

Anonymous 1 - 14th May 2021

My observations relate solely to the BTL market which due to its' continued strength is harming the adequate provision of affordable housing.

Buy to Let in Jersey - Recent and consistent calls for the banning of buy-to-let investors from some developments is a blunt tool and fails to understand the nuance of this issue. Such a measure will drive BTL investors toward other non-restricted developments and lead to ongoing inflationary pressure on house and rental prices.

The increase in this sector of the housing market has primarily been driven by a number of factors which need to be understood before deciding on any counter measures;

- 1) The consistent low interest rate environment has led investors to seek out an improved return for their savings. Many local Islanders use BTL as part of their retirement planning.
- 2) There has been a substantive increase in the number of lenders within this local market. Banks and financial institutions faced with minimal returns on deposit margins have sought entry to the BTL market in search of improved returns, which traditionally are higher than residential mortgage rates.
- 3) There has been an increase in locally based brokerage firms who are able to source funds from a variety of financial institutions and local private equity investors searching for improved returns. This privately funded 'pooled' solution has grown significantly over the last 5 years in Jersey.
- 4) Developers also now have access to increased sources of funding that previously would have been restricted due to interest rate applicable and more modest Loan to Value lending requirements from banks.
- 5) HNW residents who have re-located to Jersey under what was previously known as the 1(1)K route were up until two years ago prohibited from residential property investment outside of their main home. This restriction was removed and has led to a number of high profile and wealthy individuals entering the real estate markets (including BTL) and who have bought substantial numbers of properties, widely known within the market. This sole decision has directly led to real estate price inflation in all sectors of the market.
- 6) The Government allow tax relief against any funding cost for the purchase of BTL properties. Thereby further incentivising investors and increasing the yield to investors. In essence, the Government itself is driving the BTL investment boom.

Solutions;.....just two outside of the mainstream.

a) Interest tax relief on BTL properties should be phased out and mirror the steps taken in the U.K. in this regard. This will reduce the attractiveness of the BTL market gradually and prevent any shock to the market.

b) The restriction on incoming HNW residents being prohibited from investing in real estate other than their primary residential home should be re-instated immediately. This should also cover the provision of capital for real estate lending in Jersey either directly or through a brokerage arrangement.

I hope my observations provide additional insight.