest straight away, yes.

Ms. S. Marett:

Whether it would be all 100 is difficult to predict.

Senator S.C. Ferguson:

In your submission to us you stated: "There may be a danger that mortgage lenders may reduce the total loan otherwise ascribed against the household income." Please can you explain that?

Mr. M. Matthews:

Yes, they might reduce their lending because you have another debt to pay. That is what we are saying.

Senator S.C. Ferguson:

You mean they will reduce the lending because you have a secondary charge?

Mr. M. Matthews:

Yes, like they reduce their lending if you have a personal loan or any other sort of loan. The maximum they will lend you comes down. But you said there is agreement in place with lenders who welcome the scheme. Have they talked about figures?

Senator S.C. Ferguson:

We do not know on that one.

Mr. M. Matthews:

You do not know, no.

Senator S.C. Ferguson:

The details have been a little thin on the ground as to how it will work at the moment.

Ms. S. Marett:

I think that was our query, that although they say they will be cooperative how cooperative will they actually be in practice?

Senator S.C. Ferguson:

As we said at the very beginning, you have not been consulted at all along the way and all you have had has been the proposition, presumably?

Mr. M. Matthews:

That is right, yes.

Deputy S. Power:

Has the Association had a chance to discuss it at a meeting?

Mr. M. Matthews:

I emailed our council members for their thoughts and we had certain thoughts back from them.

Deputy S. Power:

So you are getting feedback, are you?

Mr. M. Matthews:

Getting feedback from them, yes.

Senator S.C. Ferguson:

What is the general feeling?

Mr. M. Matthews:

People have come back, council members have come back with different answers and different opinions and thoughts on each question so ...

Ms. S. Marett:

But it is basically as a result of their comments we stated this.

Mr. M. Matthews:

Yes. It is based on their general feedback.

The Deputy of St. Ouen:

At the moment the current scheme suggests that they are going to continue with the first-time buyer definition that allows for those that already own a home, albeit under share transfer, to have access to additional monies to trade up. What is your view on that particular criterion?

Mr. M. Matthews:

For what I think, if you own your own home and you are in your own home, my personal opinion is I do not think you need assistance. You have your home. Where I do think assistance ... when we go back to first-time buyers, I think people that are in a situation where they unfortunately divorce or have parted company and, say for argument's sake, the wife has had to leave home and she

has a child, but she has owned a home before, then she might need financial assistance to get back on to the market. I think there are people out there that want to get back on the market and out of the rental market that should be helped.

Deputy S. Power:

But cannot.

Mr. M. Matthews:

But cannot.

Ms. S. Marett:

So possibly the definition of first-time buyer needs to be amended.

Mr. M. Matthews:

Yes.

Deputy S. Power:

So there are a group of people out there who have gone through a relationship failure or a marital failure who perhaps one or other would like to get back into the market, and you are suggesting that perhaps the definitions might be widened and this scheme might work.

Ms. S. Marett:

Yes.

Senator S.C. Ferguson:

Do either of you do business as well in France for people?

Ms. S. Marett:

No.

Senator S.C. Ferguson:

Because we do find cases where people own homes in France but are actually classed as first-home buyers over here, but this is not something you have come across?

Mr. M. Matthews:

Not really. I do not really deal with property in France. Usually the people who I have dealt with who have property in France is usually a second home or holiday home of some sort.

Ms. S. Marett:

It is an interesting one, that.

Mr. M. Matthews:

I have dealt with some people that live in France and commute here to work and back again.

Senator S.C. Ferguson:

Are we back to the bridge from France? **[Laughter]**

The Deputy of St. Ouen:

If we wanted to look at the properties available for the first-time buyer, how easy is it to identify those properties?

Mr. M. Matthews:

First-time buyers' homes?

The Deputy of St. Ouen:

Yes, in the current market.

Mr. M. Matthews:

How easy is it to identify them?

The Deputy of St. Ouen:

Yes.

Ms. S. Marett:

We just look on the price range. So you are saying how easy is it to find a flat that is £171,000, one bedroom? Look in the paper, *J.E.P. (Jersey Evening Post)*. Look on the websites. Everything is in price order. You would be able to see how many properties there were up to that price.

The Deputy of St. Ouen:

If I was to look at 3-bedroom homes - and we have spent a lot of time on one and 2-bedroom flats - obviously we are aware that certain sites in the past have been designated as first-time buyer sites. Again, how easy would it be to identify current properties for sale within that market?

Ms. S. Marett:

I do not think of the agents' websites have a first-time buyer button that you could click on.

Mr. M. Matthews:

How would they know where ... only, I think, by going through an agent.

Ms. S. Marett:

By going through every single page.

Mr. M. Matthews:

They would be able to advise them where they are.

Senator S.C. Ferguson:

Except most agents have a search mechanism anyway, do they not?

Ms. S. Marett:

I do not think that you can search by first-time buyer ...

Senator S.C. Ferguson:

No, no, but you can search by price range?

Ms. S. Marett:

Yes.

The Deputy of St. Ouen:

Are you aware of various purchasers funding their deposits via personal loan? In other words, supplementing the remaining part of their mortgage with a ...?

Ms. S. Marett:

We have come across the parents who are doing that, so whether they are funding the deposit or funding ... yes, we have come across parents who are taking out a loan to do that.

The Deputy of St. Ouen:

But not the actual individual because that would be ...

Ms. S. Marett:

I suppose, yes, I suppose we have come across maybe one or 2 who have ...

Mr. M. Matthews:

That was more pre-2008. Everybody was borrowing their deposit because lenders were lending them the deposit. It is not so much nowadays. To be really honest with you, the people who are coming to our agency, they come in and say: "We are mortgage approved. We have a mortgage."

Ms. S. Marett:

Yes, so we do not ask anymore.

Mr. M. Matthews:

So we do not really ask them too much about their financial details.

Ms. S. Marett:

About where it came from.

The Deputy of St. Ouen:

I fully appreciate that. Final question regarding the house price index. Statistics are great, but it can mask a number of different things. For argument's sake, if we look at 3-bedroom homes, we have, as you quite rightly point out, a mean price of £487,000, but it obviously includes within the 3-bedroom house range some significant, quite expensive properties. So how much reliance do you think we can place on house price indexes as a guide and what other information should we be looking to review when trying to determine the actual market prices?

Mr. M. Matthews:

Maybe the scheme should go in line with the house price index as it moves, possibly. Statistics, okay, they are a guide and it is Duncan, is it not, the statistics ...

Ms. S. Marett:

Duncan Gibaut, yes.

Mr. M. Matthews:

Duncan Gibaut. I think he explained to us once that he puts certain formulas in place to allow for a certain number of higher value 3-bedroom houses going through.

Deputy R.J. Rondel:

He extracts the high and low.

Mr. M. Matthews:

Yes, and he comes out with the mean average and that is the best information we have to go by.

Deputy S. Power:

He is always emphasising that it is a rolling census. It is an actual snapshot of actual activity in the market. So you would agree that it is very accurate?

Mr. M. Matthews:

Very accurate. It is the best information we have.

Deputy S. Power:

You would rely on it?

Mr. M. Matthews:

We use it, yes.

The Deputy of St. Ouen:

We also have another categorisation of houses, which is (a) category and (b) category housing, primarily for development purposes.

[15:00]

Obviously, we know that (b) category type housing is the more expensive range that is open for more people's access. Do you identify those properties in your business?

Mr. M. Matthews:

Category (a) and category (b)?

Ms. S. Marett:

Yes, we are not familiar with those terms.

Senator S.C. Ferguson:

That is how we zone the land.

The Deputy of St. Ouen:

I ask that question because it is important when we have an Island Plan that says we are going to use and develop States sites for category (a) and category (b) housing. In fact, the current topic is Jersey College for Girls. So there is a definition there that presumably and ultimately you as estate agents will need to consider when you seek to sell the properties that are going to be on that site. I just wondered how you determine values for those 2 different categories of property.

Mr. M. Matthews:

How do we determine values? How would we put a value on that property?

The Deputy of St. Ouen:

Yes, how will you sell those 2 different categories of housing on the same site?

Ms. S. Marett:

We do not work in categories like that, (a) and (b) ...

The Deputy of St. Ouen:

Right, so it is just basically on size?

Ms. S. Marett:

When we are looking to value something, we compare it with something similar that has actually sold recently. So if we were going to value a Dandara Castle Quay apartment, we would value it similar to something that has sold there recently. So we compare like with like.

Deputy S. Power:

Yes, so category (a) and category (b) means nothing and that ...

Ms. S. Marett:

It means nothing to us, yes.

The Deputy of St. Ouen:

If you were asked to value a property at La Providence, which is shared equity, how would you value that in comparison to a first-time buyer on the same site?

Ms. S. Marett:

We would value it as a 3-bedroom house with what it has, garden, parking. The fact that it is shared equity does not really ...

The Deputy of St. Ouen:

You might not differentiate between the 2 types of property?

Mr. M. Matthews:

No, we would find a purchase comparable to that.

Ms. S. Marett:

Yes, the fact that it is shared equity does not come into it particularly, yes.

The Deputy of St. Ouen:

Well, I would like on behalf of the Panel to thank you very much for attending and sharing your views with us. If you do have any thoughts and ideas or comments that you wish to make after the meeting, please feel free to contact us via the Scrutiny Officer and, likewise, if we have further questions we would like to ask, I hope you would be open to us asking them.

Deputy R.J. Rondel:

No. [Laughter]

Deputy S. Power:

Not likely.

The Deputy of St. Ouen:

I would also like to thank both the media and the public for being present at our public hearing. I would like to declare the meeting closed.

[15:03]