

2025.03.18

**4.13 Deputy P.F.C. Ozouf of St. Saviour of the Minister for Housing regarding the combined impact of rising interest rates and the 3% stamp duty surcharge on the buy-to-let market (OQ.71/2025):**

Will the Minister advise whether the Government has assessed the combined impact of rising interest rates, the 3 per cent stamp duty surcharge on the buy-to-let market; and if so, what evidence there is of effects on transaction volumes, landlord participation, and rental costs, and what action, if any, is being taken in response?

**Deputy S.Y. Mézec of St. Helier South (The Minister for Housing):**

There has not been a formal assessment of the combined impact of the rise of interest rates and the introduction of the 3 per cent stamp duty surcharge. As the Fiscal Policy Panel commented in their review last year of the housing market, it would be difficult to disentangle the impact of both of these things and definitively attribute particular outcomes to particular changes. But we can observe the things that have occurred since those changes, like the fall in transactions, the drop in the proportion of investment purchases versus the rise in the proportion of first-time-buyer purchases, the fall in prices overall, which last year was the biggest since records began, and the fall in advertised rents. Some of those outcomes are of course more desirable than others but I believe that the policy platform that I am working to takes into account the bigger picture, and I am content that my priorities are the right ones for the moment that we find ourselves in.

**4.13.1 Deputy P.F.C. Ozouf:**

Is he saying that he, as Minister, has not got any idea of the impact of the, as he now accepts, smaller number of buy-to-lets being purchased? He claims that rents have gone down but that is the opposite of what - if I have misunderstood him, please forgive me - my understanding is that rents are rising because of the tightness of supply of buy-to-let properties because nobody is buying any new ones and everybody is selling the ones that they own.

**Deputy S.Y. Mézec:**

I believe that is mistaken. Statistics Jersey collects data on advertised rents, that is the rents that are offered at the commencement of a tenancy where issues of supply and demand will have the greatest influence in determining what that rent is. They are showing that they are - not by much - falling a little bit. That is advertised rents. Actual rents, I have no doubt are increasing but that is because actual rents in a multiyear tenancy are not determined by supply and demand factors, they are determined by what tenancy contracts say. If a contract says your rent goes up once a year by R.P.I. (retail price index), it goes up irrespective of what is happening with supply and demand in the rest of the market. That is the evidence we have before us on advertised rents. I, in the Residential Tenancy Law reforms that I am proposing, will be calling for collection of data on actual rents charged where landlords will - as they perhaps do in the past but have no longer been required to - be required to register what rents they are charging, which will get us a better picture of the actual situation there. That can help inform policies in the future.

**4.13.2 Deputy M. Tadier:**

Does the Minister accept that, on the one hand he has got some Members of the Assembly, presumably like the questioner who would like to see the 3 per cent abolished completely, and he has got other Members perhaps on the left of the Assembly who would like to see the amount increased to 5 per cent, and we know we have got a proposition about that. Could the Minister outline why his policy is to keep it at 3 per cent and why he thinks that the middle road of centrist politics is perhaps appropriate at the moment in this regard?

**Deputy S.Y. Mézec:**

I certainly would not characterise it as the Deputy did at the end of his question. I supported the introduction of the 3 per cent surcharge in stamp duty for investment properties. I thought that was necessary to cool down the obvious overheating that there had been in that particular part of the market. The evidence that we can see that is collated by Statistics Jersey shows - whether we can directly attribute it to that surcharge or to other factors in the economy - the fact is that that part of the market has cooled down. I think to take a measure now aimed at cooling it down further when it does not need to be cooled down further - but in the future if conditions drastically changed and we might need to again in the future but would not have that option because we had done it - strikes me as bad timing. That is why I am in favour of maintaining it at 3 per cent at this point.

#### **4.13.3 Deputy J. Renouf:**

Perhaps the Minister could confirm whether he has noticed that, contrary to what is suggested in this question, interest rates are currently falling and the volumes of transactions are gently rising, according to the latest housing survey. Does he therefore think that perhaps the best option might be to wait and see how these various factors play out in terms of interaction between falling interest rates, rising transactions, the 3 per cent surcharge, which was designed to correct the structural imbalance in the housing market which favoured buy-to-let investors? Would he comment on that, please?

#### **Deputy S.Y. Mézec:**

I agree with the assessment that Deputy Renouf has just given. I regard the period that we are in as a period of market correction because the situation that we were in just a few years ago was clearly unsustainable because prices were rising, incredible rates that were simply unsustainable and, frankly, terrifying for young people who were looking at the Island and trying to plot what their future would be, seeing prices become more and more unaffordable. The correction that we are in now, which I am interested to see how long it will go on for and what position we will be in in a few years' time, is one, that though it poses difficulties to some people in the market, does also pose opportunities to others. If house prices are coming down and real terms earnings are going up at the same time, that at least means that housing is becoming more affordable for some people. Obviously the picture is more complicated than can be summed-up in one sentence like that but housing becoming more affordable for people is a trend I would like to celebrate.

#### **4.13.4 Deputy P.F.C. Ozouf:**

I do not want to take up any more time now because we are going to have a debate on it. Previously - and I know I have not invited him - we have been talking in this Assembly about effectively empirical information about statistics. Before we have the debate about the 5 per cent, would he join me in having a number of discussions with interested parties that are giving real life experience of the qualitative reasons why the arguments are worth listening to in terms of there being a paucity of buy-to-let properties, nobody wanting to buy them and a real issue of rising rents? Would he agree that it is important to have some up-to-date qualitative information and not just to rely upon the horse has bolted, the market is not just cooled, it has frozen out?

[11:45]

#### **Deputy S.Y. Mézec:**

Well again the Deputy referred to rising rents, and the empirical data that we have on advertised rents is that they are falling. He is right that rents within tenancies are going up but that is to do with contractual terms. If he is seriously concerned about that, then I will very much welcome his support for the reforms I am proposing in the Residential Tenancy Law which aim to address that very specific thing. But on the point he made at the start of his question, I am absolutely all ears to listen to those in various parts of the market from all sides; I am certainly up for that. I look forward to his invitation on that and have no doubt that we will enjoy it but, while I will listen, I will also push back and put other perspectives to them to debate these issues so we do not just take what isolated parts of the market think. Where economic players have a microeconomic perspective, my job is to have a macroeconomic perspective. It will not just be to accept everything I am told, there will be pushback but that discussion is always healthy.

**The Deputy Bailiff:**

Now we have been going for 2 hours and we have got through 13 questions, so if Members wish to reflect on whether or not they need to ask supplementary questions so that we get through more questions in the time we have got left.