

Key Findings

Based on the **intentions** of households (*before applying affordability criteria*) over the three-year period from 2013 to 2015:

- there is a **potential** shortfall of more than 1,000 units in the **owner-occupier** sector; there are large potential shortfalls of 2- and 3-bedroom properties in this sector and a potential surplus of larger sized properties;
- there is an overall potential shortfall of more than 400 units of **social housing**; the greatest potential shortfall is of 2-bedroom properties;
- previous rounds of this survey had recorded overall potential surpluses of social housing, suggesting that **demand for social housing has increased in recent years**;
- there is large demand for smaller sized properties in the **private rental** sector from concealed households¹; notable supply in this sector arises from existing households in this sector intending to purchase larger sized owner-occupier properties;
- under current migration trends, there is a small overall shortfall of **non-qualified** units, comprising a shortfall of 1-bedroom units and a surplus of 2-bedroom units;

Net migration

- the potential surpluses and shortfalls in the qualified tenures of accommodation are essentially independent of the level of net inward migration during the next three years;
- levels of net inward migration below current trends give rise to potential surpluses of non-qualified accommodation.

Affordability

- applying practical affordability criteria (based on median or lower quartile property prices) **considerably reduces the levels of the potential shortfalls in the owner-occupier** sector implied by expressed intention alone;
- in particular, the **large shortfalls of 2- and 3-bedroom owner-occupier properties either are substantially reduced or eliminated**.

First-time buyers

- half of all households planning to purchase property would be first-time buyers;
- almost half of all potential first time buyers would like a 2-bedroom property;
- concealed households tend to have lower household income and less money available for deposit and moving costs than existing households planning to buy for the first time.

¹ Concealed households are newly forming households which are currently 'concealed' within existing households.

Overview

This report provides estimates of Jersey's potential housing requirements **for the three-year period 2013 to 2015** in terms of the type, tenure and size of dwelling unit.

The analysis contained in this report is based on a set of questions included in the 2012 round of the Jersey Annual Social Survey. The following issues are presented and discussed:

- estimates of:
 - potential **demand** by size, type and tenure² of dwelling;
 - potential **supply** (by size, type and tenure) from the existing dwelling stock;
 - potential **shortfalls or surpluses** by size, type and tenure;
- the effect of **net migration** on housing requirement;
- **affordability** in terms of property purchase price and household income;
- an estimate of housing demand and affordability for **first-time buyers**.

This study provides a detailed picture of supply and demand resulting from the stated intentions of households in mid-2012.

It should be emphasised that the supply component does not include any new dwellings available at or completed since that time, nor any planned or approved developments.

The numbers of potential inward and outward migrant households included in the main analysis are based on the recent trends in migration seen during the years 2009-2011. Over the next three-year period, 2013 to 2015, this corresponds to a net migration of 1,000 households into the Island.

Context

The 2011 Jersey Census recorded **41,595 households living in private dwellings**³.

In addition to the dwellings occupied by these households, the 2011 Census recorded **3,100 vacant dwellings**.

² See Appendix B for definitions of residential status and tenure categories.

³ Report on the 2011 Jersey Census; States of Jersey Statistics Unit, September 2012.

Introduction

A set of questions relating to housing requirements over the next three-year period was included within the 2012 Jersey Annual Social Survey (JASS) - see Appendix A. JASS is a postal survey which was sent out to a random sample of households in June and July 2012.

Sample and response rate

A total of 4,200 households were randomly sampled, representing about 10% of all private households in Jersey. A response rate of 59% was achieved – an excellent response for a voluntary postal survey.

Survey data and weighting

Using information from the 2011 Census⁴, the survey results from respondent households were weighted by tenure type and raised to the full Island total (“grossed up”).

Supply and demand analysis

Supply and demand analysis is presented from two perspectives:

- I. **Type** and size of dwelling;
- II. **Tenure** and size of dwelling.

The latter perspective is the most relevant for policy development purposes and this analysis is extended to examine the effect of two different scenarios of net migration:

- i. **Net migration at half the current trend** (corresponding to 500 more households coming into the Island than leaving over the next three years);
- ii. **Zero net migration**, whereby the number of households coming into the Island is equal to the number of households leaving.

The survey results have enabled development of a modelling tool whereby other scenarios of net migration may be explored.

In all such analyses of the effect of net migration, the distributions of the supply (by type, size and tenure) from outward migrant households are different to those of the demand (by type, size and tenure) from inward migrant households. The profiles of potential inward and outward migrant households are based on recent migration trends⁵.

Figures 1 and Figure 2 show the distribution of the residential qualifications of households coming to the Island (‘in-migrants’) compared with those leaving the Island. Four-fifths (80%) of in-migrant households are residentially non-qualified compared with two-thirds (67%) of leaving households.

⁴ See Annex A for detailed methodology of weighting and grossing up from the survey sample.

⁵ 2012 Jersey Population Projections; States of Jersey Statistics Unit, September 2012.

Figure 1 - Residential qualifications of **in-migrants**

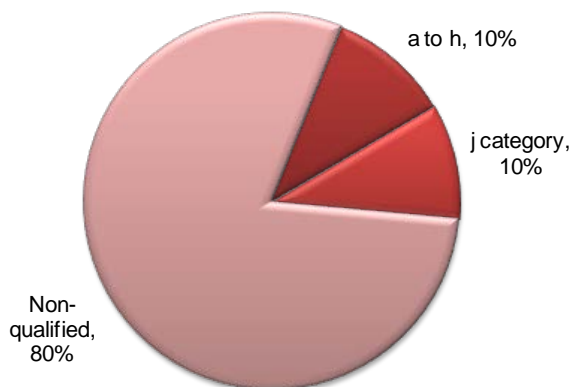
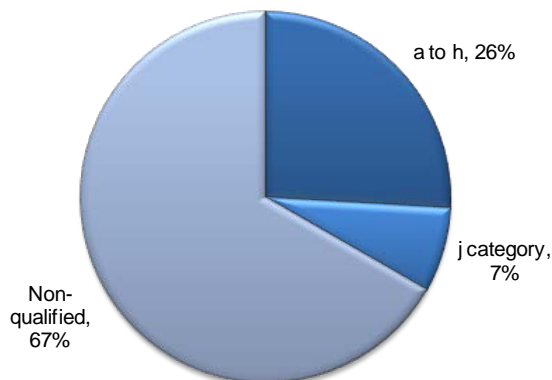


Figure 2 - Residential qualifications of **leavers**



Definitions

Supply

The potential supply and demand is based on the following categories of household:

- **Existing:** dwelling units becoming available due to all members of existing households moving within Jersey.
- **Leaving:** dwelling units becoming available due to all members of existing households moving outside of Jersey.
- **Death and care:** dwelling units becoming available due to occupants dying or moving into extended care facilities⁶.

Demand

- **Existing:** dwelling units required due to all members of existing households moving together within Jersey.
- **Concealed:** newly forming households (presently 'concealed' within existing households) emerging within the Island e.g. household members leaving their current home and establishing separate households; an adjustment is made to account for those households formed by members currently living in separate households in Jersey who are joining together to form a single household.
- **In-migrants:** migrants arriving from outside Jersey to establish households; for the main analysis presented in this report, *net migration (defined as the difference between in-migrant and leaving households) is based on recent trends.*

⁶ The level of potential supply from 'death and care' was estimated from life-table analysis (using age-specific mortality rates), the number of people living alone and the distributions of such people by type, size and tenure of dwelling as recorded by the 2011 Census. Estimates were cross-checked against data on States tenants compiled for recent years by the States of Jersey Housing Department.

Section 1: Current housing suitability

The 2012 Jersey Annual Social Survey asked households to rate the suitability of their current housing.

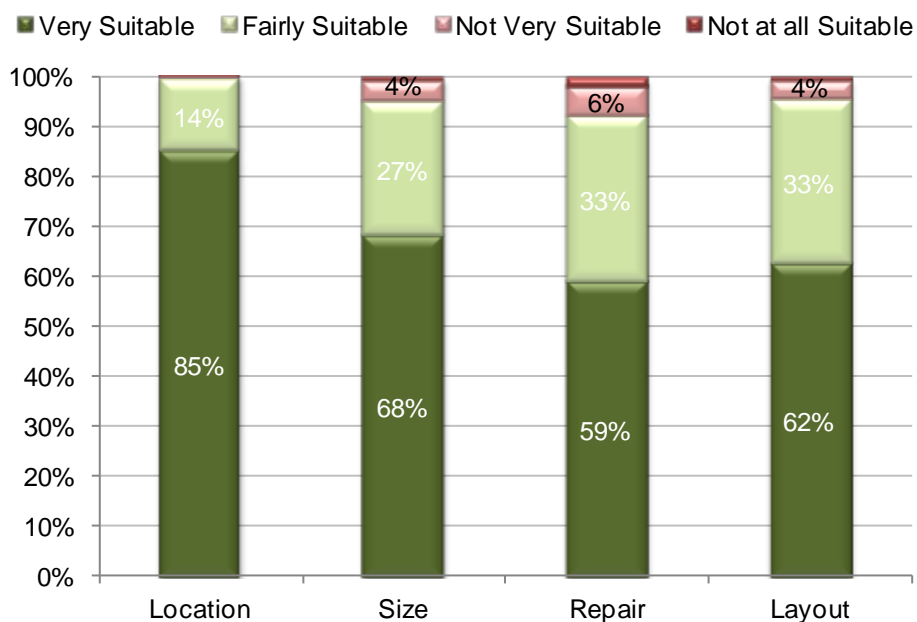
Households not planning to move in the next three years

More than three-quarters (78%) of resident households said that they, or any household members, were not planning to move within the next three years (2013-2015).

More than 95% of households who were not planning to move in the next three years reported that they were either 'Very satisfied' (66%) or 'Fairly satisfied' (29%) with their current housing; about 3% were "Not very satisfied" and 1% were "Not at all satisfied".

Figure 3 shows the suitability of the location, size, repair and layout of their current housing expressed by households who were not planning to move in the next three years. More than 90% of such households described the location, size, state of repair or layout of their current housing as either 'Very suitable' or 'Fairly suitable'.

Figure 3 - Suitability of accommodation of households not planning to move in the next three years.



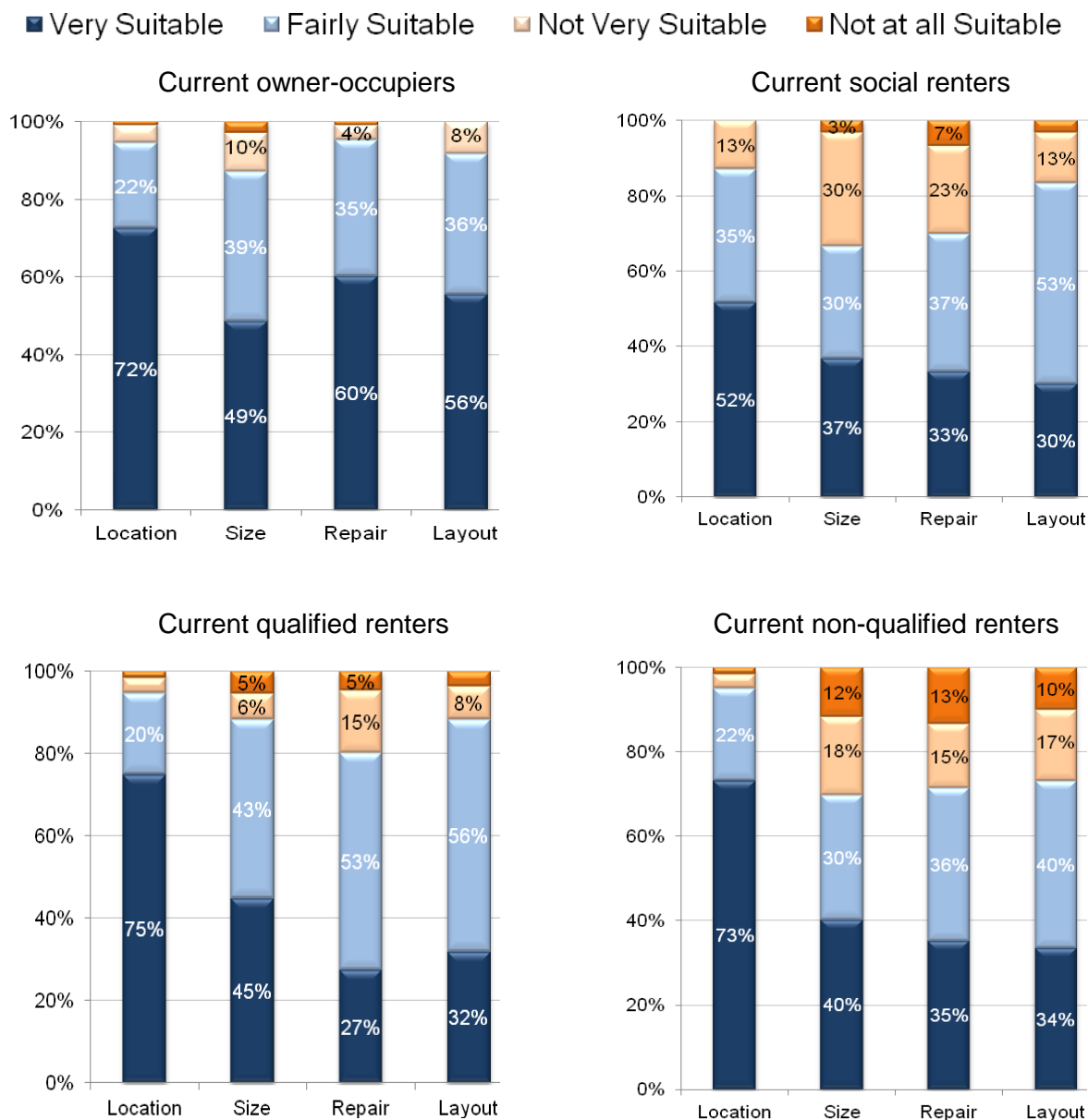
Households planning to move in the next three years

About four-fifths (81%) of households who were planning to move in the next three years reported that they were either 'Very satisfied' (29%) or 'Fairly satisfied' (52%) with their current housing.

About one in six (16%) households who were planning to move in the next three years were "Not very satisfied" with their current housing; a further 3% were "Not at all satisfied".

Figure 4 shows the expressed suitability of the location, size, state of repair and layout of their current housing by those households who said that they were planning to move in the next three years, broken down by the tenure category of their current accommodation.

Figure 4 - Suitability of current accommodation of households planning to move in the next three years



In each tenure category, around nine out of ten households (who were planning to move in the next three years) said that the location of their current housing was either 'Very suitable' or 'Fairly suitable'.

Of those households who said that they were planning to move in the next three years:

- greater proportions of owner-occupiers and qualified private renters reported their current accommodation to be suitable in terms of size, state of repair and layout than those households living in social rental or non-qualified accommodation;
- around one in ten owner-occupier households said that the size of their current accommodation was not suitable at some level;

- about one in five households living in private rental accommodation said that the state of repair of their current accommodation was not suitable at some level;
- a third of social renters (33%) reported that the size of their current home was either 'Not very suitable' or 'Not at all suitable'; a similar proportion (30%) reported that the state of repair of their current home was not suitable;
- similar proportions of households living in non-qualified accommodation reported that their current housing was unsuitable at some level in terms of its size (30%), state of repair (29%) or layout (27%).

Section 2: Type and size of dwelling unit

Tables 1 and 2 present the estimated potential housing supply and demand, respectively, over the next three years (2013-2015)⁷.

Table 1 - Supply by type and size of dwelling; *three-year totals*

Type / size		Existing	Leaving	Death & care	Total
Flat	1 bed	1,770	1,330	440	3,550
	2 bed	1,490	450	180	2,120
	3 bed or more	240	100	30	370
House	1 bed	170	80	70	320
	2 bed	780	160	180	1,120
	3 bed	1,220	330	290	1,850
	4 bed or more	810	230	140	1,180
Total		6,500	2,690	1,330	10,510

Table 2 - Demand by type and size of dwelling; *three-year totals*

Type / size		Existing	Concealed	In-migrant	Total
Flat	1 bed	780	990	2,250	4,020
	2 bed	1,090	570	540	2,210
	3 bed or more	70	30	150	240
House	1 bed	160	80	120	360
	2 bed	1,540	280	180	2,000
	3 bed	1,780	310	260	2,350
	4 bed or more	560	30	210	800
Total		5,980	2,290	3,710	11,980

⁷ In the tables presented in this report, all numbers have been rounded independently to the nearest 10; numbers less than five are denoted by +. Individual rows or columns may, therefore, not sum to totals.

In overall terms, the total potential supply of all dwellings over the next three years is almost 1,500 less than the total potential demand.

Over the next three years, half of the total potential demand (and three-fifths of the total potential supply) is from existing households planning to move within Jersey.

Under current migration trends, in-migrant households will account for almost a third of total demand over the next three years and, in particular, for almost three-fifths of the demand for 1-bedroom flats.

The **difference** between the potential supply and demand for each type and size of dwelling is shown in Table 3 (derived by subtracting the corresponding figures of Table 2 from Table 1).

This table highlights the potential **surpluses** and **shortfalls** within each category of dwelling. The overall net shortfall of almost 1,500 dwelling units comprises a surplus of 500 larger sized properties and a shortfall of almost 2,000 other types and size of property.

Table 3 – Surpluses and shortfalls (supply-demand) by type and size of dwelling; three-year totals

Type / size		Total Supply	Total Demand	Surplus	Shortfall
Flat	1 bed	3,550	4,020	..	(470)
	2 bed	2,120	2,210	..	(90)
	3 bed or more	370	240	130	..
House	1 bed	320	360	..	(40)
	2 bed	1,120	2,000	..	(880)
	3 bed	1,850	2,350	..	(500)
	4 bed or more	1,180	800	380	..
Total		10,510	11,980	500	(1,970)

From the perspective of type and size of dwelling, Table 3 shows that over the next three years:

- the sum of all potential shortfalls is almost 2,000 dwelling units;
- large potential shortfalls appear for 1-bedroom flats and for 2- and 3-bedroom houses;
- potential surpluses appear for larger sized properties.

Surpluses in one category of dwelling may, hypothetically, be used to offset shortfalls in another category. For example the potential shortfall in 3 bedroom houses may be entirely alleviated by the potential surplus seen in 3 or more bedroom flats and 4 bedroom houses. However, the potential shortfalls of smaller sized properties (1- and 2-bedroom flats and houses) are not alleviated by any potential surpluses in similar sized properties.

Section 3: Tenure and size of dwelling unit

The previous section presented an analysis in terms of the type and size of dwellings.

In order to understand and identify in more detail where surpluses and shortfalls may potentially occur, it is necessary to examine the results in terms of the tenure (and size) of dwellings.

Table 4 - Supply by tenure and size of dwelling; *three-year totals*

Tenure / size		Owner-Occupier	Social Housing ⁸	Private Rental	Non-Qualified	Total
Existing	1 bed	290	110	790	760	1,940
	2 bed	540	240	940	560	2,280
	3 bed	570	110	550	200	1,440
	4 bed or more	570	0	240	30	830
Leaving	1 bed	50	50	110	1200	1,420
	2 bed	120	40	90	370	610
	3 bed	200	20	60	140	420
	4 bed or more	150	+	30	60	250
Death & Care	1 bed	100	280	100	30	520
	2 bed	250	40	50	10	350
	3 bed	290	10	10	+	320
	4 bed or more	130	+	10	+	140
Total supply	1 bed	440	430	1,010	1,990	3,870
	2 bed	910	320	1,070	940	3,240
	3 bed	1,070	130	620	340	2,180
	4 bed or more	850	+	270	90	1,220
Total		3,260	890	2,970	3,370	10,510

⁸ 'Social housing' is comprised of States of Jersey, Housing Trust and Parish rental tenure categories.

Table 5 - Demand by tenure and size of dwelling; *three-year totals*

Tenure / size		Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
Concealed	1 bed	290	160	590	30	1,070
	2 bed	420	170	250	20	860
	3 bed	210	40	50	40	330
	4 bed or more	30	0	0	0	30
Existing	1 bed	200	300	360	80	950
	2 bed	1,130	500	780	220	2,630
	3 bed	1,330	110	270	130	1,850
	4 bed or more	450	20	90	0	560
In-migrants	1 bed	50	10	170	2,130	2,360
	2 bed	80	10	130	510	730
	3 bed	90	10	100	180	370
	4 bed or more	100	0	60	90	250
Total demand	1 bed	540	480	1,120	2,240	4,380
	2 bed	1,630	680	1,160	750	4,210
	3 bed	1,630	160	410	350	2,550
	4 bed or more	580	20	150	90	840
Total		4,390	1,320	2,840	3,430	11,980

The differences between supply and demand within each category of tenure and size of dwelling (derived by subtracting the corresponding cells of Table 5 from Table 4) indicate **potential surpluses and shortfalls**; these are shown in Table 6.

Table 6 indicates that the majority of the potential shortfalls over the next three years are within the qualified tenure sectors. The largest shortfalls are predominantly in owner occupier 2- and 3-bedroom properties, with a total shortfall of around 1,290 units.

This potential shortfall of 2- and 3-bedroom **owner-occupier** properties is predominantly due to 'existing' households planning to move and, to a lesser extent, concealed and private rental households planning to purchase in the owner-occupier sector and also in-migrant households entering the owner-occupier sector.

Table 6 – **Surpluses and shortfalls** (supply-demand) by **tenure and size** of dwelling;
three-year totals

Tenure / size	Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
1 bed	(110)	(40)	(110)	(250)	(500)
2 bed	(720)	(360)	(90)	200	(970)
3 bed	(570)	(10)	210	(10)	(380)
4 bed or more	270	(10)	120	-	380
Total	(1,130)	(420)	130	(60)	(1,470)

An overall potential shortfall of more than 400 dwelling units is apparent in **social housing**. Potential shortfalls were observed for every size of dwelling in this sector; the greatest demand, and potential shortfall, in the social rental sector is for 2-bedroom properties.

The largest component of the demand for social housing was from existing households wanting to move into this sector (see Table 5); there was also notable demand from concealed households.

Previous rounds of the Housing Needs Survey had recorded overall potential surpluses in this sector, **suggesting that the demand for Social housing has increased in recent years.**

The **private rental** sector saw large demand for smaller sized properties from concealed households, with notable supply originating from existing households expressing an intention to purchase larger sized properties in the owner-occupier sector. A surplus of 3- and 4-bedroom properties was observed in private rental accommodation, suggesting that the demand for larger sized properties is for owner-occupier rather than private rental accommodation.

Half of the total shortfall of 1-bedroom properties apparent in Table 6 was due to a potential shortfall in the **non-qualified sector**; driven by demand from in-migrants (under current migration trends). In contrast, the non-qualified sector saw a potential surplus of 2-bedroom properties which may off-set some of the shortfall in 1-bedroom properties in this sector.

In-migrant j-category households (under current migration trends) accounted for almost 400 (corresponding to 14%) of the total demand in the private rental sector and for about 300 (7%) of the total demand for owner-occupier properties.

Table 7 presents the potential shortfalls and surpluses in the **qualified sector** of Table 6 broken down into **flats and houses**.

Table 7 – Surpluses and shortfalls by flat and house in the **qualified** sectors; *three-year totals*

Tenure/Size	Owner-Occupier		Social Housing		Qualified Private Rent	
	Flat	House	Flat	House	Flat	House
1 bed	(90)	(10)	(40)	+	(90)	(20)
2 bed	(220)	(500)	(80)	(270)	100	(190)
3 bed	(10)	(550)	70	(70)	50	150
4 bed or more	20	250	+	(10)	-	120
Total	(300)	(820)	(60)	(360)	70	60

From Table 7 it is apparent that:

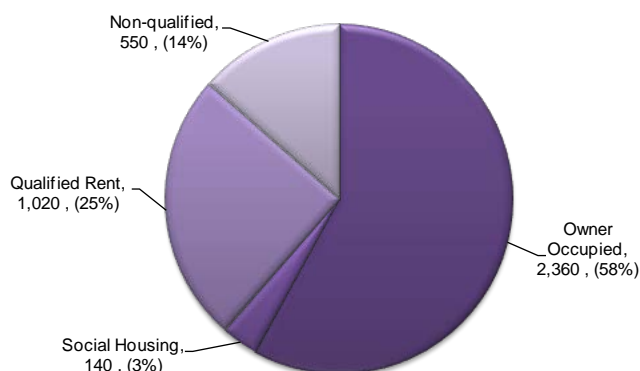
- potential shortfalls occur for almost all sizes of houses and flats in the **owner-occupier** sector. Shortfalls of more than 800 1- and 2-bedrooms properties and of 550 3-bedroom houses are apparent. A surplus of 4-bedroom houses may off-set some of the 3-bedroom shortfall;
- in the **social housing** sector, potential shortfalls are seen for most categories of dwelling, notably for 2-bedroom houses. A potential surplus of 3-bedroom flats in this sector may alleviate some of these shortfalls.
- In the **qualified private rental** sector there were potential shortfalls for 1-bedroom properties and for 2-bedroom houses of some 100 and 200 units, respectively. In contrast, there were potential surpluses of 2-bedroom flats and of larger sized houses in this tenure category.

Movement within and between tenure categories

Owner-occupier sector

Almost 2,400 households currently living in the owner-occupier sector expressed an intention to move within this sector (see Figure 5), constituting almost three-fifths of the total demand for owner-occupier properties from current residents (i.e. excluding in-migrant households).

Figure 5 -Current tenure of households planning to move to the owner-occupier sector; *three-year totals*



Qualified private rental sector

Of those households currently living in qualified private rental accommodation who were planning to move within the next three years:

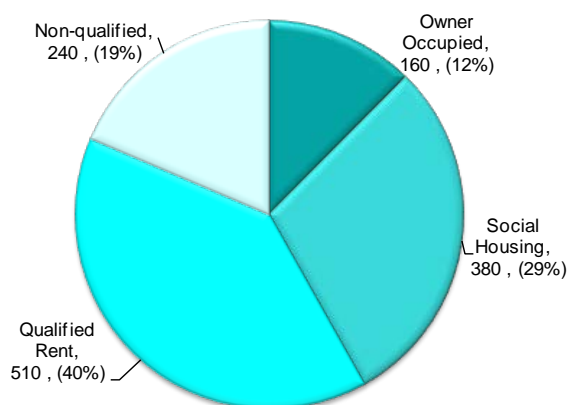
- more than a third (36%, corresponding to some 1,000 households) expressed an intention to move into the owner-occupier sector (Figure 5). Half of these households wished to move to a property larger than their current dwelling; conversely about a sixth wished to downsize;
- around a sixth (18%, corresponding to some 500 households) expressed an intention to move into social housing, constituting the greatest component of demand for social housing.

Social housing

The greatest component of demand for social housing was from households currently living in the private rental sector (some 500 households, accounting for 40% of the demand for social housing).

In addition, more than 200 households intend to move from the non-qualified sector into social housing in the next three years, accounting for about a fifth of the total demand for social housing.

Figure 6 - Current tenure of households (excluding in-migrants) planning to move into social housing *three-year totals*



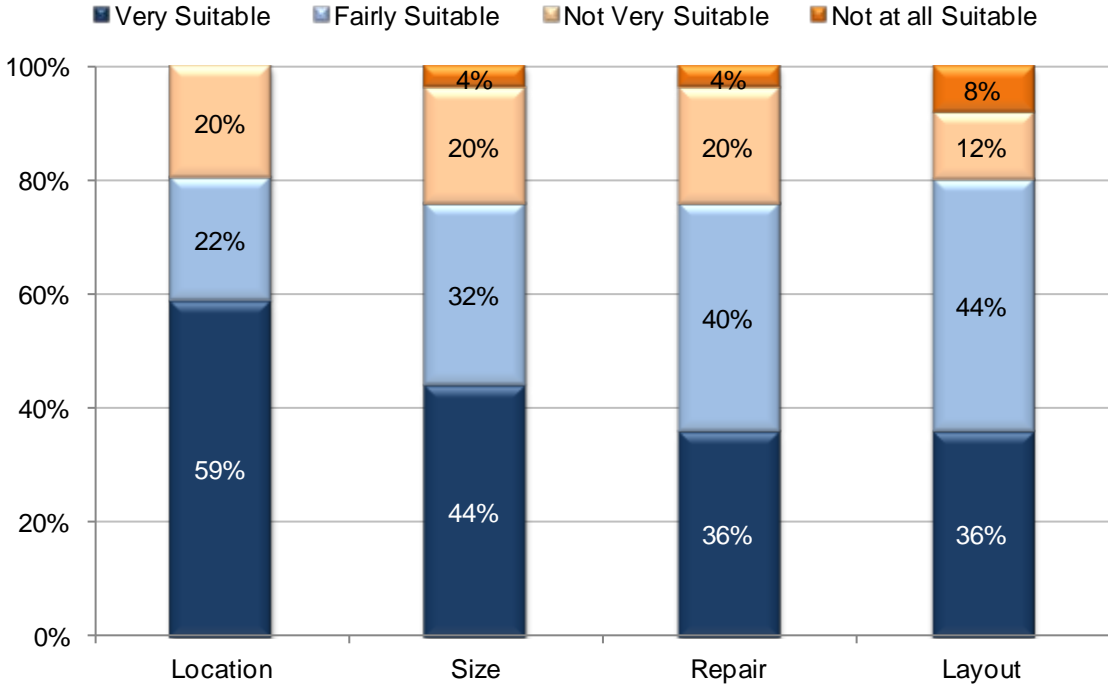
From the opposite perspective, 140 current social rental households expressed the intention to move to the owner-occupier sector and another 110 intend to move to the qualified private rental sector in the next three years.

Almost 400 households currently living in social housing expressed a wish to move within the social rental sector. Of these households wishing to move but remain within social housing:

- one in six (16%) would like a property with more bedrooms than their current dwelling;
- two-fifths (41%) expressed a wish to move to a property of the same size; and
- two-fifths (43%) would like to downsize.

Figure 7 shows the opinion expressed by those households who wish to move within the social rental sector regarding the suitability of their current accommodation. Between a fifth and a quarter of such households (corresponding to around 80 to 100 households in each case) said that their current accommodation was unsuitable, at some level, in terms of its location, size, state of repair or layout.

Figure 7 - Suitability of current accommodation expressed by those households who wish to move within the social rental sector



Households who were planning to move in the next three years (excluding those intending to rent States or housing trust properties) were asked if they would consider applying to rent a States or housing trust property. Around a fifth of such households said that they would consider applying to rent States or housing trust property. In contrast, about two-thirds said that they would not consider applying to rent such property, and around a sixth were not sure if they would consider applying.

Of those households who were planning to move in the next three years but who would not consider applying to rent social housing: about three-fifths reported that they had no need to apply to rent such accommodation; around a fifth said that they did not want to live in social housing and a similar proportion considered themselves to be 'not eligible' for social housing; whilst a small number reported not knowing enough about social housing.

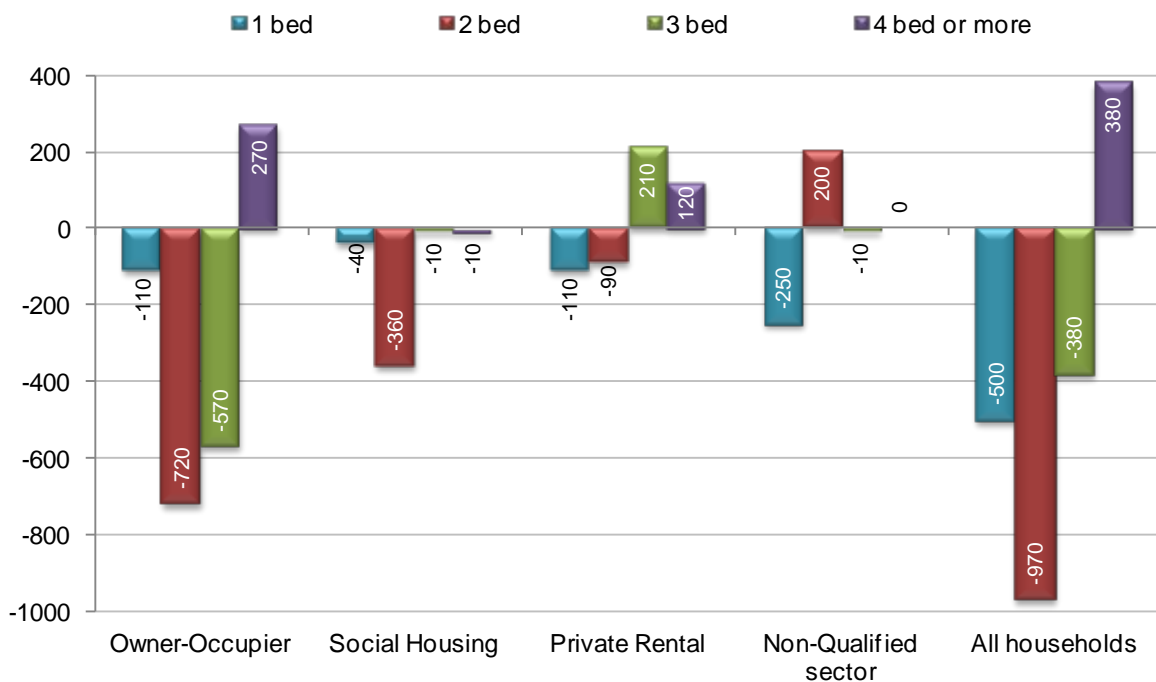
Section 4: Effect of Net Migration

Under current migration trends, during the next three-year period (2013-2015):

- almost a third (31%) of the total demand for housing (corresponding to about 3,700 units) will be from in-migrant households who arrive in the Island in these three years (see Table 2);
- almost four-fifths (78%) of the demand from such newly arriving in-migrant households will be focussed in the non-qualified sector (see Table 5), corresponding to about 2,900 units;
- almost two-thirds (64%) of newly arriving in-migrant households will live in 1-bedroom accommodation (see Table 5), predominantly in the non-qualified sector;
- newly arriving in-migrant households will be the main driver behind the overall potential shortfall in 1-bedroom accommodation apparent in Tables 3 and 6 and in Figure 8.

Figure 8 below presents a visual representation of the potential surpluses and shortfalls shown in Table 6 (on page 11).

Figure 8 - Surpluses and shortfalls by tenure and size of dwelling; *three-year totals* under **current migration trends** (1,000 additional households)



Any changes in net migration, different to current trends, will principally affect the levels of the potential shortfalls or surpluses in non-qualified accommodation, and particularly of 1-bedroom properties.

Although there is also demand from in-migrant households for accommodation in the qualified tenures (primarily from j-category households), **the potential shortfalls and surpluses in the owner-occupier, social housing and private rental categories are relatively insensitive to the level of net migration in the short-term.**

Figures 9 and 10 present the potential surpluses and shortfalls from two different scenarios migration during the next three years:

- **Nil net migration**, whereby the number of inward migrant households is equal to the number of households leaving the Island (Figure 9);
- **Net inward migration at half the current trend**, resulting in an additional 500 households coming into the Island over the next three years (Figure 10).

Figure 9 - Surpluses and shortfalls by tenure and size of dwelling; *three-year totals*.
Nil net migration

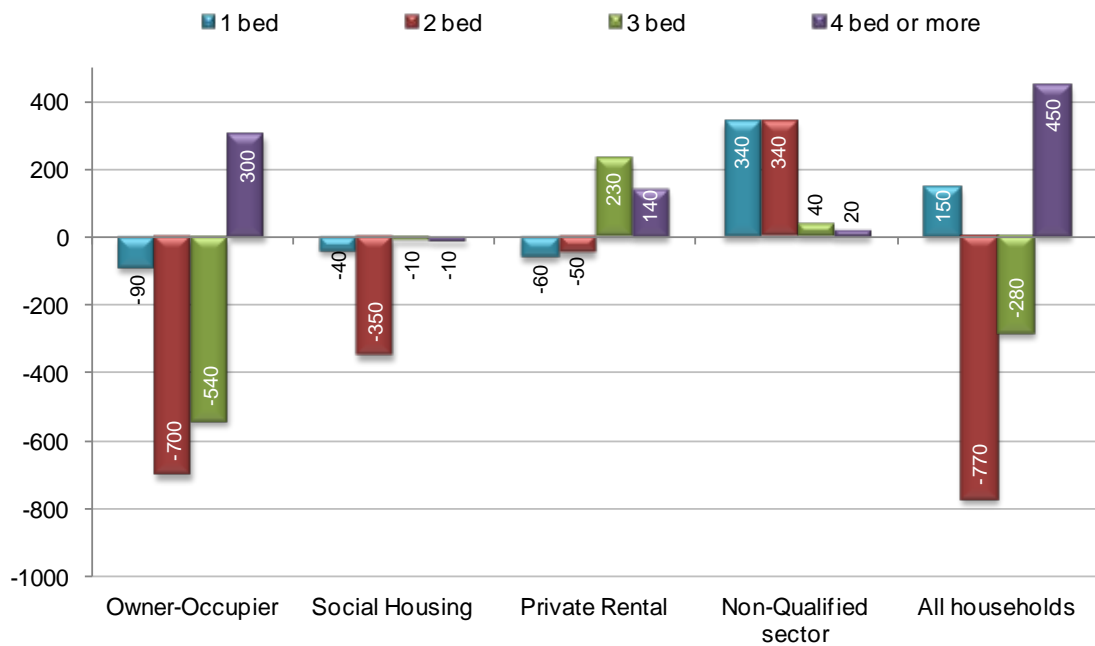
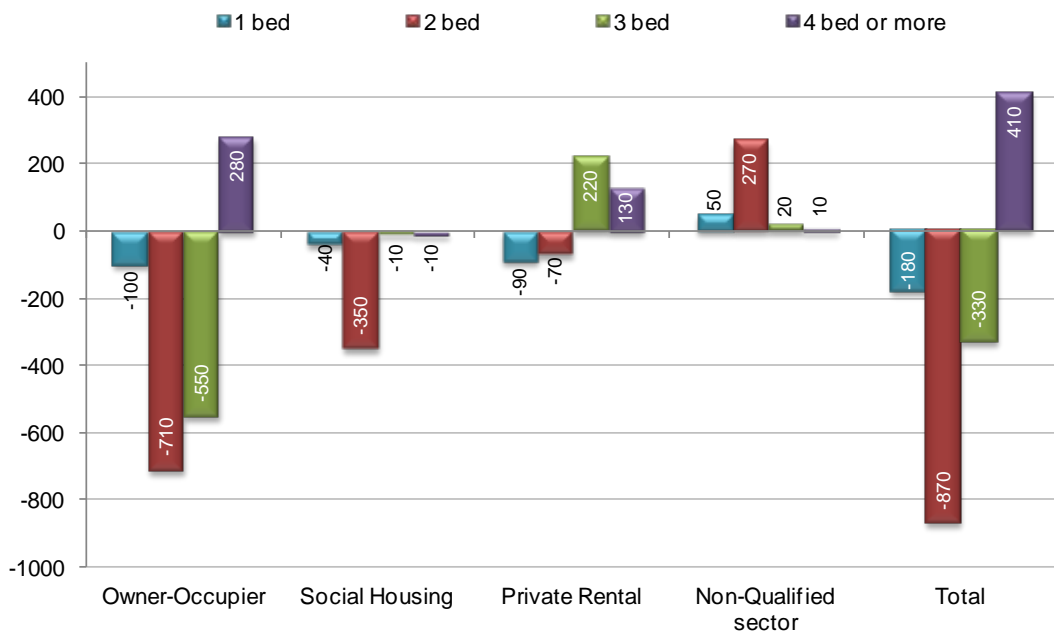


Figure 10 - Surpluses and shortfalls by tenure and size of dwelling; *three-year totals*.
Net inward migration at half the current trend (500 additional households)



Under net nil migration:

- the supply of non-qualified 1-bedroom accommodation is more than sufficient to meet the demand, resulting in a surplus of such properties;
- the potential shortfalls in smaller-sized private rental accommodation and in owner-occupier accommodation are only marginally lower than those apparent under current migration trends.

Under net inward migration at half the current trend:

- the supply of non-qualified 1-bedroom units is sufficient to meet the demand for such properties;
- the potential shortfalls in smaller-sized private rental accommodation and in owner-occupier accommodation are only marginally lower than those apparent under current migration trends.

Section 5: Affordability

Some 4,000 current resident households (either existing or concealed) indicated that they were planning to move into, or move within, the owner-occupier sector in the next three years. Three-quarters (75%) of such households indicated that they would intend to buy a property by means of a mortgage.

Table 8 shows that the proportion of concealed households who were planning to buy with a mortgage was slightly greater than that of existing households.

Table 8 - Households planning to purchase in the owner-occupier sector, with or without a mortgage; three-year totals.

	<u>Existing</u>		<u>Concealed</u>	
	Number	Percentage	Number	Percentage
Buy <u>with</u> Mortgage	2,350	74%	770	79%
Buy <u>without</u> Mortgage	820	26%	200	21%
Total	3,170	100%	970	100%

An **affordability analysis** was conducted to assess whether the total income of households planning to purchase property was sufficient to purchase a flat or house of the size that they had indicated.

The principal affordability analysis was based on the **Jersey Housing Affordability Index**⁹. A complementary analysis was also undertaken, based on the ratio of household income to price of dwelling (ratio analysis) – see Appendix C. The results of the two approaches are consistent.

For this analysis, information from the Jersey House Price Index¹⁰ for the four quarters to June 2012 was used to calculate the mean, median and lower quartile prices of each type and size of property.

⁹ Housing Affordability in Jersey 2002-2011, published March 2012, States of Jersey Statistics Unit.

¹⁰ Jersey House Price Index, Second Quarter 2012, published August 2012, States of Jersey Statistics Unit.

The Jersey Housing Affordability Index (JHAI) affordability criteria assume that mortgage payments, based on current mortgage interest rates, should account for no more than 30 percent of gross household income. Any available deposit is also taken into account.

Households whose income was below the threshold given by the affordability calculation for their intended property (type and size) were removed from the supply and demand analysis: that is, it was assumed that households which could not afford to move would remain in their current properties; both their current and desired properties were, respectively, excluded from the supply and demand numbers.

Table 9 shows the potential shortfalls and surpluses by tenure category when the JHAI affordability criteria are applied to the median price of each dwelling type and size.

Table 9 - Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing households that cannot afford dwellings at the median price under the JHAI affordability criteria; *three-year totals*

Tenure/size	Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
1 bed	(120)	(40)	(270)	(360)	(790)
2 bed	50	(420)	(230)	(10)	(600)
3 bed	+	(10)	130	(90)	40
4 bed or more	400	(10)	50	+	440
Totals:	340	(480)	(320)	(460)	(910)

Compared with the results of Table 6 (no affordability condition applied), Table 9 shows a reduction of the overall shortfall by around two-fifths, from some 1,500 dwelling units to around 900 units.

In particular, applying affordability criteria results in almost half of households who had expressed the intention of moving being unable to afford to move either into, or within, the owner-occupier sector. Correspondingly, the supply of properties in both the private rental and non-qualified sectors is substantially reduced.

The most significant effects at sector level are:

- owner-occupier:
 - demand from existing and concealed households falls by around a half, resulting in a surplus of more than 300 properties in this sector;
 - the supply of smaller properties declines, and the demand for larger properties reduces, as households are unable to move to larger properties within the owner-occupier sector;

- social housing: the overall shortfall, predominantly of 2-bedroom properties, increases slightly;
- private rental: the previously seen small surplus is affected by a lack of supply of both 1- and 2-bedroom properties, resulting in a shortfall of more than 300 properties in this sector;
- non-qualified: the potential shortfall increases, as households are not able to move into the owner-occupier sector, thereby reducing the potential supply in this sector.

The affordability analysis was repeated using lower quartile property prices, in order to explore the effect of households being able to purchase towards the lower end of the price distribution. Table 10 shows the resulting supply-demand analysis by tenure and size of dwelling.

Table 10 - Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing households that cannot afford dwellings at the lower quartile price under the JHAI affordability criteria; *three year totals*

Tenure/size	Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
1 bed	(110)	(40)	(210)	(320)	(690)
2 bed	(230)	(390)	(170)	70	(720)
3 bed	+	(10)	130	(90)	40
4 bed or more	290	(10)	110	+	390
Totals:	(50)	(450)	(140)	(340)	(980)

Assessing affordability in terms of the lower quartile (rather than median) dwelling price results in more households being able to afford the property into which they were planning to move.

Comparing the potential surpluses and shortfalls of Tables 9 and 10 shows that assessing affordability in terms of lower quartile price particularly has an effect on the owner-occupier sector: a small potential surplus in 2-bedroom properties (affordability based on median prices) changes to a shortfall of more than 200 units under lower quartile price based analysis; whilst the surplus of 4-bedroom properties reduces. There is a complementary reduction in the potential shortfall of private rental accommodation as more households currently living in this sector are able to purchase properties.

From either perspective of affordability (based on median or lower quartile property prices), application of affordability criteria substantially changes the levels of the potential shortfalls from those implied by intention alone.

In particular, the potential large shortfalls of 2- and 3-bedroom owner-occupier properties (apparent in Table 6) are substantially reduced or eliminated, respectively.

Section 6: First-time buyers

Questions were included in the JASS questionnaire aimed specifically at exploring issues relating to first-time buyers¹¹ in Jersey. Of all households that expressed an intention to purchase property within the next three-years, half of these (corresponding to almost 2,000 households) would be purchasing a property in Jersey for the first time.

Existing households accounted for 70% of the total potential first-time buyer demand (see Table 11); concealed households accounted for the remainder.

Table 11 - Current tenure of first-time buyer households; *three-year totals*

Current Tenure	Concealed	Existing	All First-Time Buyer households
Owner-occupier	430	140	570
Social housing	30	80	110
Private rental	70	680	750
Non-qualified	40	460	500
Total	570	1,350	1,920

Almost two-fifths of all potential first-time buyers were currently living in the qualified private rental sector; whilst more than a quarter were currently in non-qualified accommodation.

Almost a third of potential first-time buyers currently live in an owner-occupied dwelling. Such households include, for example: concealed households residing with other family members; and households currently living in share transfer accommodation.

Table 12 shows that two-thirds (66%) of the total demand from potential first-time buyer households is for houses, particularly for 2- and 3-bedroom houses; demand for flats accounted for about a third (34%) of the total demand from first-time buyers.

There was a significant difference between the requirements of concealed and existing households, with three-fifths (60%) of concealed households wanting a flat, whilst more than three-quarters (77%) of existing households wanted a house.

Overall, almost half of all potential first-time buyers wanted a 2-bedroom property, amounting to some 400 flats and 500 houses. There was also a large demand for 3-bedroom houses, with some 600 households stating that they would like this type and size of property.

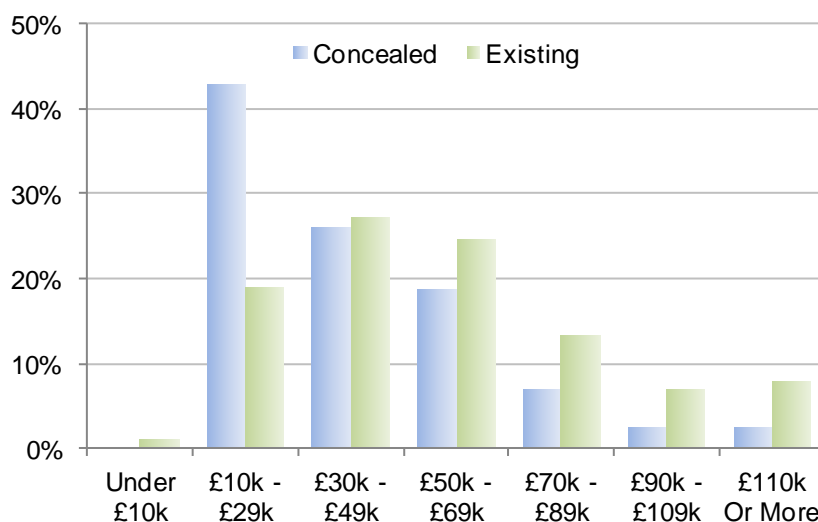
¹¹ In this report the term 'First-time buyer' represents households that would be buying a property in Jersey for the first time. Such households, who report that they are first-time buyers, may not necessarily be eligible to purchase first-time buyer properties.

Table 12 - Demand by property type from first time buyer households; *three-year totals*

Property required		Concealed		Existing		All First-Time Buyer households	
		Number	Percentage	Number	Percentage	Number	Percentage
Flats	1 bed	140	25%	100	7%	240	13%
	2 bed	200	35%	180	13%	380	20%
	3+ bed	-	0%	30	2%	30	2%
	All flats	340	60%	310	23%	650	34%
Houses	1 bed	20	3%	20	1%	40	2%
	2 bed	80	14%	430	32%	510	26%
	3 bed	120	20%	480	36%	600	31%
	4+ bed	10	3%	120	9%	130	7%
	All houses	230	40%	1,050	77%	1,270	66%
Total		570		1,350		1,920	

Figure 11 shows the income distribution of potential first-time buyer households.

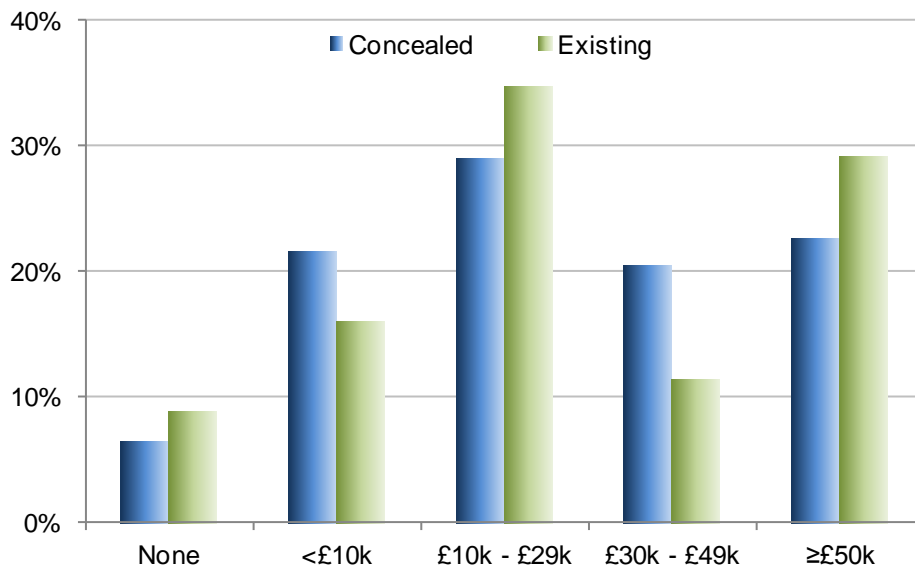
Figure 11 - Gross annual household income of potential first-time buyers



From Figure 11 it is apparent that there was a marked difference between the income distributions of concealed and existing households, with concealed households tending to have lower household income than existing established households. For concealed households the peak of the income distribution was between £10,000 and £29,000, with about two-fifths of concealed households being in this income band. In contrast, the income distribution of existing households peaked at between £30,000 and £69,000, with about half of existing households falling within this income range.

Potential first-time buyer households were also asked how much money they would have available to pay for a deposit and moving costs; Figure 12 shows the distribution of available money for concealed and existing households.

Figure 12 – Money available for a deposit and moving costs



The difference in the distributions of money available of the two household types was less marked than in the case of household income. Nevertheless, concealed households tended to have slightly less money available than existing households.

Overall, almost a third of all potential first-time buyer households had between £10,000 and £29,000 available for a deposit and moving costs; whilst around a quarter had more than £50,000.

Methodology

In previous rounds of the Housing Needs Survey (HNS), a questionnaire specific to housing needs in the Island was sent directly to households. The 2012 round of the HNS saw the questions included within the Jersey Annual Social Survey (JASS) questionnaire, thereby reducing the number of times households were being contacted for information by the Statistics Unit whilst, at the same time, representing an efficient and cost-effective way of collecting the data.

The principal behind a sample survey such as JASS/HNS is that by asking questions of a representative sub-set of a population, conclusions can be drawn about the overall population without approaching every individual. Provided the sample is representative, then the results will be unbiased and accurate.

Weighting

The response rate for JASS 2012 was 59% - an excellent response rate for a voluntary postal survey. However, response rates usually vary by the type of respondent, e.g. age, gender, tenure. In order to compensate for different response rates from different household types, and to reduce any residual bias due to deriving estimates from a sub-set of the total population, the response data was weighted. Weighting survey response data enables the point and parameter estimates (e.g. totals, means and proportions) derived from the sample to be unbiased population estimates.

The process of weighting involves assigning numerical factors ("weights") to each respondent. Tenure-dependent weights were derived by comparing the tenure distribution of JASS/HNS respondents and that of the 2011 Census.

After weighting the data, the distributions of household structure, Parish and property type from JASS/HNS were compared with those of the 2011 Census. Agreement was generally very good, as is apparent from Tables A1 to A3.

Table A1 - Household structure profile: 2011 Census and weighted JASS/HNS response; percentages

Household composition	Census 2011	JASS / HNS 2012
Single adult	18	17
Adults (two or more)	30	29
Single parent (with dependent children)	4	3
Couple (with dependent children)	19	15
Couple (one pensioner)	3	4
Single pensioner	12	13
Pensioners (two or more)	9	10
Other	5	8
Total	100	100

Table A2 - Household Parish profile: 2011 Census and weighted JASS/HNS response; *percentages*

Parish	2011 Census	JASS / HNS 2012
Grouville	5	5
St. Brelade	10	11
St. Clement	9	8
St. Helier	39	35
St. John	3	3
St. Lawrence	5	6
St. Martin	4	4
St. Mary	2	2
St. Ouen	4	4
St. Peter	5	5
St. Saviour	13	13
Trinity	3	4
Total	100	100

Table A3 - Property type and size profiles of 2011 Census and weighted JASS/HNS sample; *percentages*

JASS / HNS 2012	1-bed	2-bed	3-bed	4+ bed
Flat	90	58	8	2
House	10	42	92	98
Total	100	100	100	100

Census 2011	1-bed	2-bed	3-bed	4+ bed
Flat	92	63	10	3
House	8	37	90	97
Total	100	100	100	100

From Tables A1 to A3, it is apparent that weighting has made the JASS/HNS response representative of the total population, enabling robust estimates and inferences to be drawn regarding the total population.

Grossing-up

The second important factor involved in the analysis of the sample data is that of “grossing up”. This process involves applying a multiplying factor to the weighted JASS/HNS response in order that results are scaled to the total population.

With the sample of respondents being representative of the Jersey household population as a result of weighting, a simple uniform grossing up factor can be applied to obtain aggregate estimates. This involved multiplying the sum of the variable of interest by the ratio of the number of households in the population (from the 2011 Census) to the number of respondent households in the weighted JASS/HNS response. The resulting grossing factor was 15.6.

Appendix B

Notes

Residential qualifications

Jersey residential housing qualifications can be gained in the following ways:

- Through living in Jersey for 10 years or more (a-h category)
- Essential employment (j-category)
- Grounds of economic or social benefit (k-category)
- Other grounds (e.g. hardship)

Residentially qualified tenures

Owner-occupier: includes purchase by share transfer or on a lease of more than 9 years; Principally (a-h), but also some (j) and (k) category

Social housing: (a-h) tenant of States, Parish or Housing Trust housing

Private rental: (a-h) or (j) tenant or occupier of private accommodation

Non-residentially qualified accommodation

For the purpose of this report all non-residentially qualified living arrangements have been classified as belonging within the ‘non-qualified sector’ of Jersey’s housing market. Within this classification, individuals may reside as a lodger within a private household, a lodger within a registered lodging house or the non-qualified occupier of tied (i.e. staff) accommodation.

Definition

Household: One person living alone or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.

Affordability - Ratio Analysis

The ratio of property price to income is a widely used measure of housing affordability.

Between 2002 and 2011 the ratio of mean property price to mean gross household income in Jersey was around six to seven when calculated over all property types, and greater than four for all individual property types except for 1-bedroom flats (see reference in footnote 9 on page 17).

As an initial analysis it is, therefore, informative to consider the effects of applying an affordability ratio of four to the potential shortfalls and surpluses shown in Table 6 (on page 11). After taking into account the available deposit indicated by respondents, households were removed from both the supply and demand analysis if the mean price of the property they intended to purchase was more than four times their gross annual income. The resulting surpluses and shortfalls are shown in Table C1.

Table C1 – Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing mean property price to household income ratios greater than 4; three-year totals

Tenure / size	Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
1 bed	(50)	(40)	(310)	(390)	(790)
2 bed	80	(420)	(300)	40	(600)
3 bed	240	(10)	130	(110)	250
4 bed or more	360	(10)	50	-	400
Totals:	630	(480)	(440)	(460)	(740)

Compared with the results of Table 6 (no affordability criteria applied), Table C1 shows a reduction of the overall shortfall by around a half, from 1,470 to 740 dwelling units. More than half of this overall shortfall is in the non-qualified sector, driven by that in 1-bedroom properties.

The most significant effects of the application of the affordability condition at the sector level are:

- owner-occupier: demand from existing and concealed households falls by almost two-thirds (from more than 4,000 to about 1,500 households), resulting in a surplus of more than 600 properties in this sector;
- private rental: the previously seen surplus is affected by a lack of supply of 1- and 2-bedroom properties, resulting in a shortfall of more than 400 properties in this sector;
- non-qualified: the potential shortfall increases, as households are not able to move into the owner-occupier sector, thereby reducing the potential supply in this sector.

If the same affordability ratio of four is applied using median property prices rather than mean property prices, similar themes and scales of potential surpluses and shortfalls to those of Table C1 emerge.

A detailed comparison with the mean price based analysis suggests that under the median price approach there is a slight reduction (by 30 units) in the potential surplus of 3-bedroom owner-occupier properties whilst an additional 30 properties become available in private rental 2-bedroom units, due to a small number of additional households being able to move into the owner-occupier sector.

Using mean and median property prices is useful for assessing the ability of households to buy a property in “the middle” of the distributions of property prices. However, it is also informative to consider the effect of applying an affordability ratio to properties at the lower end of the price distributions.

An affordability ratio of four applied to the ratio of lower quartile dwelling price and household income results in greater numbers of households being able to move; the resulting potential surpluses and shortfalls are shown in Table C2.

Table C2 – Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing lower quartile property price to household income ratios greater than 4; three-year totals

Tenure / size	Owner-Occupier	Social Housing	Private Rental	Non-Qualified	Total
1 bed	(60)	(40)	(280)	(360)	(750)
2 bed	(40)	(420)	(240)	(30)	(730)
3 bed	130	(10)	120	(90)	160
4 bed or more	400	(10)	50	-	440
Totals:	430	(480)	(360)	(480)	(890)

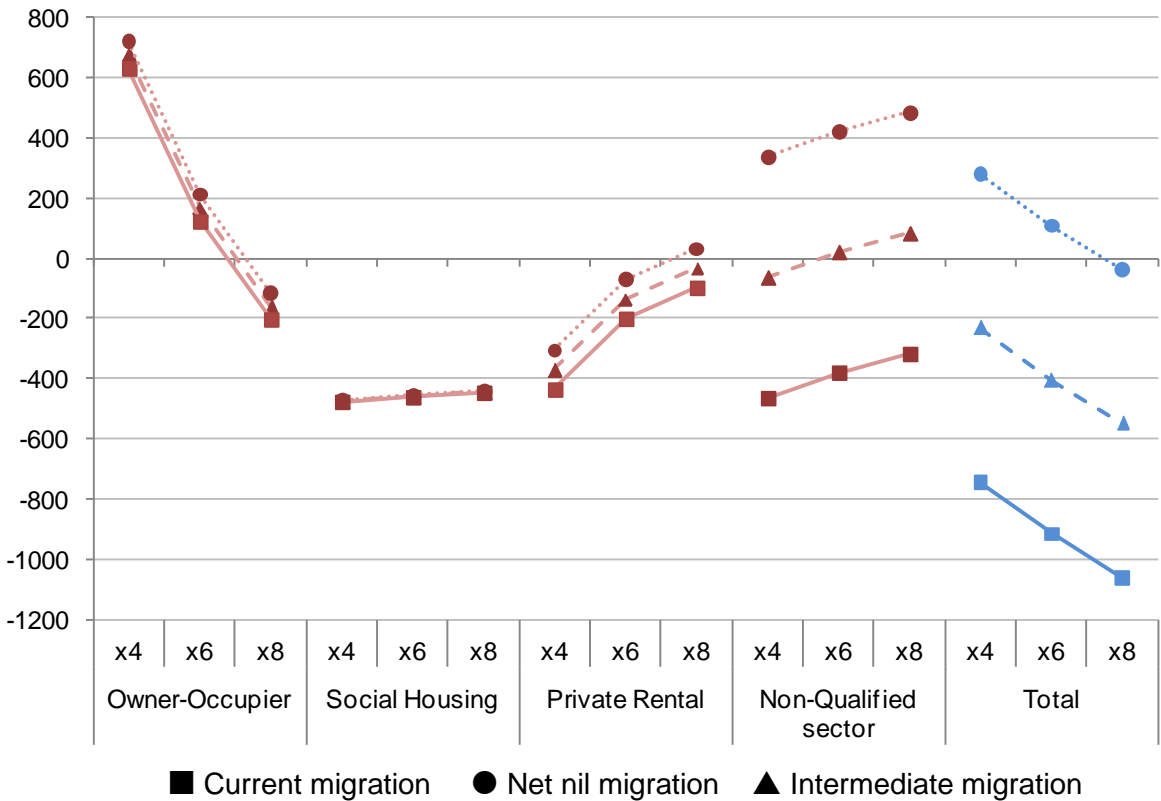
Comparing Table C2 with Table 6 (on page 11) shows that both the potential surplus of owner-occupier properties and the potential shortfall of private rental accommodation remain, though at reduced levels compared with those of Table C1. The overall shortfall of properties increases to almost 900 units, again more than half of which is due to shortfalls in the non-qualified sector.

Applying a ratio of four is useful for gauging the effect on potential housing requirements of an affordability condition similar to current lending criteria. The ratio analysis was extended in order to explore the potential effects of households being able to borrow at greater levels, at ratios of property price to household income of six and eight.

The following sets of graphs show the effects on the potential housing requirements of increasing the affordability ratio to six and eight. Results based on the mean, median and lower quartile property prices are presented, to show the effects of households buying in the middle or lower end of the property price distributions.

Each graph also shows the effect of different levels of net inward migration (at the levels discussed in Section 4).

Figure C1 – Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing mean property price to household income ratios greater than 4, 6 and 8; under three scenarios of net migration; three-year totals



Increasing the affordability ratio to six reduces the surplus of owner-occupier properties compared with a ratio of four; a ratio of eight results in a shortfall of about 200 owner-occupier properties.

The opposite effect is seen in both the private rental and the non-qualified sectors; an increased ratio increases the supply of smaller sized properties in these sectors and thereby reduces the shortfalls in these sectors.

Figures C2 and C3 shows the effects of the different ratio analysis based on median and lower quartile property prices, respectively.

In all cases, the potential surpluses or shortfalls in the qualified tenure categories are relatively insensitive to the level of net migration in the short-term.

Figure C2 – Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing median property price to household income ratios greater than 4, 6 and 8; under three scenarios of net migration; *three-year totals*

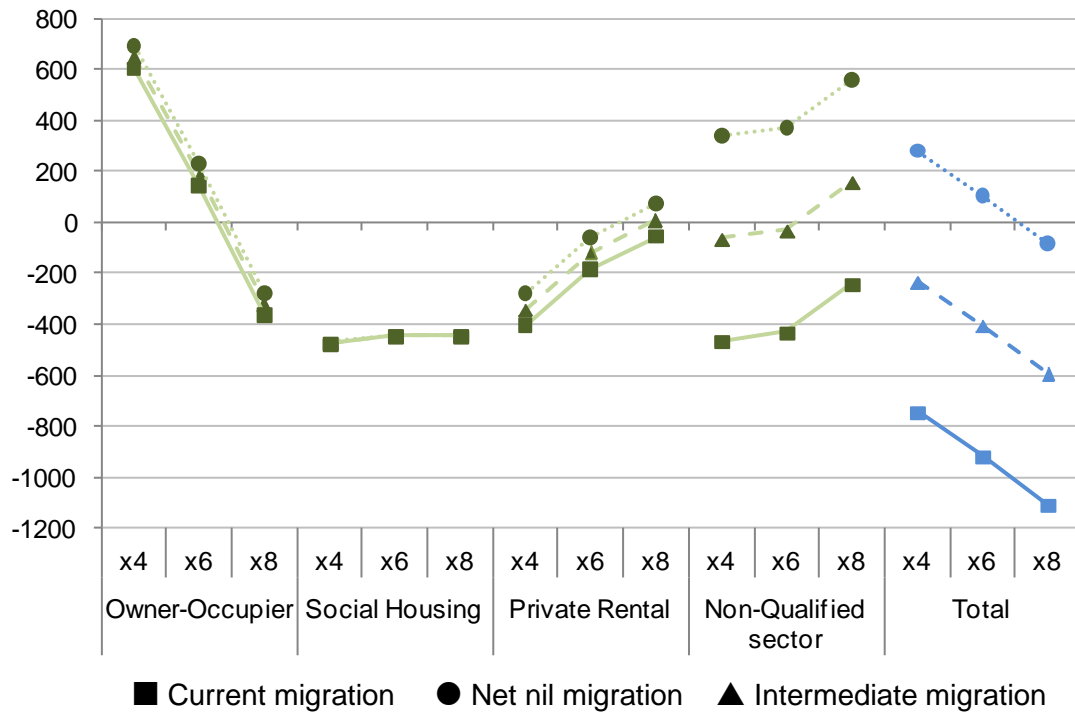


Figure C3 – Surpluses and shortfalls (supply-demand) by tenure and size of dwelling removing lower quartile property price to household income ratios greater than 4, 6 and 8; under three scenarios of net migration; *three-year totals*

