

STATES OF JERSEY

Health, Social Security and Housing Sub-Panel

Social Housing Property Plan Review

THURSDAY, 3rd MAY 2007

Panel:

Deputy S. Power of St. Brelade (Chairman)

Deputy A. Breckon of St. Saviour

Connétable G.F. Butcher of St. John

Connétable S.A. Yates of St. Martin

Deputy R.G. Le Hérissier of St. Saviour

Witnesses:

Mr. P. Seymour (Managing Director, The Mortgage Shop)

Deputy S. Power:

For the purposes of formality let me introduce myself. I am Sean Power, Chairman of the Housing Review Sub-Panel Property Plan loosely based in St. Brelade.

Deputy A. Breckon:

Alan Breckon. I am Chairman of the main panel and I am a member of the sub-panel.

The Connétable of St. John:

Graeme Butcher, Constable of St. John.

Deputy R.G. Le Hérissier:

Roy Le Hérissier, St. Saviour.

The Connétable of St. Martin:

Silva Yates, Constable of St. Martin.

Deputy S. Power:

Can I ask you to formally identify yourself for transcription purposes?

Mr. P. Seymour:

Peter Seymour. I am the managing director of Henley Offshore Financial Services Limited, which trades as The Mortgage Shop in Broad Street.

Deputy S. Power:

Peter, I have to read you the convening notice because this hearing is being taped and will be transcribed and a copy will be sent to you. It is important that you fully understand the conditions under which you are appearing at this hearing. The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey (Powers, Privileges and Immunities) (Scrutiny Panels, PAC and PPC) (Jersey) Regulations 2006 and witnesses are protected from being sued or prosecuted from anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who hold no right of reply. The panel would like you to bear this in mind when answering questions and, as I have said, the proceedings are being recorded and transcriptions will be made available on the website and to you personally.

Mr. P. Seymour:

Thank you.

Deputy S. Power:

Having got all the legal and formalities out of the way, welcome. We are happy to have you here today as you have some experience of mortgaging, mortgaging people, mortgaging property, and you have some experience of States rental sell-off. So the first question really would be has The Mortgage Shop Plus been approached by many tenants since the plan has been announced regarding the possibility of buying their property under the scheme?

Mr. P. Seymour:

Yes, we have, but I think I should, in fact, qualify that by saying that we have piloted a scheme for the Housing Department to sell off a number of units at Le Squez and Le Marais in 6 different tranches. The first tranche was sold last year; the second tranche is due for sale probably in the next month to 6 weeks. Arising from the very successful level of activity we generated in the first project, we have quite a number of people on our waiting list, as it were, who had come to see us hoping to maybe be allocated a house at Le Squez and Le Marais but who failed to do so, so therefore we have a carry over of a backlog of potential applicants. Since the announcement was made in the press and also to States tenants, however, we have received a steady trickle of inquiries - not a flood, but a trickle of inquiries - from people and we have taken them so far where we have interviewed them and given them an hour's discussion and advice, but not being able to take things any further because we did not know what the asking prices were going to be, or even for that matter when the sell-off was going to begin.

Deputy S. Power:

Can I ask you in relation to your comments on the 3 tranches that are currently under disposal at Le Squez, how many are in the first tranche, how many are in the second and how many will be in the third?

Mr. P. Seymour:

These transactions were handled on a client facing basis by several of our team and I cannot remember the exact numbers. The total was to be somewhere in the region of 240 units. The first tranche was probably about 60; the second tranche I think must be around 40, but I stand to be corrected on that.

Deputy S. Power:

The sales that your company organised on behalf of the Housing Department, was there portability; were the tenants exclusively leaving that area or did they come from other parts of the Island?

Mr. P. Seymour:

The plan originally was to sell exclusively to tenants from the area, but I gained the impression that the Housing Department was unable to source enough from the area, or that there were a number who were unwilling perhaps to purchase in the area having lived there for many years and seen the problems with vandalism and the like. So, I do understand that a number of purchasers came from other estates.

The Connétable of St. John:

Peter, what has been your impression of the level of interest and potential ability for purchase under the plan? Do you do an appraisal of people when they come in against the value of their borrowing power?

Mr. P. Seymour:

Yes, obviously that is the first thing that we are required to do by law in any case because we are governed by the Financial Services Commission, regulated by them in terms of financial services but not mortgage lending. So, mortgage lending is not a regulated activity at the present moment, but we follow the UK requirements so as to ensure we are giving clients the best advice possible. Clearly, one has to assess a borrower's income and expenditure and expectations and try to match that against what they are aspiring to buy, which is usually twice what they can normally afford to borrow. However, the first sell-offs of Le Squez and Le Marais covered a range of property from £196,000, I recall, to £211,000 and those were pretty cheap prices for people to be having to buy at. As a consequence I do not think that we have found that any one applicant that came to us did not satisfy the criteria of one or another of the lenders that we used. We, by hook or by crook, were able to get the deals through for them.

The Connétable of St. John:

Generally in terms of the trickle of people as you say that are turning up, are most of them qualifying or what would you say are the sort of percentage ...?

Mr. P. Seymour:

Most of them will qualify if the house prices remained at the level of a couple of years ago, but the thing that we do not know is what the prices will be of these properties and we believe that if they go above £250,000 to £300,000 that they will be priced out of the market of the majority of the people who are occupying States rental accommodation.

The Connétable of St. John:

But on this plan they are going to be sold on a shared equity basis, so if the property is £280,000 they are likely to be paying something a little over £200,000. And you think there would be quite a good uptake on ...?

Mr. P. Seymour:

There should be, yes. Perhaps if I can illustrate from figures which I have here, taking the parlance of the household expenditure survey, the Island is apparently split into 5 different income quintiles: the lowest where income is very, very marginal; the second where income is £17,500 plus; the third, income £28,000 plus; the fourth, £40,000 plus, and the fifth and highest, £63,000 plus. Now, if one then related those typical annual household incomes to ability to borrow the mortgage available in each of those quintiles, it would have meant that the second quintile on the £17,500 income could have raised a maximum of £87,500 - if you wish, I can make available these figures to you because otherwise we will be here forever - the third income quintile on £28,000 plus, a mortgage of £140,000; the fourth quintile, £40,000 plus, a mortgage of £200,000 and that leaves the highest quintile of £63,000 plus where one assumes none of those people with incomes that size will be occupying States rental accommodation, then the maximum they would be able to raise would be £315,000. So, it is clear from these figures that anyone wishing to purchase has to be in one of the upper income brackets as identified by the statisticians. I do not know, because I do not have access to that information, whether the highest income quintile is, in fact, offered accommodation by the Housing Committee.

Deputy S. Power:

You refer to a trickle coming in from housing tenants. Can you quantify trickle? Is it one to 10, 10 to 20, 50 to 100 or 150 to 200?

Mr. P. Seymour:

I would suggest that we have -- I think the last count was 68 inquiries that we have had.

Deputy S. Power:

Are they passed on to by the Housing Department or ...?

Mr. P. Seymour:

Sometimes, although quite frankly word of mouth on the housing estates is far more effective than any communication from the Housing Department.

Deputy S. Power:

Are you working with the Housing Department on their inquiries as to ...?

Mr. P. Seymour:

We worked with the Housing Department on Le Squez and Le Marais but with the new projects Terry Le Main has taken it very much upon himself to be making inquiries of lenders and the like and has not, in fact, put this out into the private sector yet.

Deputy S. Power:

Let me just clarify my thinking on this. Is the Housing Department or the Housing Minister involving himself or itself in mortgage placement or negotiations with other mortgage providers?

Mr. P. Seymour:

Terry Le Main I do not think has been communicating with his team because we had already put together a very strong plan of action to the Housing Department. We even brought lenders over from the UK and we had also approached all lenders in the Island to put together a brilliant package to provide 105 per cent mortgages for everybody purchasing States rented accommodation.

Deputy A. Breckon:

I just wondered if you could perhaps develop some of those figures and say with those sort of sums what age would that refer to and would it be 90 per cent, 95 or 100 per cent? Where would those figures slot in with what you said?

Mr. P. Seymour:

Well, what we did with Le Squez and Le Marais, and I am sorry to harp back on this but one has to use the model which has already proved to be effective to give you an idea of what the future might hold, is we obtained from the Housing Department the architects drawings for every one of the different house types, and there are about 4 or 5 house types, whether they have been refurbished or been newly built. We then employed a firm of valuers, Geoffrey Wills Associates, to provide a before and after valuation as it were for each one of those units. Having obtained those valuations we then went and negotiated with all the lenders in the Island and obtained an agreement from a number of them to advance 100 per cent funding on the properties and on the prices as prescribed by the Housing Committee. So, that gave

us a very clear idea exactly what we were able to do. Using that as a basis, we then went back to all the lenders plus other lenders new to the Island and put forward the proposition that they would be funding 75 per cent of the value of a property which was to be sold off -- 100 per cent of whose equity would be sold off to the purchasers. All of them, in fact, were quite enthusiastic about the scheme and said, yes, they would participate. We could not develop it any further because as you will appreciate interest rates are on the rise; there is a changing feast the whole time, so we could not come up with any figures other than facts which were available at that specific time. In addition, we have been responsible for bringing over a new building society to the Island which commenced trading last year - Newcastle Building Society - and we brought over some of their intelligentsia to meet with the Housing Department. They, in fact, have promoted a scheme where they would put together a small consortium of building societies from the UK to provide funding for those projects over here. So, we would be obtaining absolutely the best possible rates available as well as, by negotiation with a panel of valuers and lawyers, we have been able to negotiate some substantial discounts on fees, all of which would be rolled into the purchase price to effectively be a 105 per cent mortgage.

Deputy A. Breckon:

Just another angle on that; what would be the repayment period, about 25 years, on this sort of mortgage of that money?

Mr. P. Seymour:

Over a 25-year term with an interest rate of 5½ per cent a £200,000 mortgage would cost about £1,200 a month on capital repayments.

Deputy A. Breckon:

So it is not dissimilar to current rents, really.

Mr. P. Seymour:

No. That is the gross cost not taking into account the tax relief which currently would reduce that figure net to below £1,000. So, it is a cracking deal for States tenants so long as those prices are kept at that level.

Deputy S. Power:

Can I just ask you a question about the use of professionals for valuation purposes? You mentioned one company, Geoffrey Wills Associates, who are chartered surveyors. I think the Housing Department are proposing to use 3 sets of estate agents. What is your view on this? Would you prefer to use a chartered surveyor or an estate agent?

Mr. P. Seymour:

No, a valuation report prepared by an estate agent is not accepted by any lending institution in the Island. It has to be an associate or fellow of the Royal Institute of Chartered Surveyors. There are 5 principal practices in the Island who satisfy that qualification and are accepted on the panels of all of the lenders in the Island.

The Connétable of St. Martin:

You have covered most of the question I was going to ask, which was about the affordability of properties for existing tenants and commenting on the income levels. I would like to see the levels linked to the appropriate quintile because that would be very useful information for us, I am sure. I can comment on fairly recent meetings with Housing and I went on a very interesting trip around various estates that were planned to be sold off, and the figure in my memory, although I did not note it down, was £218,000 as being a net figure and I think that was Clos de Roncier. Also in here, this is the property plan I think, I have seen a figure; it may have been a numerical example to illustrate the mathematics but I think I have seen it in there of £240,000 for a -- this is gross so take 25 per cent off that and we are down to £180,000 as a net figure. I do not know how accurate either of those figures are because these were just sort of loosely based on conversations and that one I am not very sure of, but certainly the £218,000 was as of last week looking at the actual houses. Of course, we do not know the actual cost of refurbishment so whether that will vary a bit, but have you any comments on that sort of figure of £218,000 for a 3-bedroom house?

Mr. P. Seymour:

I had understood it was, in fact, a 2-bedroom house, not 3 bedroom, and there has to be a subtle difference between the 2 clearly. It is a giveaway figure.

The Connétable of St. Martin:

For a 2-bedroom house it is a giveaway figure?

Mr. P. Seymour:

A giveaway figure. I am arranging a mortgage for somebody who came and saw me today who is buying a 2-bedroom house on Le Bel Gabart, which is part of the Gorey Village development and was one of the projects I was involved in when I was Estates Manager for Housing, and that is for sale at £320,000 for a 2-bedroom terraced house.

Deputy S. Power:

So we are looking at the quotations being -- the figures being banded about are seriously discounted figures then. They are way --

Mr. P. Seymour:

Seriously discounted. Now, I had originally, when I met with this gentleman and one of the experts on Monday, been under the impression that the figures were going to be much higher than that. As a consequence I was probably spreading doom and gloom in relation to the ability of States tenants to be able to afford to buy property at the level which I perceived it is going to be sold off at.

The Connétable of St. Martin:

Could you come back and confirm my last comment. I had a figure of £218,000. What is the quintile? How much would they have to ...?

Mr. P. Seymour:

Well, there would be a 100 per cent mortgage and it would mean somewhere between the fourth and the fifth income quintiles with the basic household income of between £40,000 and £63,000 a year.

The Connétable of St. Martin:

So over £40,000?

Mr. P. Seymour:

Yes.

Deputy R.G. Le Hérissier:

Peter, when you look at a household income like that presumably in many cases it will refer to 2 incomes combined, obviously. How do you assess the long-term durability of a person's employment prospects? Do you do anything about that when you look at the income?

Mr. P. Seymour:

Yes, we do because obviously we are aware of certain organisations which might be laying off staff or have a tendency to do so every now and then. One of the clearing banks in the Island is renowned for doing that and one obviously has to advise clients about their medium to long-term job prospects. And also whether, and this is one of the older questions in the book that used to be asked by lenders, does your wife plan to have children although, quite frankly, most women these days in the Island who can afford with their husbands or partners to take on a mortgage earn too much to be able to give up work. This is a sad fact of life. They earn too much to give up work and will certainly return to work. Although many of the tenants who we arranged mortgages for Le Squez and Le Marais to date are past child bearing age; many of them are in their 40s, some in their early 50s, so therefore the risk profile is completely different, if one can call it such.

Deputy R.G. Le Hérissier:

How do you factor in then the imminence of retirement, to look at the other end of the spectrum?

Mr. P. Seymour:

Well, the attitude I adopt with 40 year-olds now is they are going to be working to the age of 70 anyway and, therefore, one can add another 5 years on to their mortgage term. It is an interesting concept because what I had suggested to Housing is they might consider a multi-generational mortgage where, in fact, the kids would be brought in as well to give them the chance of accessing, say, a 35 or 40-year term. It sounds horrific, but in reality it is a very sound means of providing a mortgage to certain people in certain circumstances where the monthly outgoings on the mortgage are kept to the absolute minimum to start off with, but as household income increases so the mortgage term can be reduced substantially. It is extraordinary how the 40-year term, if you just add another £200 to the mortgage per month, can be reduced dramatically maybe by 10 or 12 years and the result of the savings are extraordinary, running into 6 figures.

The Connétable of St. John:

Potentially if you get into sort of multi-generation mortgages that is going to put more of a strain on the States' funding because it is going to take a lot longer for the States to get their 25 per cent back.

Mr. P. Seymour:

This is the reason why I think it is not acceptable, but I was just coming up with other options. Maybe one could have had a hybrid discounted sale price linked to maybe a shared equity scheme or something like that.

Deputy S. Power:

That leads neatly on to the next question, Roy, which links into what you have just said and what the Constable of St. Martin just asked.

Deputy R.G. Le Hérissier:

Yes, absolutely, so just answer the parts that appear unanswered, Peter. Properties for sale under the plan include a large number of 3-bedroom houses and also a fairly large number of 2-bedroom houses and flats. Could you give us an idea of the current open market value of such properties?

Mr. P. Seymour:

You must appreciate that I am not a professional valuer, although because I do spend a lot of time with valuers and with purchasers a pattern does evolve, certainly. I am amused by the price at Clos de Roncier of £218,000 because £218,000 these days you are lucky if that will buy you a good quality one-bedroom flat with car parking.

The Connétable of St. Martin:

That is net price with 25 per cent off?

Mr. P. Seymour:

Yes. In fact, the classic example I think is where we are arranging a mortgage for somebody who is buying a one-bedroom flat opposite Safeway in Vallée des Vaux and the agreed purchase price is £234,000 with a covered parking space. Nice flat, spacious, but that is the sort of price you expect to pay for a one-bedroom flat.

The Connétable of St. Martin:

But having said this, obviously this price is only available to the tenant who occupies the house at the present moment.

Mr. P. Seymour:

Exactly.

The Connétable of St. Martin:

If it was offered to somebody else I expect it would go back up to market price.

Mr. P. Seymour:

One would assume so, yes, but in answer to Deputy Le Hérissier's question it was only a short time ago that 2-bedroom houses were selling between £199,000 and £240,000. These were usually town centre cottages, maybe in areas in the north of town where there were courtyard developments with 5 or 6 cottages gathered around a courtyard for £199,000 to £240,000. Those never seem to touch the estate agents' books these days so one does not have much of an idea about what the prices would be, but without a doubt the days where the 3-bedroom, garage-linked house on a housing estate like Clos Orange would sell for a typical £285,000 -- the price we are arranging for a 3-bedroom house at Clos Orange at the present moment, which is cheap at the price, is £345,000; that is a 3-bedroom house. A 2-bedroom house in Le Bel Gabart, as I say, is at £320,000 today. So it depends entirely on the size of the property, the location, and everything like that but I would assume that even a 2-bedroom house, one would expect to pay probably £300,000 minimum for that 2-bedroom house.

Deputy S. Power:

Can I ask you to hazard an opinion on a property in Clos de Roncier prior to upgrading, prior to repair? Roughly, would you hazard an estimate as to what it might be worth?

Mr. P. Seymour:

It is very difficult because the whole culture of valuing property takes into account very much not just the dimensions of the rooms and the overall square footage, but also the outlook and the location, and

Clos de Roncier houses are horrible. I say this because I have spent many, many days up at Clos de Roncier sorting out tenants' problems and things like that, and I am afraid the houses did nothing to engender a happy community. We were speaking about this on Monday. We were saying, for example, Le Squez. Badly maintained estates result in a vandalism culture, which then, as the vandals grow up, they turn into criminals, and so one is looking at a very, very fundamental problem for society here as well. But Clos de Roncier, I think it would be unfair in an environment like this to pass a comment on what I feel the value would be. I would prefer that was asked today of a professional valuer.

Deputy S. Power:

I withdraw the question.

Deputy A. Breckon:

I am just wondering what your experience of mixed developments is. Because in general terms, if it is a block of flats and they are for sale, do you see any opportunity if Housing want to sell some of the flats and retain some as rent, by the sale on some of these estates, which are known to you, where they are saying they will sell 20, say, of 100? Is that feasible, and how does it affect price security, long-term risk and things like that?

Mr. P. Seymour:

When I was the Estates Manager for Housing, and I held the post for 14 years, we always felt that it was a bad thing to put a bad apple among a barrel of good ones, the old adage. We always found if we put a troublesome tenant, or a troublesome family, into a good location they really would drag the rest down very, very quickly, very quickly indeed. As a consequence, ghettos like Le Geyt Flats, Nicholson Park and Elysée were created. Whether we liked it or not, this was the only way we felt that we could actually control the situation. Bringing that example forward, the then Island Building Committee until recently was granting consent on some housing developments to Dandara and areas like that, where I recall the mix had to be 40 per cent social housing and 60 per cent sell offs. Certainly we, in handling interviews for many of the prospective purchasers, they would come in, gung ho, ready to purchase and then they would go away and they would call us a couple of weeks later and say: "We have just discovered that we are going to be buying a house next door to someone who is going to be renting; we are pulling out." This was the attitude that was frequently adopted. Now, these were people who perhaps were a little bit naïve or ignorant of how well integration could work, but I think that just gives an example of the attitudes that were adopted. The experiment of doing something similar at Le Squez in my view has been very successful indeed. You just have to go down to Le Squez and see how successful the scheme has been, how immaculately the gardens, the forecourts, the roads of the area which has been sold off are. So, it has been very successful there.

Deputy S. Power:

Leading on from that then, if you were to take an estate that is, in inverted commas, “a troublesome estate” and you were to sell off a number of houses in there privately, do you think that the private ownership of those houses would lift that estate, or do think the opposite would happen, it would bring down the new private owner?

Mr. P. Seymour:

I think it would be very difficult to sell off any of the units within that estate, especially sitting tenants, because if it is a troublesome estate, then the mentality is there that those tenants would probably not want to purchase anyway.

The Connétable of St. Martin:

Again, just going back to our visit last week, from memory again, I think there were 58 houses in Clos de Roncier, and were they all on the list? Should we look up?

Deputy S. Power:

No.

Mr. P. Seymour:

The plan was to sell off 29 at Clos de Roncier. I recall there was 118 houses altogether at Clos de Roncier.

The Connétable of St. Martin:

So, what was the 58 referring to, then?

Mr. P. Seymour:

It is 29 which are shown on here as being sold off.

The Connétable of St. Martin:

Four one-bedroom; that is flats, is it not? Is that flats?

Mr. P. Seymour:

There are several flats at Clos de Roncier, yes.

The Connétable of St. Martin:

2 x 2 bedrooms, 23 x 3 bedrooms. So, in fact, we seem to be discovering that that could be a mixed sell-off, and you have just that --

Mr. P. Seymour:

Very much so, yes.

The Connétable of St. Martin:

So, you have just said that from your experience that is probably not a very good idea.

Mr. P. Seymour:

I would not have thought so, no.

Deputy A. Breckon:

That leads on to another question, which is assuming they were refurbished as are proposed under the plan, would you expect States-owned properties to command the same sort of price level if they were released on the open market, bearing in mind some of the sensitivities that we just touched on then? If people are looking to buy something, they are looking for an appreciating asset. Would you give an opinion on that as a mixed development site?

Mr. P. Seymour:

Obviously, location, location, location is all-important, but good quality houses in a well-kept environment will obviously command an ever increasing value in the current market. I think one would find that over a period of, say, 10 years, something like that, that a house at Le Squez would probably not be much less of a value than a house anywhere else, maybe on one of the other residential sites which have been sold off plan in Maupertuis Lane next door, perhaps. I would not imagine there would be any difference. Initially, I am sure there would be inevitably a catch-up period as also the environment adjusted and improved, but I really believe that if one is going to be doing any sell-offs, that it has to be all or nothing.

Deputy S. Power:

Can I ask a quick question? House prices, what is your view on what is happening to house prices at the moment?

Mr. P. Seymour:

The States' Statistical Unit produced a growth figure of 6.5 per cent for 2006. I, and a group of others to include estate agents and valuers, formed a panel with several of the Council of Ministers, and also the statisticians, to bounce ideas off and we meet quarterly. Certainly, when we last met to discuss the quarter for 2006 figures, we had all assumed that the figures would be well into double figures and were very surprised that only a 6.5 per cent growth had been recorded. This is probably because the sample which we produce regularly, the recording of the statistics is probably a little bit flawed in respect of 3-bedroom houses because these form the largest group within the samples taken, and these can range from properties at £300,000 up to £1.5 million. As a consequence, these tend to blur the figures too

much. We certainly feel that the double-figure growth happened last year and this year I dread to think what the growth would have been in the first quarter, although the official figures will still be probably lower than what the figures have been bandied around by valuers and estate agents.

Deputy S. Power:

The reason I asked the question is that you mentioned the Clos Orange area, and you said you have one at the moment you are finalising at 345. A year ago, Clos Orange was probably at 270 to 280, so if you were to take that as an extreme example, you are looking at a lift of about 20 per cent. So, I am not quite sure why the 6.5. So, your view is that 6.5 is an understatement?

Mr. P. Seymour:

Very much so, yes.

Deputy S. Power:

You are waiting with anticipation as to what happens for the remainder of the year?

Mr. P. Seymour:

Mm.

The Connétable of St. John:

Where do you see interest rates going in the short term, Peter?

Mr. P. Seymour:

I have not heard the news today, but I would assume that the Bank of England's Monetary Policy Committee would have put rates up by a quarter, if not half a per cent, today. By now, they meet at 11.00 a.m., so we will have the news now. The Bank of England base rates reflect a fairly limited outlook on the economy, which is the British economy, and the pressures on the economy in relation to oil prices, cost of living and, in particular, the housing market in the UK which, sadly, has an impact on us over here. The true figures to be looking at are the money markets and the interest swaps rates on the money markets, which is where all the banks purchase their funds to then add their profit margin on, and then lending them out as fixed rates. The swaps markets have been going crazy in the last couple of weeks upwards, as they have been doing relentlessly for the last 18 to 20 months. It is the swaps rates which are really governing the true cost of borrowing and those look as though they will certainly climb further for another 3 years at least, while the Bank of England base rate may well start to fall next year if the economists who are making those statements are correct. A level of conjecture and some of it, I think, is hopeful conjecture as well, which is of no use to anybody.

Deputy S. Power:

So, your view is that interest rates will go up again in the next 12 months?

Mr. P. Seymour:

Yes, and an average interest rate, which I think is of interest to you, is close to 6 per cent now.

Deputy S. Power:

Related to interest rates, Peter, and this is slightly off the roll, do you think we could be facing a repossession problem on the Island? Do you think that there are people who may get into trouble with their mortgages if interest rates continue to rise? Do you have any evidence?

Mr. P. Seymour:

In the 17 years since I opened The Mortgage Shop, I have lost 2 mortgages through the borrowers being declared en désastre through no fault of their own. Repossessions in Jersey are virtually unheard of, and certainly, what we would always do with any of our clients is to counsel them and try to introduce or recommend measures to avoid the need for repossessions to happen. We would also negotiate with the lenders, and there are a number of different measures one could use. For example, if you have a repayment mortgage and as a result of redundancy, or one partner became pregnant or something like that, the mortgage becoming unaffordable, then we will talk about a payments holiday or converting the mortgage from capital repayment to interest only for a period of a year or 18 months, something like that, or extending the term. There are all sorts of ways to do this. Now, in answer to your question, I think that repossessions in Jersey are not going to be commonplace. The reason being because house prices are rising and, therefore, the loan to value ratio is falling; therefore, giving lenders who may have a problem case greater comfort. In addition, wages and salaries generally are moving up rapidly, and if one is locked into a fixed rate for 5, 10, or even 25 years, which is what we are now arranging, one's cost of borrowing is pegged while one's income is increasing.

The Connétable of St. Martin:

I have a slightly off-track question. Can you briefly describe the situation regarding mortgage interest tax relief? Is it likely that changes to this could affect purchasers under the plan?

Mr. P. Seymour:

There is the declared intention of the Treasury to introduce 20 per cent, I think it is 20 per cent, for those in the upper quintile plus bracket, which certainly will not have any detrimental effect on the purchasers we are speaking about unless, of course, the Treasury decided to remove the £300,000 interest relief cap for those in the lower brackets. If that were to happen, that would be a disaster for first time buyers and for purchasers who will find it quite difficult to meet the payments. It would be a disaster. What we are trying to do is to lobby Ministers to introduce more generous first time buyer conditions by removing or introducing discounts on stamp duty for the first time buyers, currently capped at £250,000. We feel

these are far too low and we would like to see them taken up to a much higher level than that, which would obviously affect the group we are speaking about as well.

Deputy R.G. Le Hérisier:

You may have answered this, Peter. Do you believe that the local market has the ability to support this kind of project? In other words, this large number of houses being tipped on to the market, so to speak, the movement of people that will result, and the ability of people to get mortgage terms that are both attractive but yet at the same time are not going to push them to the brink?

Mr. P. Seymour:

In an environment where we are severely restricted in relation to the stock of suitable cheap accommodation becoming available, anything that is released into the market to help people who would otherwise remain States tenants or private sector tenants has to be very much to the advantage. Apart from providing roofs over their heads, it will also remove a realistic number of people from both the private and the public sector rent rebate schemes, which has to be good for the taxpayer.

Deputy A. Breckon:

Peter, could you give an opinion on what these lenders think of the shared equity scheme, whether this is a good idea to participate in?

Mr. P. Seymour:

Because there is very little firm information on the several schemes mooted available at the present moment, lenders can only say: "Well, we will have a look at it." However, the Newcastle Building Society consortium that we brought in are very comfortable with this and would have no problem with it, and I am quite sure that if we were to produce a model to the Jersey-based lenders, there should not be a problem as well. But, obviously, this has to be enshrined in new legislation, and I believe that in itself is likely to be a stumbling block.

Deputy A. Breckon:

Do you see any conflict in the 75:25 per cent split up should there be a default?

Mr. P. Seymour:

Should there be a default?

Deputy A. Breckon:

On the loan, if people default on the loan, then are the lenders comfortable that they would have first charge?

Mr. P. Seymour:

Yes, there should not be a problem with that because whatever has been purchased for the typical £218,000, for example, will go up as soon as the purchaser has their key in the front door, and therefore the risk to lenders will reduce as time goes by. So, in the event of there being a repossession, everybody should be satisfied, the lenders and the States.

Deputy S. Power:

So, the scheme that is being proposed on the big property plan is in some ways quite different to what your own experience has been down at Le Squez?

Mr. P. Seymour:

It is completely different, yes. That particular scheme was a sell off of 100 per cent of the equity for a discounted purchase price, which still represented 100 per cent, and a pay back of 10 per cent in perpetuity of the value of the property at the time if the house was sold.

Deputy S. Power:

There is no real precedent at all on the Island for a shared equity?

Mr. P. Seymour:

It has never happened, to my knowledge, to date.

Deputy R.G. Le Hérissier:

It is slightly off the point, Peter, but you said 10 per cent in perpetuity, so anybody who buys that house down the line will continually have to pay 10 per cent from here on now?

Mr. P. Seymour:

No, I did not explain that very well. It is the first sale, in perpetuity.

The Connétable of St. John:

Do you see any potential difficulties for Housing in obtaining and maintaining market valuations over the extended period of the plan?

Mr. P. Seymour:

Maintaining market valuations?

The Connétable of St. John:

Obtaining and maintaining accurate valuations over the period of the plan?

Mr. P. Seymour:

No, I do not see any reason why not. Geoffrey Wills and Associates, Geoffrey Wills and his team had no problem in assessing the values. In fact, they were very guarded in respect of the values they put on, because they have confided in me that some of the properties which were being sold at a discounted rate of £211,000 would easily fetch £275,000, £285,000 on the open market, and that was several years ago. No problem at all.

The Connétable of St. Martin:

I think you may have answered part of this question, but I will read it through in its entirety. In your experience of the Le Marais-Le Squez project, have there been any problems regarding affordability of homes in the first phase of sales? Are you aware that according to the Housing Minister, some applicants move directly from receiving rent abatement/rebate to purchasing?

Mr. P. Seymour:

Yes, it is very simple. The reason behind this is that most tenants, whether one is private or public sector, will not put anything aside for a rainy day, let alone saving towards a deposit for a house purchase, and this was clearly the case with the tenants at Le Squez and Le Marais. That is the reason why we specifically brokered a 100 per cent facility for them. What we could not do was to obtain the legal fees for them, which is what we are planning to do with this next phase if it gets off the ground. Out of all the tenants that we interviewed, most of them were, if, say, the husbands were working in a manual working environment, on the roads, truck drivers, landscape gardeners, warehousing or whatever, in environments where overtime is always available, most of them would not work overtime. Similarly, their wives were working part-time when they could have worked full-time, or were working full-time but not accessing overtime. The reason behind this obviously is that any increase in income would have resulted in an increase in the rent they were paying. Now, very interestingly, many of these people, as soon as they were in the lead-up to getting their mortgage, started to look for better jobs, started to work overtime, started to work longer hours, and their incomes were increased quite noticeably. If you give me the opportunity of commenting on this, another interesting by-product of this is that if a larger number of people of estates then started to indulge in the same activity of working longer hours, this is effectively going to be taking out job opportunities from the job market. This could have an interesting impact on the social disposition of the workforce and whether it would be necessary to bring in as many unqualified seasonal labourers. A very interesting situation and a good comment. I would love to know the answer but I believe it would certainly reduce the amount of jobs available.

The Connétable of St. Martin:

We are getting towards the end of the questions here, and I am getting a picture that you think this is a really bonanza bargain.

Mr. P. Seymour:

It is.

The Connétable of St. Martin:

But the point being is that the offer is only to States tenants who are living in their houses. It is not open to anybody.

Mr. P. Seymour:

That is right.

The Connétable of St. Martin:

With your experience, and you have obviously got so much more experience than all of us put together, and you have had a look at these housing estates and the locations -and this is all in Appendix E, I suppose, and appendix whatever - and all the ones that are being sold off, what do you reckon about what is going to be the success of the take-up, do you think? I mean, you probably know the estates and the type of people who live there. Do you think this project is a winner?

Mr. P. Seymour:

We started to notice with the Le Squez-Le Marais project a reluctance on the part of people on the waiting list to take up offers and, as a consequence, the Housing Department apparently - and I must emphasise apparently - started to look outside of Le Squez-Le Marais for potential purchasers. As a consequence, I have doubts as to the total efficacy of the scheme because I really wonder whether there will be enough people to take up the full level of properties made available.

The Connétable of St. Martin:

So, perhaps you could tell us, with Le Squez-Le Marais, they have obviously moved people out in order to sell, or after they were refurbished, to sell those properties that they have refurbished.

Deputy S. Power:

A lot of them were already empty, were they not?

Mr. P. Seymour:

A lot of them were already empty, yes, so we are getting a distorted picture here. Many of them had been empty and boarded up for many years.

Deputy S. Power:

Yes, they were horrible.

Deputy A. Breckon:

In general terms there is about 4,700 flats and houses in there, and the department have already told us that 1,800 of those are occupied by pensioners so in broad terms that leaves 3,000. In your experience, what would be the affordability of those 3,000, just in general terms? So, 800 could be sold because that was the target. Do you think that is realistic in general terms? I know you would have to go into the mechanics of this.

Mr. P. Seymour:

I really do not think it is realistic, but I cannot comment on what percentage might be available to take up because we have already seen this illustrated by what we just described in Le Squez-Le Marais, there certainly did appear to be a reluctance, or an inability, on the part of many people on the top of the list to be able to afford to take properties on.

Deputy A. Breckon:

Did you have any experience with the flats on the waterfront we sold? Because when those stuck for a while, they had to sell at a countdown to get rid of the ones that were sold down there to first time buyers. Which, I know it is a different market, but they still did not go like hot cakes.

Mr. P. Seymour:

The waterfront was a disaster, maybe because of the ash problem, the infill, and this did not necessarily put purchasers off but it scared the living daylight out of the lenders. Many lenders, having started lending then withdrew any further mortgage options, and it took a long time for us to persuade them to come back into the market again. Also, the flats down there, beautiful flats, were pretty expensive for many of the first time buyers, I presume, to purchase, because many of the first time buyers had a sole income because they were single purchasers, and this does make a big difference, obviously. What we are talking about here are people with joint incomes.

The Connétable of St. John:

Peter, in your opinion, would the States or Treasury/Housing coffers be better served by clearing an estate and selling the whole estate off en bloc, whether refurbished or not? Do you think a better result would be achieved in terms of market value?

Mr. P. Seymour:

Yes, it could. It would certainly make the houses constructed on that new development more attractive, and they could be more marketable to a higher income quintile, but is this, in fact, achieving what Housing is setting out to do? What are Housing trying to do? Are they trying to provide owner occupation for their tenants, or are they trying to generate income?

The Connétable of St. John:

Both.

Deputy S. Power:

I think Housing will say that there are 2 motivations. One is the strategic plan to help with the increase in home ownership. Number 2, housing is a problem when they are dealing with their properties. So, as to how you pick and choose where the real reasons are is for all of us to decide separately.

Mr. P. Seymour:

Yes. So, in answer to the Connétable's question, if one were to follow that course of action it would be defeating, probably, Housing's object. Then again, a better quality of estate would generate a higher return and more income to start carrying out the refurbishment work which is so badly needed.

Deputy R.G. Le Hérisier:

What I was going to ask, Peter, again, another broad question drawing upon your dual career, so to speak. Obviously, what they have to try to do is continue to provide social housing at a certain level, and they have to make sure that they do not allow the sell-off to reach such a stage that you might reach the stage in England where council housing has been stymied for years in building. People like the police and the hospitals sold off their public sector housing in places like London, and they have had to reintroduce a scheme to provide cheap public sector housing for essential employees. Obviously it is a moving target, but do you think there is a real danger that Housing may become so seduced by this policy they will find themselves with a reduced stock, which will put them into trouble down the line?

Mr. P. Seymour:

Yes. If I were only wearing my Housing Manager's hat, I would be opposing the scheme categorically. It took us years to assemble the sites and, fortunately, obviously, the budget in those days was overflowing, the coffers were overflowing, and one could have taken virtually whatever capital one wanted, within reason, to construct these developments. But it took a long time to assemble these sites and to construct dwellings on them, and I think it is in many respects a travesty to be selling them off, because I think it really is creating problems for the future. Not everybody works in the finance sector. Someone has to sweep the roads, someone has to go down the sewers, and someone has to drive buses and trucks. It is those people who will always need to have rental accommodation.

Deputy S. Power:

So, your view would be, in spite of the fact that you are an estate agent now --

Mr. P. Seymour:

I am not an estate agent, Deputy.

Deputy S. Power:

Sorry, a Freudian slip. Given the career you have, if you were Housing Minister or the Director of Housing, you would not embark on this road?

Mr. P. Seymour:

I would be needing to draw a lot more information than I personally currently have available to me to confirm the wisdom of achieving a sell-off of this size.

Deputy S. Power:

Yes, because I think demographic trends, migration policy, a lot of these things bring in lots and lots of people who will, as you say, do gardening, work in kitchens, cook meals, that kind of thing.

The Connétable of St. Martin:

It would be interesting to know what the take-up would be.

Deputy S. Power:

We are coming to the end. I have one more question and then I think I will throw it open. It is a question that we have all struggled with as a sub-panel. Do you have any comment on the proposal to refurbish all the properties to a decent home standard before they are sold? Because the precedent in the UK seems to be to sell as is. Do you have a view on that?

Mr. P. Seymour:

Much of the housing stock in Jersey was constructed at a period where not very good quality materials were used. Also, building houses which are now seriously out of date, looking, for example, at Le Squez-Le Marais, because they were constructed by Sir Lindsay Parkinson, who was also responsible for constructing Clos des Sables and Quennevais Park. Now, all of those at Clos des Sables and Quennevais Park have undergone substantial refurbishment at the hands of the owners. Those properties down at Le Squez-Le Marais did not enjoy the same level of maintenance; there simply were not the funds available. It would seem a shame to be selling off substandard accommodation to States tenants, who will probably struggle to a certain extent to afford their mortgages, and most certainly would not be able to afford to put a new roof on their property, or to upgrade bathrooms or kitchens or whatever, rewire, replumb, or recoat the exterior, or whatever is necessary. Or introduce even central heating, because many of these properties do not have that. I really believe that if there is going to be a sell-off, the properties do have to be upgraded.

Deputy S. Power:

To a decent home standard?

Mr. P. Seymour:

Yes. You would end up with second-grade properties otherwise.

Deputy S. Power:

Right. That more or less brings us to the end of our list of questions. Is there anything else you would like to add before I ask the panel if they have any individual questions? Is there anything else that you think we have missed that you would like to add to or query?

Mr. P. Seymour:

I think we have covered much of what we discussed on Monday and probably a little bit more. But it is a very wide-ranging subject and, really, I must call upon you to ask me any other questions you might have.

Deputy S. Power:

Okay, I will throw it open to the panel for anything else. We have 5 minutes.

Male Speaker:

I think we had very good coverage.

Deputy S. Power:

No, I think we are really happy. Thank you for coming. It has been very useful and you have opened up areas that I can see that we are going to have to look at again. I am particularly interested in the area, as nobody else is going to ask the question, when you sold off Le Squez, are they all repayment mortgages? Are there any interest only mortgages, and are there any people in their 50s or 60s that have actually bought?

Mr. P. Seymour:

Yes, yes and yes. Most of them are capital repayment mortgages, as you would appreciate. Interest only mortgages linked to a repayment vehicle, namely an endowment policy, just do not happen now. But there are several areas where we have raised interest only mortgages for people who were single sons or single daughters expecting an inheritance at some time in the future of a property of a certain value, 4 or 5 or £600,000. In areas like that, where they were really struggling to make payments, then we raise these interest-only loans to be repaid from the sale of the inheritance. Certainly, that same question then moves on to late 50, early 60-year-olds, yes. There are some 70-year-olds there as well, for whom we have arranged interest only loans.

Deputy S. Power:

For a States tenant who would wish to purchase their property and they are in, say, their middle to late 50s or early 60s, what would be the repayment term they might be able to look at on a repayment mortgage?

Mr. P. Seymour:

We would be looking a maximum perhaps of, say, 15 years. One lender, a building society, will now offer mortgages up to the age of 80 or 85, but is that really prudent? So we try to peg them at 70.

Deputy S. Power:

So, somebody in their 50s, say 55, could realistically expect to get a repayment mortgage of 15 years?

Mr. P. Seymour:

Somebody of the age of 55 could expect to get it, yes.

Deputy S. Power:

Between 10 and 15 years?

Mr. P. Seymour:

Yes.

Deputy S. Power:

Right, okay, and somebody in their 60s could get a 10-year repayment mortgage?

Mr. P. Seymour:

Yes, although those would probably be interest only repaid from the sale of an inheritance.

Deputy S. Power:

Or that property?

Mr. P. Seymour:

Or that property, yes.

Deputy S. Power:

I think that is as much, thank you.

The Connétable of St. Martin:

Excellent.

Deputy S. Power:

Thank you again. It was most helpful.

The Connétable of St. Martin:

Yes, very useful.

Mr. P. Seymour:

Thank you, gentlemen.