

# Releasing untapped potential for more homes

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13<sup>th</sup> July 2017

# Where's the money?

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## Cashflow

How much additional borrowing could Housing Associations service through existing cashflow?

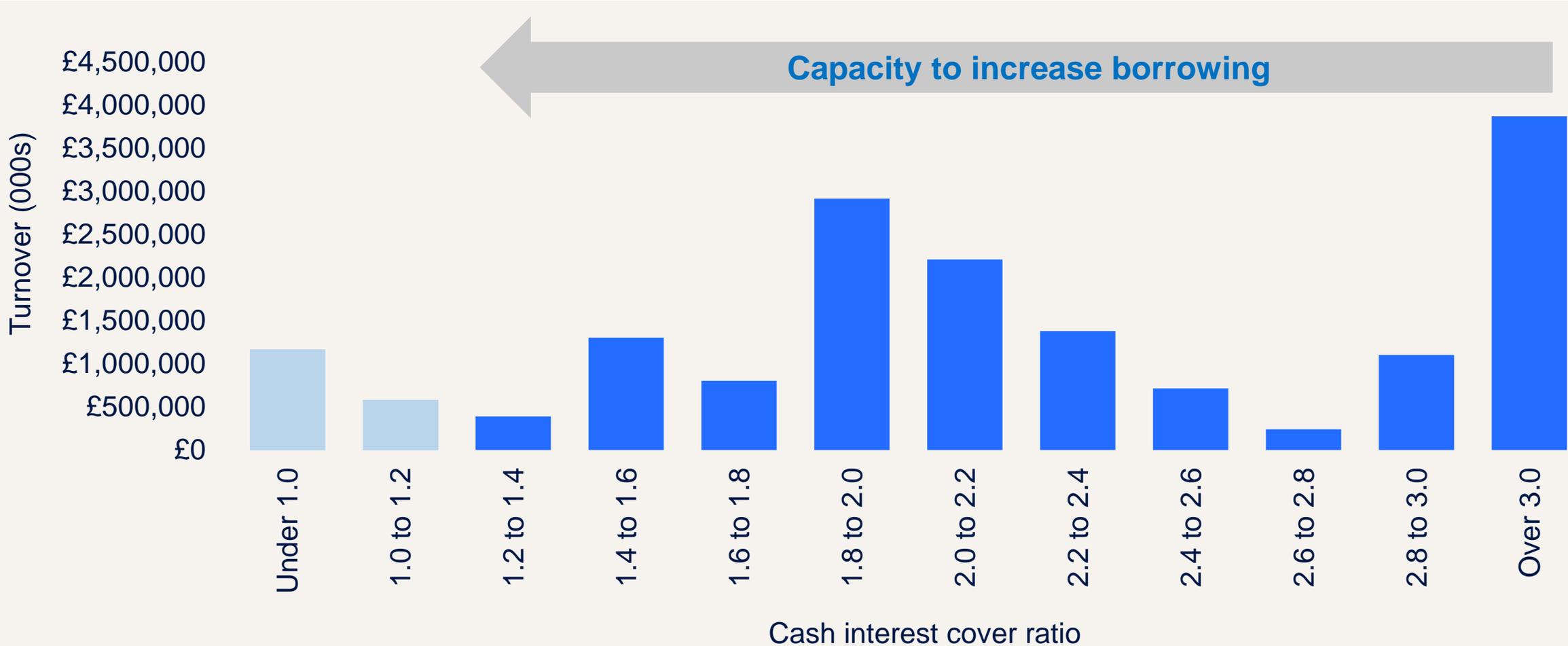
How much additional borrowing could Housing Associations back with existing assets?

## Balance sheet

# Making the most of cashflow capacity



Source: Savills analysis of the 2015 published financial reports for over 175 of the largest English housing associations owning 91% of social housing stock



# How far towards 1.2 to go?

~~100%~~



£45.0bn

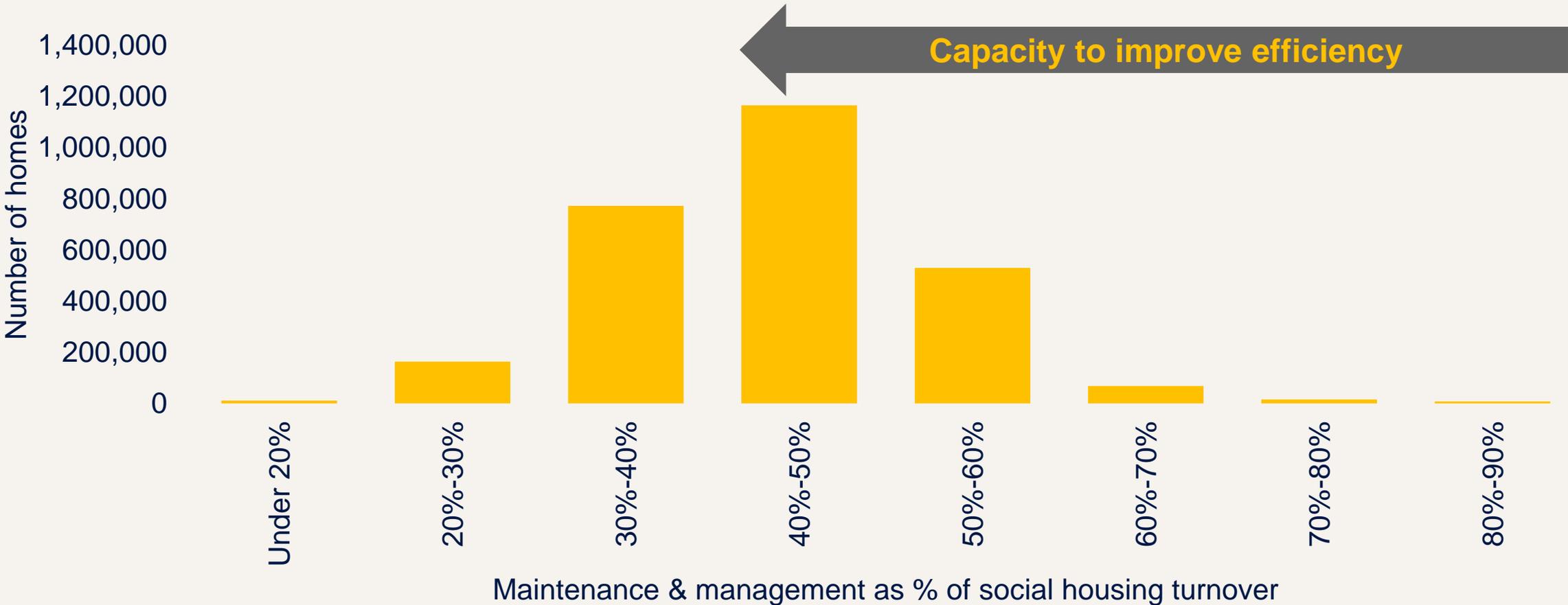
£24.1bn

£12.9bn

# Efficiencies in management and maintenance



Source: Savills analysis of the 2015 published financial reports for over 175 of the largest English housing associations owning 91% of social housing stock



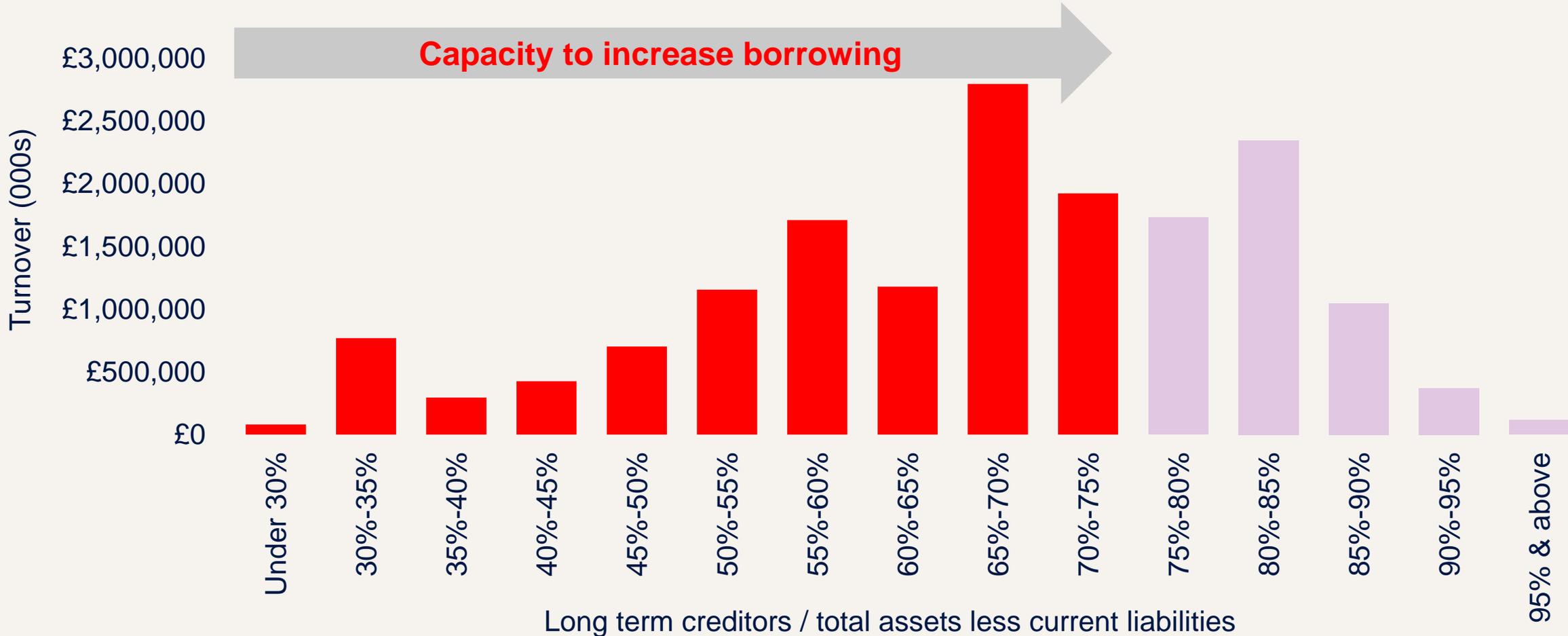
# Total cashflow capacity

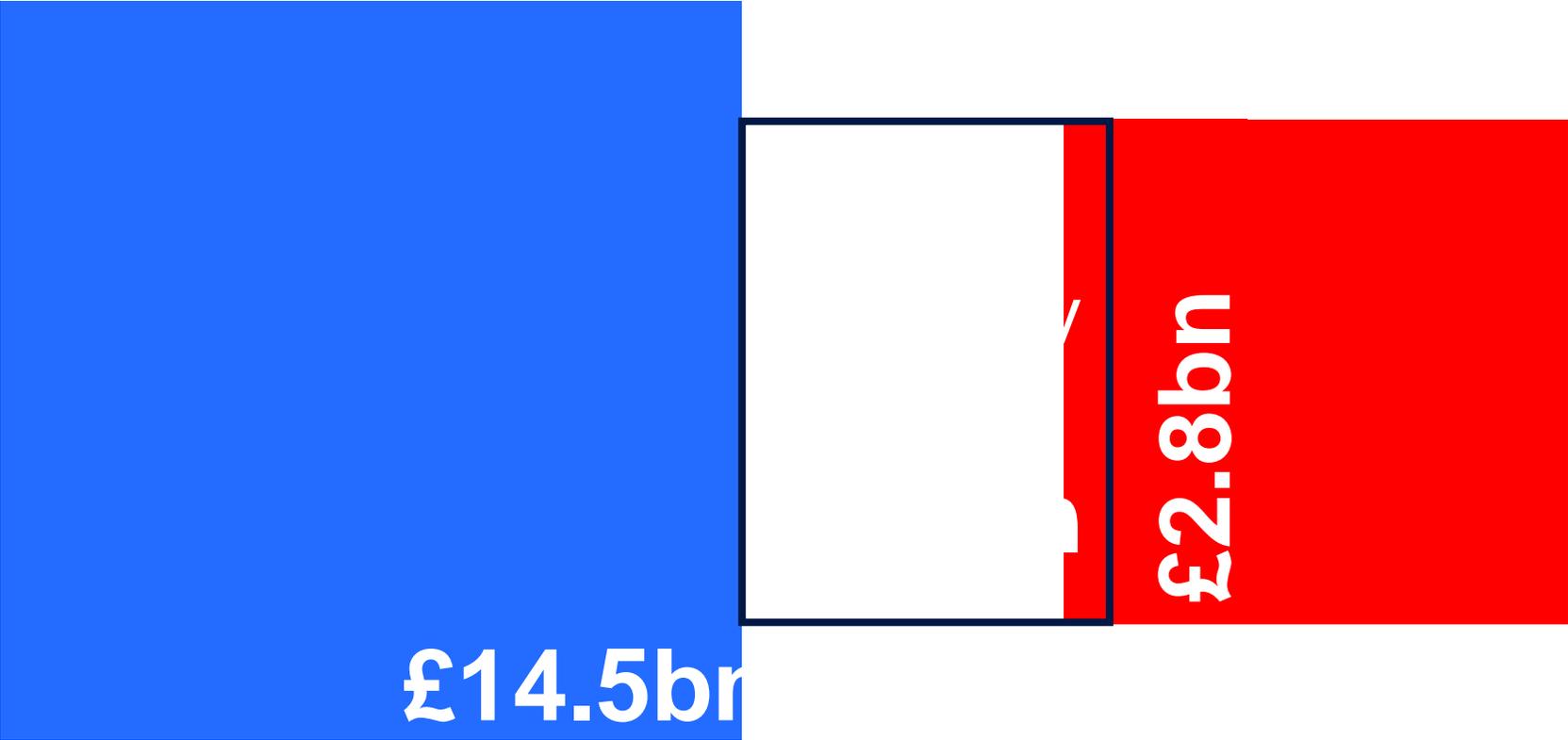


# Indicative balance sheet capacity



Source: Savills analysis of the 2015 published financial reports for over 175 of the largest English housing associations owning 91% of social housing stock





# The Welsh HA sector

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- Welsh housing policy supports development of new affordable housing:
  - Target to deliver 20k new homes by 2020
  - Grant funding still available – SHG pot increased from £68m to £100m
  - Rent policy favourable at CPI+1½%
  - Right to Buy to be abolished
- New bill to support ONS reclassification of HAs as private sector bodies
- Rent policy review due 2019

# Challenges to unlocking capacity

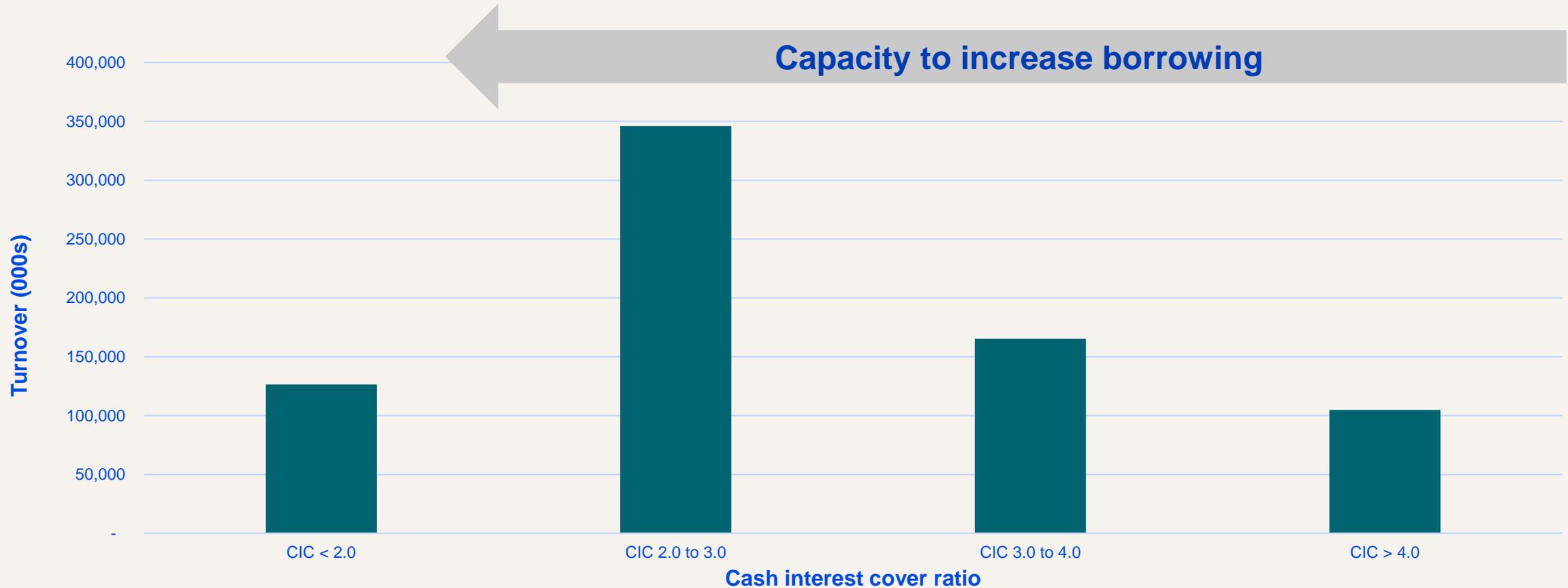
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- Management challenges especially in rural areas
- Ageing stock profile, population demographics and changing patterns of demand
- Some organisations still delivering transfer / regeneration promises
- Diverse housing market with significant regional differences
- Methodology can be applied but parameters need to reflect these characteristics

# Welsh HAs: Cashflow capacity profile

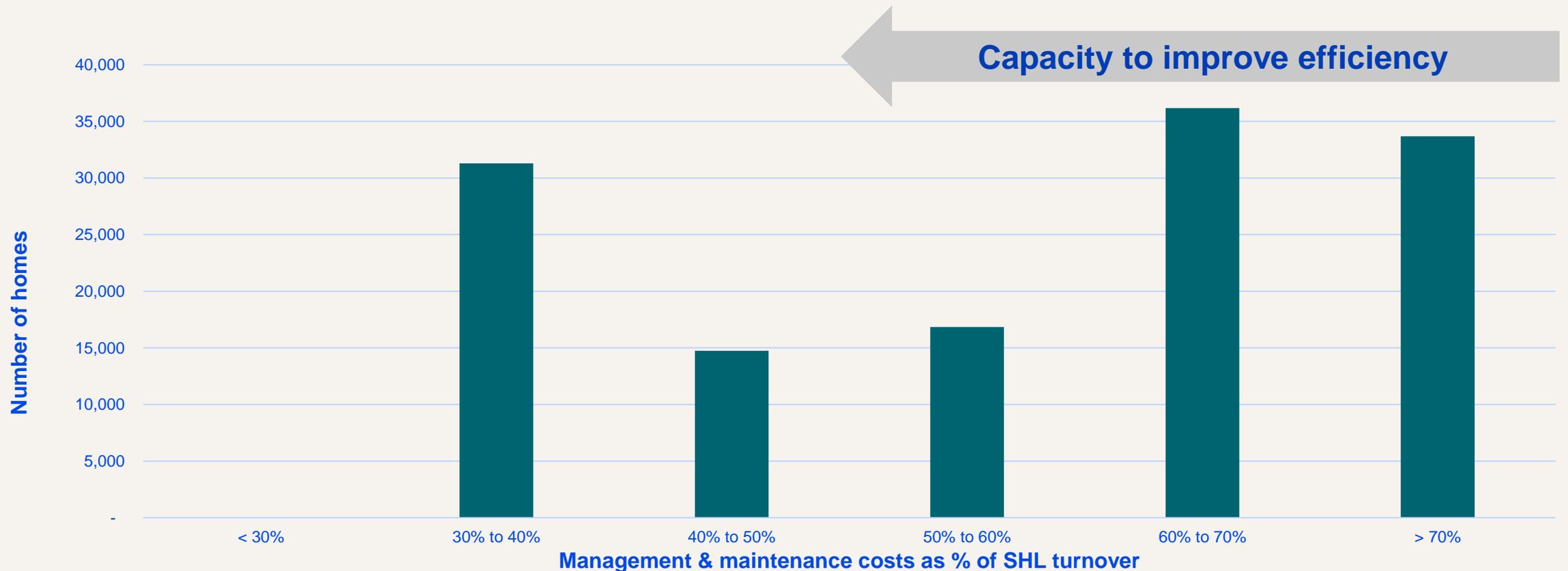


Source: Sample of 22 Welsh housing associations 2016 published financial statements



# Welsh HAs: Management and maintenance profile

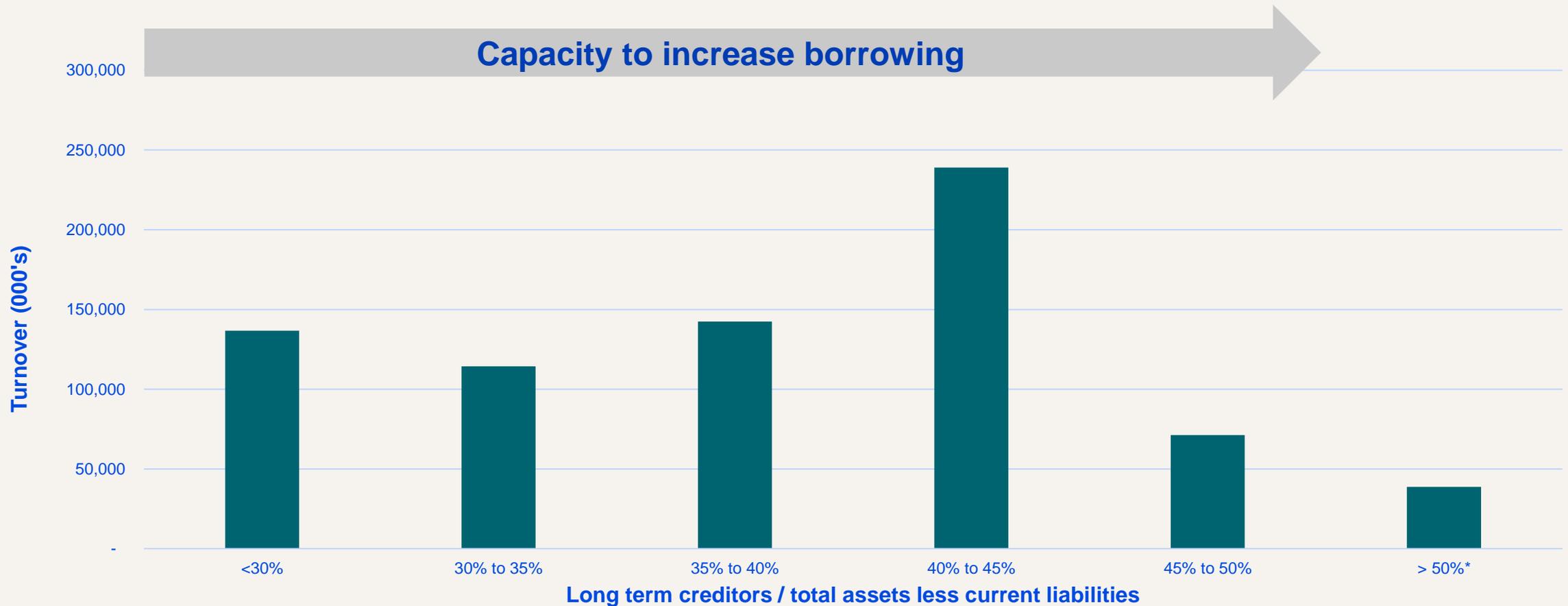
Source: Sample of 22 Welsh housing associations 2016 published financial statements



# Welsh HAs: Indicative balance sheet capacity



Source: Sample of 22 Welsh housing associations 2016 published financial statements



# Welsh HAs: Valuations vs debt per unit

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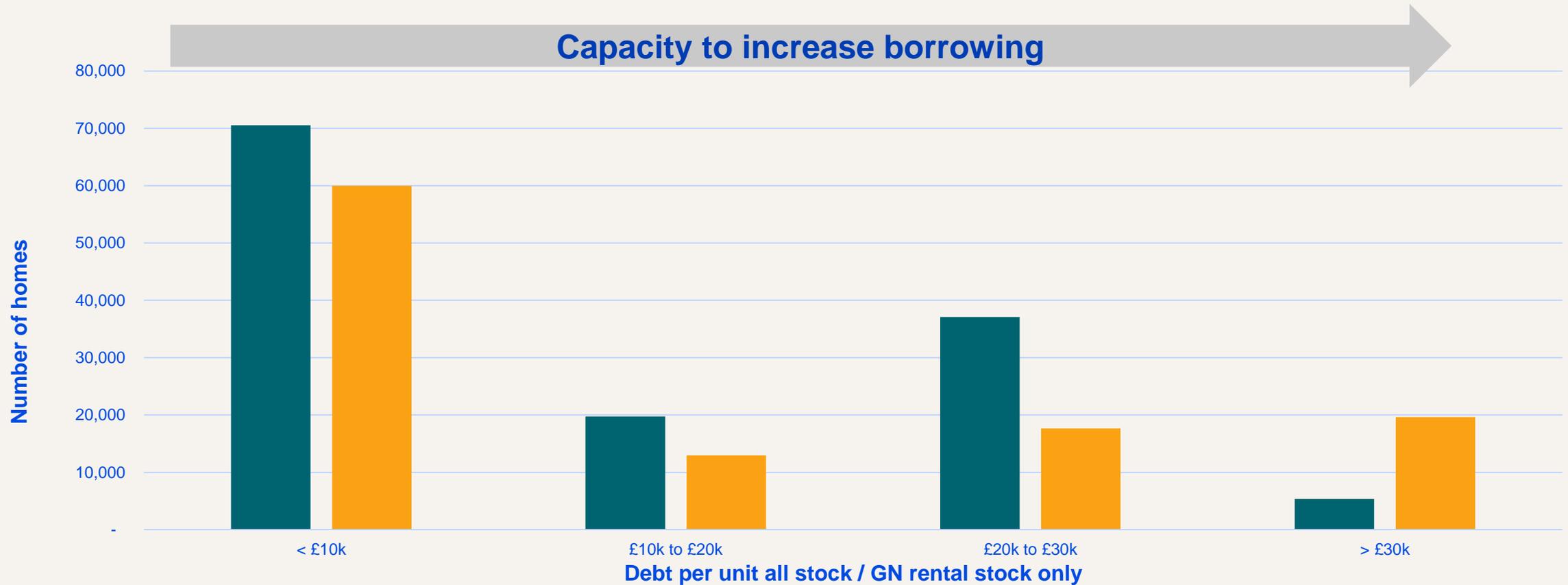
Source: Sample of 22 Welsh housing associations 2016 published financial statements

- Average Welsh EUV-SH – £55k
- Average Welsh MV-STT – £74k
- > 130k units in sample, 110k of which are GN rental stock
- Average debt per unit: all stock – £15k
- Average debt per: GN rental stock only – £19k
- Over 70k GN units have a debt per unit of less than £20k

# Welsh HAs: Valuations vs debt per unit



Source: Sample of 22 Welsh housing associations 2016 published financial statements



# Summary

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- **Latent capacity exists in the Welsh sector:**
  - 75% have cashflow headroom to service higher levels of debt
  - 50% have scope to increase capacity through improved efficiency
  - At least 50% have gearing headroom to support increased borrowing
  - Over 70% of GN stock has the DPU headroom to support increased borrowing
- **Key issues to consider:**
  - How / when to access it and what is the additional risk associated with doing so?



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Thank you

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