

## Guernsey housing market – calls for the States to intervene

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Intervention could help stimulate the market, help first time buyers get on the ladder and increase the amount of duty received by the Guernsey coffers on property sales.

After a States of Guernsey meeting last September to consider a joint report by two committees - Treasury and Resources and Housing - on various schemes to assist first time buyers, government agreed it would support the Guernsey Housing Association's (GHA) partial ownership scheme rather than intervene in the housing market. In the longer term it was agreed to review document duty and consider ways of encouraging new lenders to operate on the island.

"Since then the most recent figures available show States Local Market Residential Property Prices reflecting a fall in the mixed adjusted average house price between Quarter 2 of 2012 and Quarter 4 of 2015 of about 9%," said Martyn.

"These figures are interesting because those involved in the property market (estate agents, surveyors, developers and lawyers) actually believe the fall in house prices is greater than that reflected in the States quarterly bulletin - and some believe that house prices may continue to fall. In addition, the number of property transactions has fallen to such a degree that the States are possibly losing out on about £4 million of income each year."

It was announced recently that the ratio of earnings to house prices in Guernsey is high, in fact as high as London.

Martyn poses the question: "So a fall in house prices would be good, wouldn't it?"

However he adds: "Not necessarily. A fall in house prices will result in negative equity, which upsets the housing market and disrupts the economy in general. If we need a price adjustment it has to be a gradual process whereby earnings are allowed to increase faster than house prices. No economy will benefit from a crash in house prices."

High property prices and a smaller number of lenders is bad news for individuals and couples trying to purchase their own home but cannot because they are unable to raise the deposit required by a bank.

"At the moment banks in Guernsey will lend a maximum of 90% of purchase price, meaning a couple buying a house at the lower quartile (£295,688) will have to raise approximately £40,000 towards their deposit and the costs of buying the property (of which some £7,500 will be duty and court fees). Ironically, saving such a sum is made more difficult by the fact the couple are paying rent.

"It was acknowledged by the States last September that the island could benefit from having more lenders. There are fewer active lenders on the island than there has been for a long time. The loss of the Co-Operative Bank and Guernsey Home Loans left a gap in the market, and the introduction by some banks of stricter lending criteria mean that there is a lack of available credit in Guernsey."

Although the focus has been on the Guernsey Housing Association's scheme, it has limitations, says Martyn.

"Unfortunately, the GHA have no partial ownership units available. The good news is that there are some GHA developments in the pipeline, but even when those units become available the GHA believe there will be a waiting list of some 200 applicants. The States could, through a change in policies, release land for development of further partial ownership units, but that will take time. Also, whilst acknowledging that the GHA has an important role to play, why put money into development of that number of partial ownership sites when there are homes available but inaccessible in the private sector?"

So what's the solution? Martyn has some suggestions:

"If the States were to fund a first time buyers deposit loan scheme for a trial period of say 6 months, using £3 million of funds, up to 100 first time buyers could be helped into the private sector, so increasing the number of sales and raising about £750,000 by way of document duty in the process. The ripple effect could mean that the States receive much more than that in the way of document duty. Such an amount of funds, and the relatively small number of people who are likely to benefit

from such a scheme, is unlikely to over-stimulate the market to bring about inflation. Evidence of the success of such a scheme can be found at our sister isle, Jersey, which ran a similar scheme two years ago; their housing market is now experiencing a very acceptable 2% a year increase in value.

"Can the States continue to do nothing for the private sector?," he asks.

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