

Homes maintenance conference

Ethical stock disposals

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27th November 2019

Policy context

Policy headlines and new ambitions

- We need to build more homes whilst enhancing investment
- 300,000pa by 2025 – *change to 200,000pa by 2024*
- Homes England – Strategic Partnerships and new ways of working – *more grant/flexibility*
- Stock rationalisation – part of VFM for growth
- Green Paper – Regulation Review, greater tenant voice
- Zero Carbon, Safety costs and Building Standards, Decent homes 2, Future Homes Standards – uneconomic units



Labour pledges £75bn programme to build 150,000 affordable homes a year



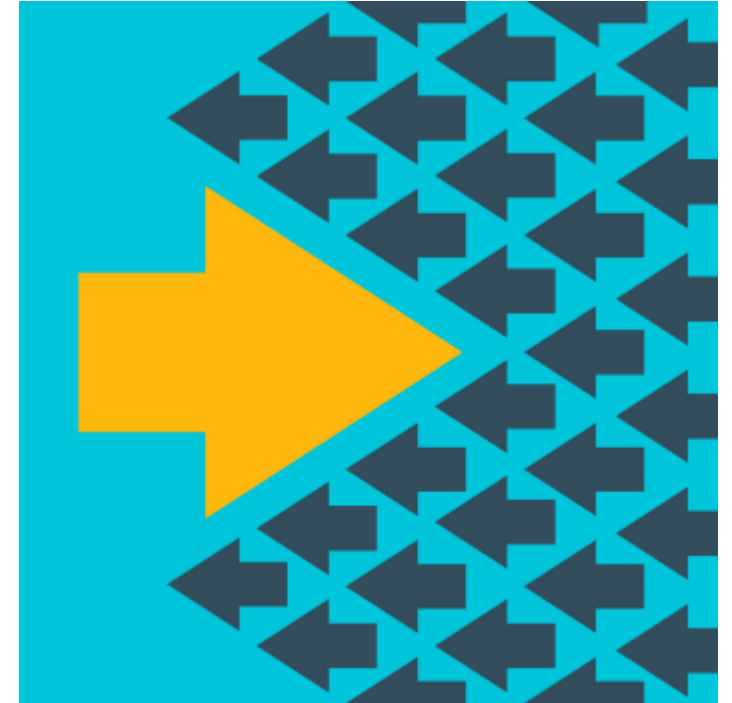
Shared ownership Right to Buy: what we know so far



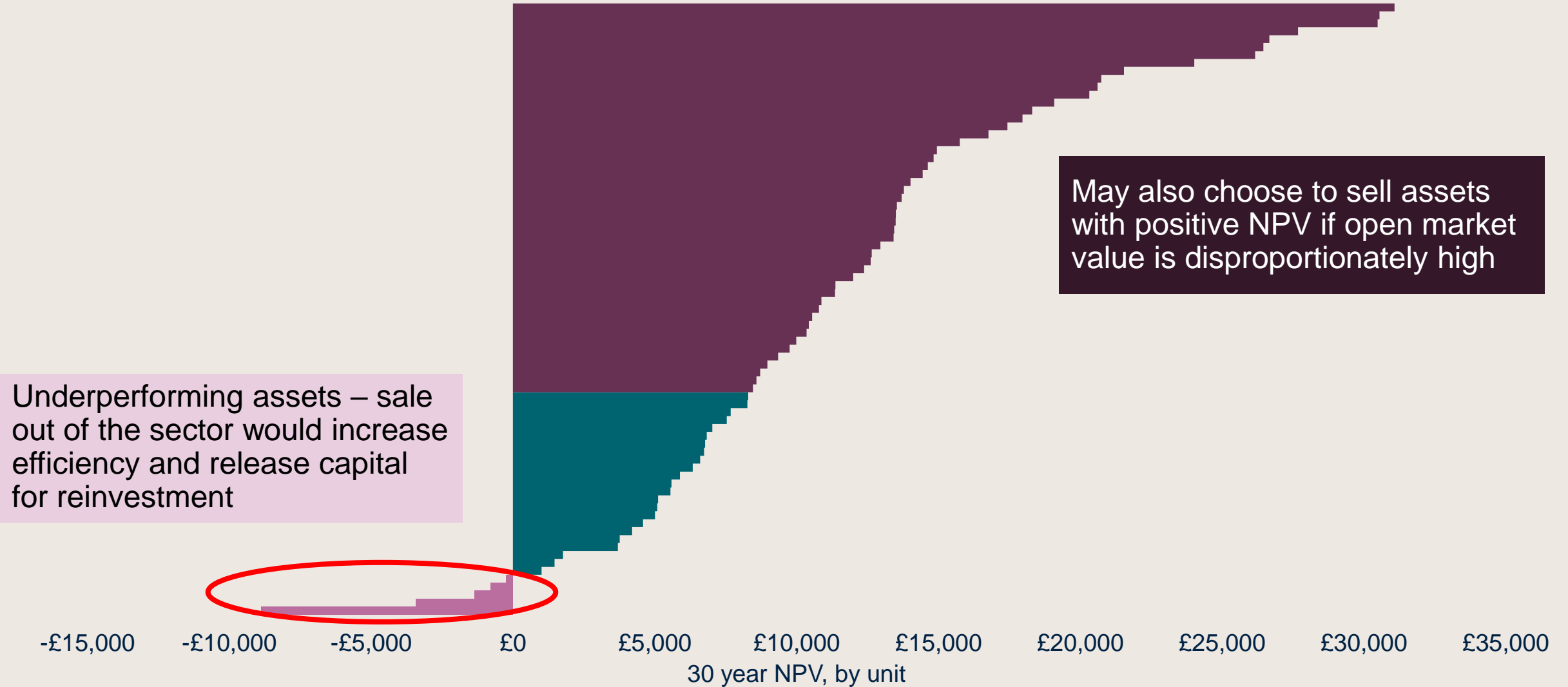
Conservatives pledge 'at least' a million homes over next five years

Fundamental Drivers for tenanted stock disposals remain

- Financial imperatives
 - release funds for growth – target investment at sustainable stock
- Operational and management efficiencies – LIFE model
 - geographical footprint
- Consolidation after merger
- Changing demand for a product e.g.
 - Sheltered housing
 - Supported housing
 - Street property



It can make economic sense to sell housing stock



New Entrants



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State of the market

Continued uncertainty but some growth

- Wales
- Scotland
- Midlands

Country playing catch up with London/SE sustained period of growth

Figure 1 – Average price versus 2007/8 peak, Jun-19

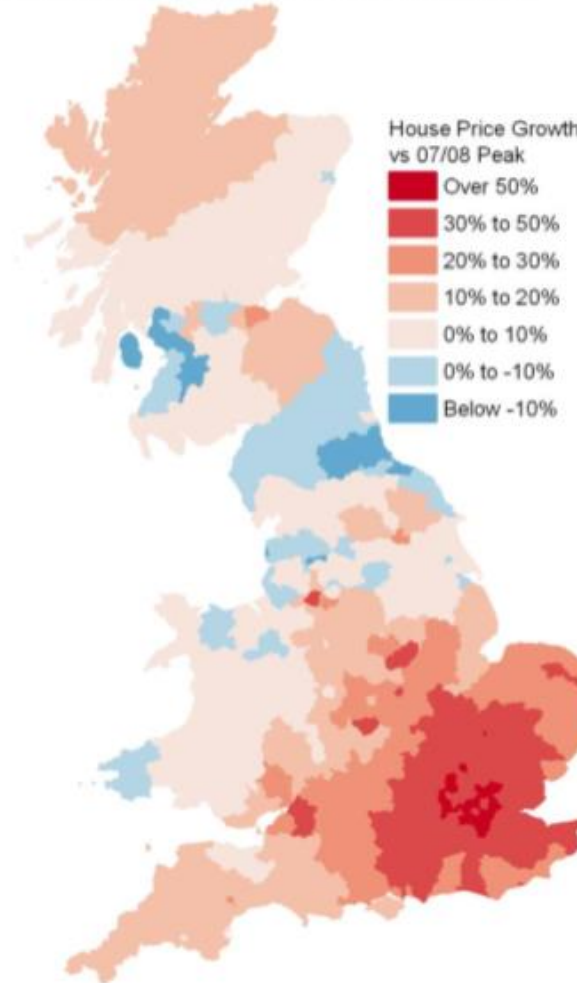
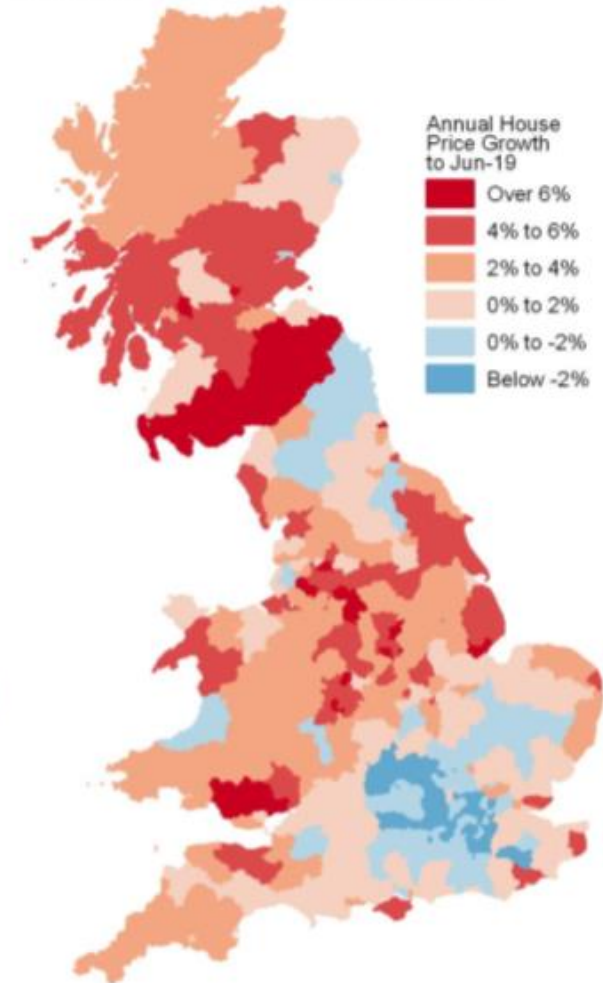


Figure 2 – Average price growth, year to Jun-19



Source: Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

Cyclical market – think about business model

Cross subsidy model

“is at full stretch”

“is broken”

“Is absolutely bust”

g15 August 18

Mayor of London Feb 2019

L&Q Oct 2019

Geographic sensitivities ???

Market sentiment = Cross Subsidy model

Market downturn = Asset management model



Getting Rich from the Housing Crisis

You can't solve a housing shortage by selling off **affordable homes.**

THE TIMES

HOUSING CRISIS

Housing crisis: Fewer to rent but chiefs' pay

Tom Knowles,
Property Correspondent |
Tom Wills, Data Editor

February 1 2018, 12:01am,
The Times

Sign our petition

Shelter



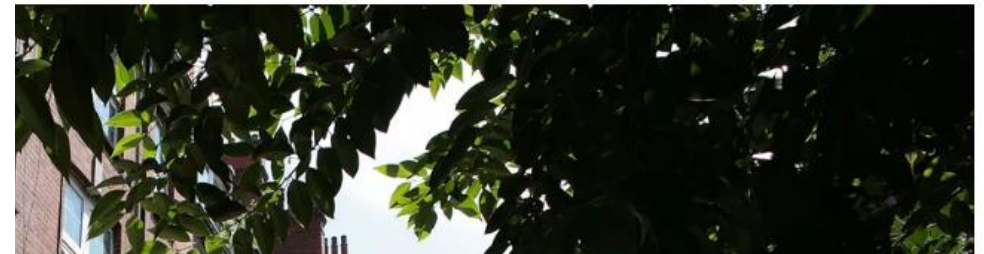
Development of homes for social rent has slumped in the past five years
PETER BYRNE/PA

Lifestyle

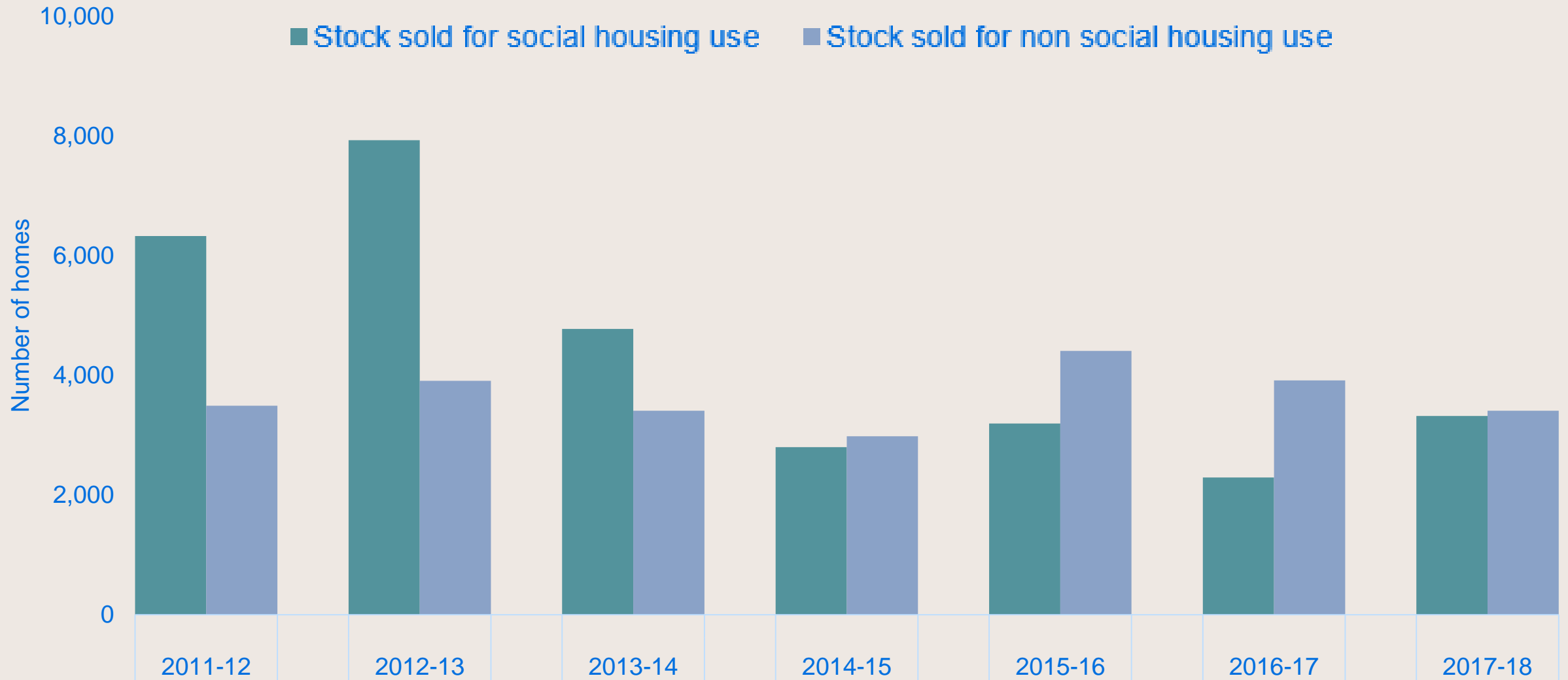
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Tech Global development Cities Obituaries

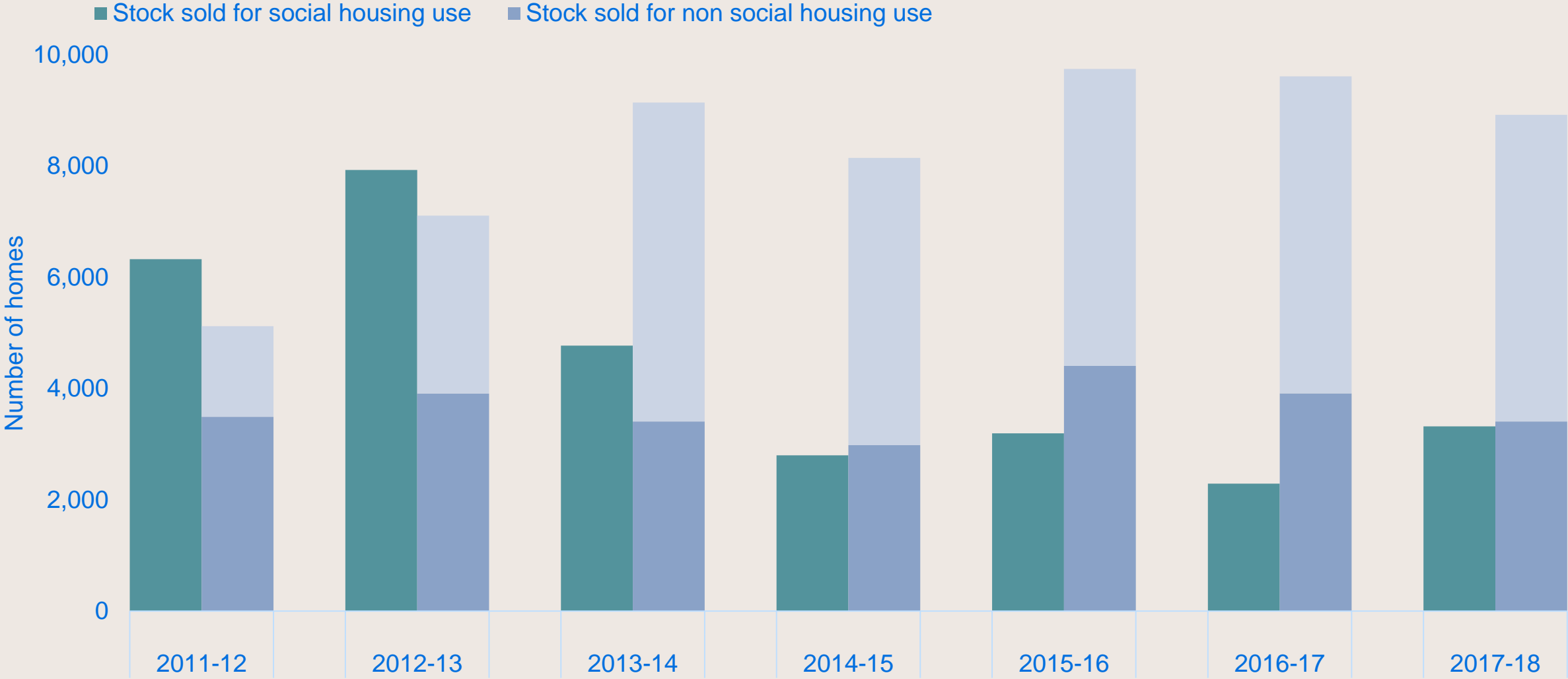
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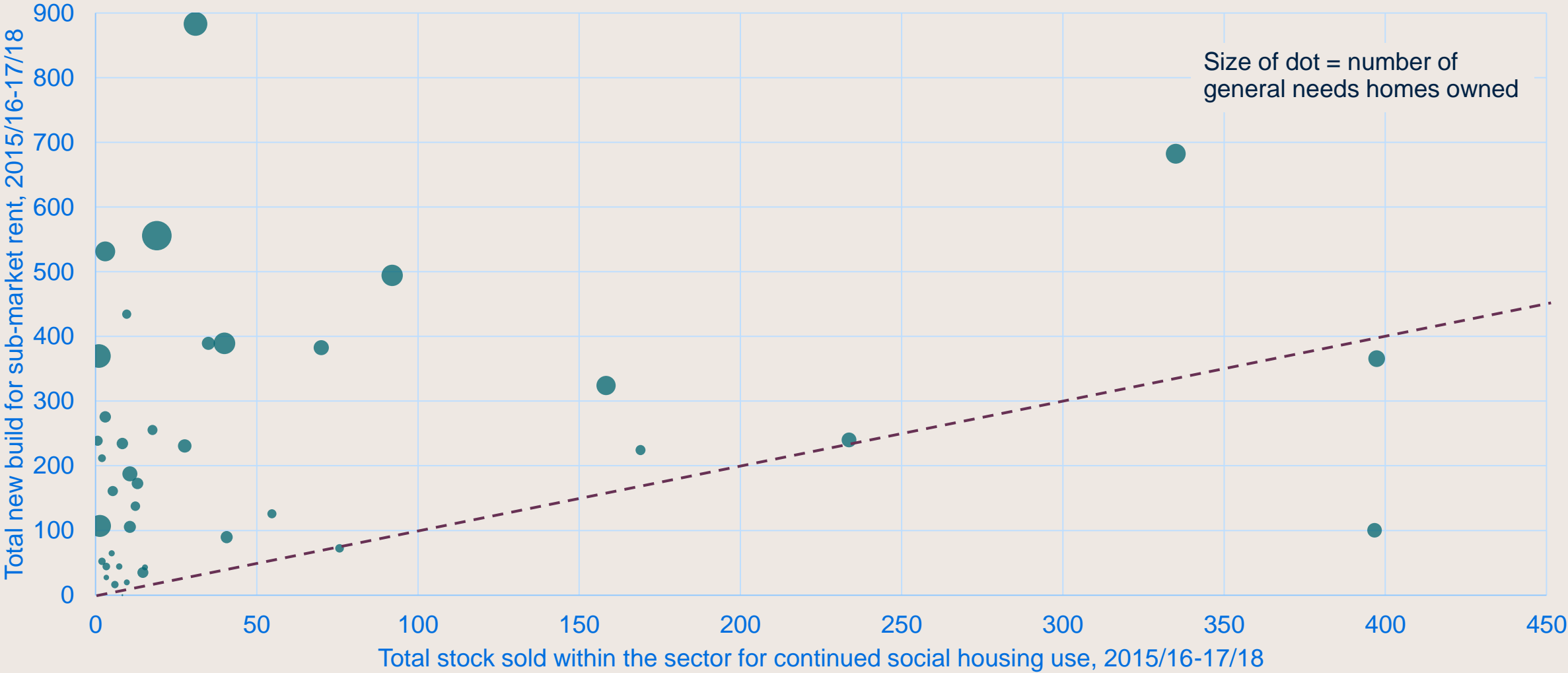
Activity is not very new or very big

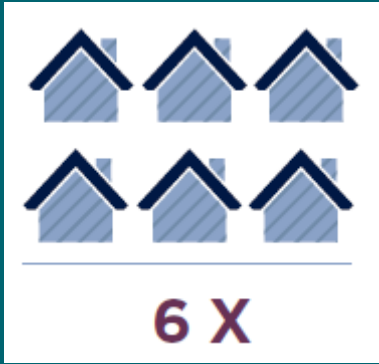


Right to Buy is the elephant in the room

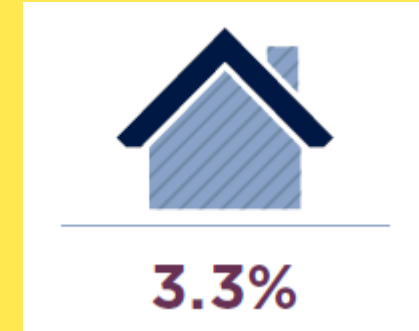


Organisations engaged in stock rationalisation also show net gains

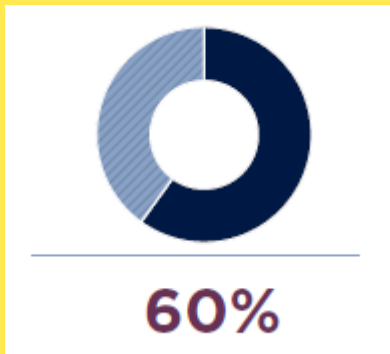




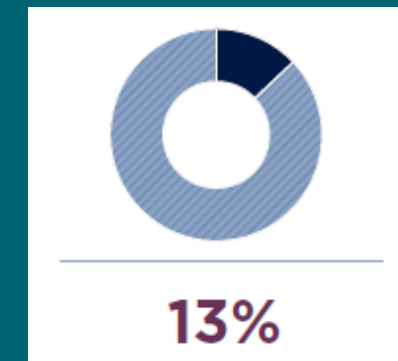
Across the 150 housing associations that did sell homes out of the sector, six times as many new sub-market rented homes were delivered



Housing associations have added new sub-market rented homes equivalent to 3.3% of their existing stock over three years



60% of homes sold for non-social housing use was by traditional housing associations



LSVTs were less active, they sold 13% of the homes sold out of the sector for non-social housing use

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Savills experience

State of the Market: stock sold in last 10 years by Region and Tenure

Region	Homes
North East	1424
North West	4884
Yorkshire & the Humber	571
East Midlands	2528
West Midlands	2140
East of England	2980
London	2994
South East	4367
South West	3529
Wales	98
Total	25,515

Tenure	Homes
GN	14255
GN/SO	3170
GN/Supp	3147
GN/Mixed Tenure	809
Shared ownership	794
Sheltered/Supported	3340
Total	25,515

Internal due diligence



Board level understanding of options and risks?



Proper PR and consultation with stakeholders?

Public relations



Where has the capital released by a sale been spent? On what and how quickly?



Have the advantages of sale been communicated to stakeholders?

Questions?
