

Focus on the Guernsey Housing Market



House prices are a crucial indicator of the state of any economy. That is recognised everywhere – just look at the concern over the US's fall in property values as an example of how important the property market is to a place's overall wellbeing.

We are no different here, with an ongoing need to balance keeping the housing market strong, while at the same time being constantly aware of the ability of first time buyers to join the market.

Where Guernsey is different, though, is that we have a clearly defined amount of space available to us. We can – and should – be looking at ways of developing more homes but are always conscious of the fact that our island is small and space is at a premium.

The knock-on effect of that is that the island's housing market has always been stronger than elsewhere because the shortage is generally more acute. It is a classic case of supply and demand. The skill is in evening out the position as much as possible because a red hot, inflated market is bad news and so is a stagnant one where supply is too strong.

Although interest rate changes have been felt, they are still generally manageable and we are not seeing signs of resistance from potential buyers because of them. Neither are we being told that people are unwilling to move and take on extra borrowing due to mortgage costs.

What is more relevant here is the low number of places available to buy in the 'middle' sector of the market. There is good availability with apartments and a reasonable turnover of smaller homes but the family home 'bands' are poorly supplied. That, alone, will push up prices.

To some degree the continuing rise in house prices is a measure of success. If our economy, and particularly the finance sector, was not continuing to thrive, the property sector would be less busy. Where we need to apply special consideration is for people who don't work in that industry and whose ability to earn or borrow at a high level cannot keep up.

I have been saying for some time now that our politicians need to act to make more sites available for housing. That is not just an estate agent spouting rhetoric. I have had many years' experience in this sector and can see that there is a real need to end the ban on rural development in locations that have no real "green" value. A blanket ban is wrong and, I believe, ultimately inflationary because it is fuelling the property shortage.

On the plus side of these increases, it should be encouraging that people are still confident enough to buy and move in spite of next year's proposed changes and the potential threat to the economy.

Added to that is a "trickle down" effect in values. This is the result of people at the top end of the market being prepared to pay substantial sums for luxury homes. This equity ripples downwards. It is also happening in prime spots like central London and helps to ensure that the bubble does not burst.

Another key element in offsetting the effect of higher interest rates is that employment levels are strong. This, too, will prevent values plummeting because that "crash" in the 90s was a combination of high interest rates and very high jobless totals.

Fortunately, here in Guernsey, we have historically never had the depths of depression experienced elsewhere. Our "micro-climate" is not just weather-related, it appears to be financial as well.

