

STATES OF JERSEY



ESTABLISHMENT OF A DIGITAL REGISTER OF ALL COMMERCIAL AND RESIDENTIAL PROPERTIES

Lodged au Greffe on 16th July 2020
by Deputy M.R. Higgins of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Council of Ministers to create a digital register of all commercial and residential properties in the Island that contains details of the ultimate beneficial ownership of those properties for the purposes of aiding policy formation and if necessary the regulation of the housing and commercial property markets;
- (b) to request that the register be operated on behalf of the States of Jersey by the Jersey Financial Services Commission;
- (c) to request that the register be established by the Council as soon as possible and not later than the end of 2021.

DEPUTY M.R. HIGGINS OF ST. HELIER

REPORT

Most people in the Island consider the housing market to be out of control in the sense that house prices are excessive and beyond what they can afford based on their salaries or ability to borrow and they are demanding government action to help them to get on the housing ladder.

Entrepreneurs and those wanting to rent or lease commercial premises are complaining that the owners of these properties are either pricing them out of the market or if they can afford to pay the higher rents or leases that it will cause them to have higher overheads which restricts their ability to grow and prosper and causes the goods and services they sell to consumers to be higher priced than they would otherwise be thus directly affecting the cost of living in the Island.

Simplistically, the price of housing (houses and apartments) and commercial premises is determined by the interaction of the supply and demand for housing/commercial premises. If demand is greater than supply the price of these properties will go up, if demand is less than supply the price of these properties will go down. If the supply is less than demand then the price of these properties will go up, if the supply is greater than the demand the price will fall or more likely in the real world property market in the Island stabilise.

There are many factors which influence supply and demand and hence the price of houses/commercial property. These include: the availability of land for building; planning restrictions, zoning and red tape; the cost of finance to builders and developers; the availability and cost of skilled workers and building materials; developers purchasing land obtaining planning permission and then banking it in the sense that they do not build on it immediately and wait for the prices their prospective developments to consumers to rise; net migration (i.e. Increased population) and foreign direct investment and internal investment by people who purchase property not to live in but as an investment which generates better returns and safety than other investments.

The housing and commercial property markets are not perfect markets in the sense that supply and demand will naturally arrive at the optimum price of property, this is because there may also be anti-competitive forces at work behind the scenes such as monopolies or collusion among owners or builders of properties to keep prices high.

The purpose of this proposition is to require the Council of Ministers to create a property register that will record the ultimate beneficial ownership of all residential and commercial property in the Island for the purpose of aiding policy formation and, if necessary, the regulation of the housing and commercial property markets.

The register would be operated on behalf of the States of Jersey by the Jersey Financial Services Commission.

Why is a register important?

At the present time the Government has no idea who owns commercial and residential property in the Island. It is therefore hamstrung by a lack of data to deal effectively with the housing and commercial property markets.

- If it does not know who owns commercial property it will not know whether a monopoly or other anti-competitive structure exists to distort the market and drive up rental and lease costs.
- If it does not know how much property in Jersey is owned by people who live overseas or by wealthy people living in the Island not as a home for owner-occupation but as an investment (buy to let) it will not know if house and commercial properties have been inflated in price by as much as 20 or 30% as it has been the case in some cities and countries around the world or know the impact this investment has on the housing rental market such as driving up rents.

Having this information will enable the Government to come up with measures (e.g. legal or fiscal) to deal with abuses or distortions in the market.

The Register

The register will be created by using Royal Court Property Sale records and the Parish Rates Registers. The Parish Registers will tell the Government who owns what on the day the record is created and the Royal Court Records will record all changes in the ownership of these properties from that day onwards.

It is intended that the register would be maintained and operated by the Jersey Financial Services Commission for a number of reasons –

- Firstly, the Commission currently holds and updates nine existing digital registers including Jersey companies, business names, foundations, partnerships and security interests. It also has a very skilled workforce used to dealing in confidential information.
- Secondly, many properties are owned by companies, trusts and foundations. The Royal Court records and the Parish Rate records do not/may not record the ultimate beneficial owners of these entities who have purchased property in the Island whereas the Financial Services Commission already has this information or in the case of Trusts it can legally require Trust Companies to provide the data it requires.

The Government will enter into a Memorandum of Understanding with the Financial Services Commission to cover the sharing of this information which will only be used for the purpose of informing policy and to prevent market abuse or distortion.

What this Register is not

The Register will not be a public document for Data Protection reasons and the ultimate beneficial ownership information will not be revealed in exactly the same way as the ultimate beneficial ownership of Jersey Companies is not revealed.

Nor is it a Land Register which would be more complex and expensive to create.

Financial and manpower implications

I am seeking further information from the relevant officers about the likely costs of this proposition and will provide this information in an addendum to this report when it is available.