

Supply and Smaller Housing Associations

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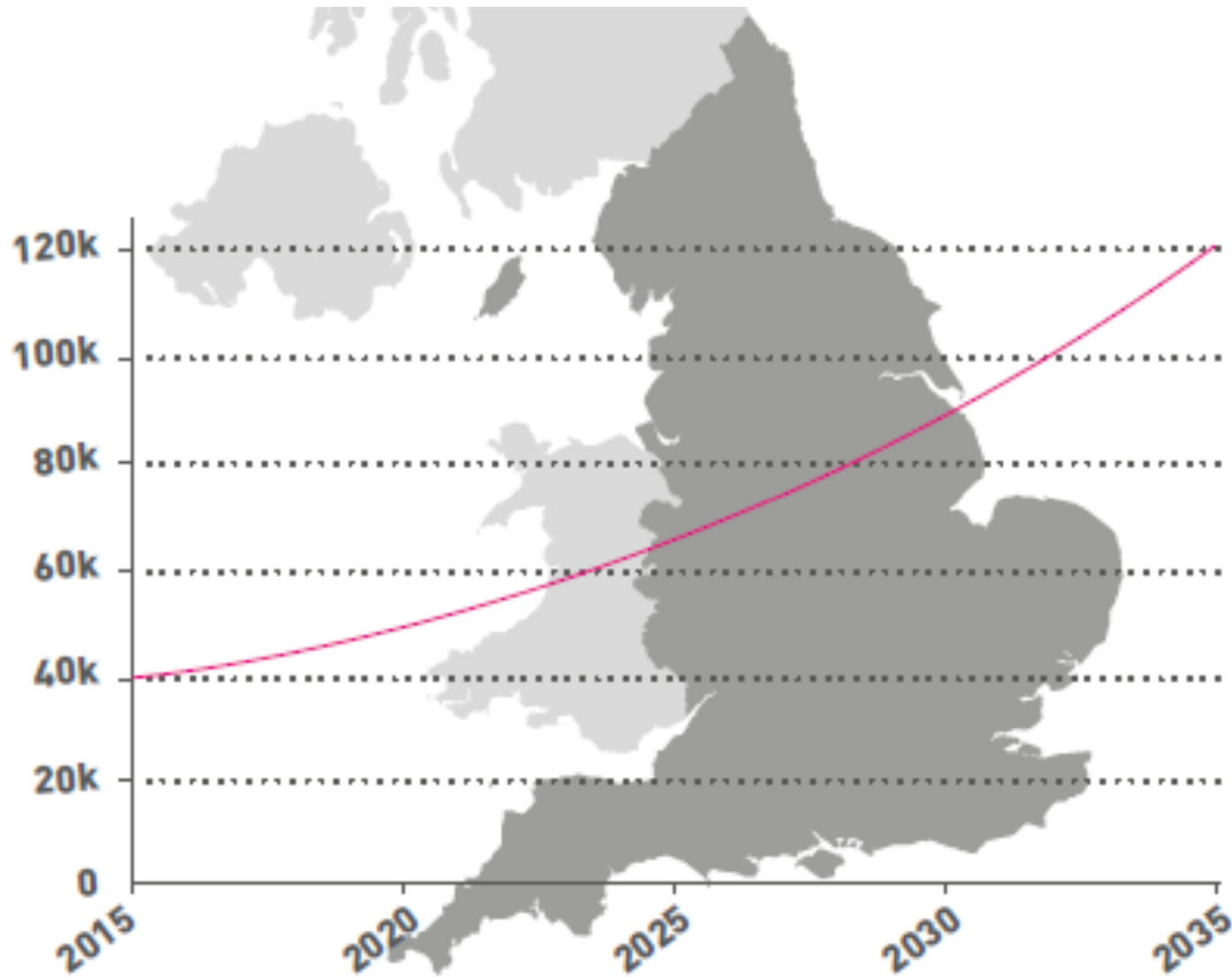
“Urge housing associations to explore every avenue for building more homes”

- Ambition to Deliver
- Supply survey
- “Ambition to Build” club



Our ambition

NATIONAL
HOUSING
FEDERATION



120K



6% per
year



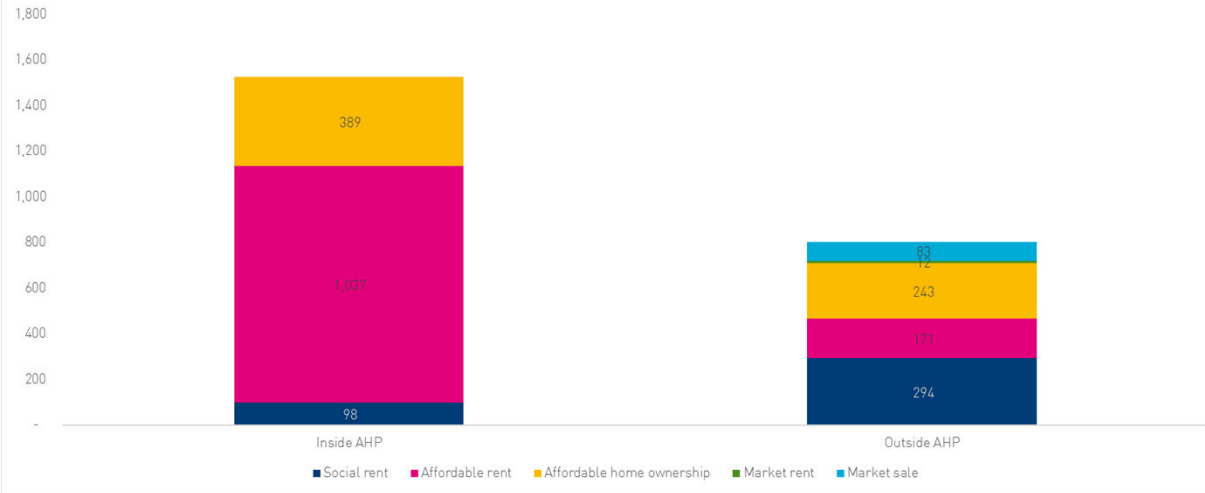
40K

How much are we building: 2015/16

	Completions		
	Inside AHP	Outside AHP	Total
Social rent	1,965	3,499	5,464
Affordable rent	15,638	2,954	18,592
Affordable home ownership	5,234	3,533	8,767
Sub-total – Affordable	(70%) 22,837	(30%) 9,986	32,823
Market rent	n/a	2,096	2,096
Market sale	n/a	5,205	5,205
Sub-total – Market	n/a	7,301	7,301
Grand total	(57%) 22,837	(43%) 17,287	40,124

Total completions 15/16 for smaller Housing Associations

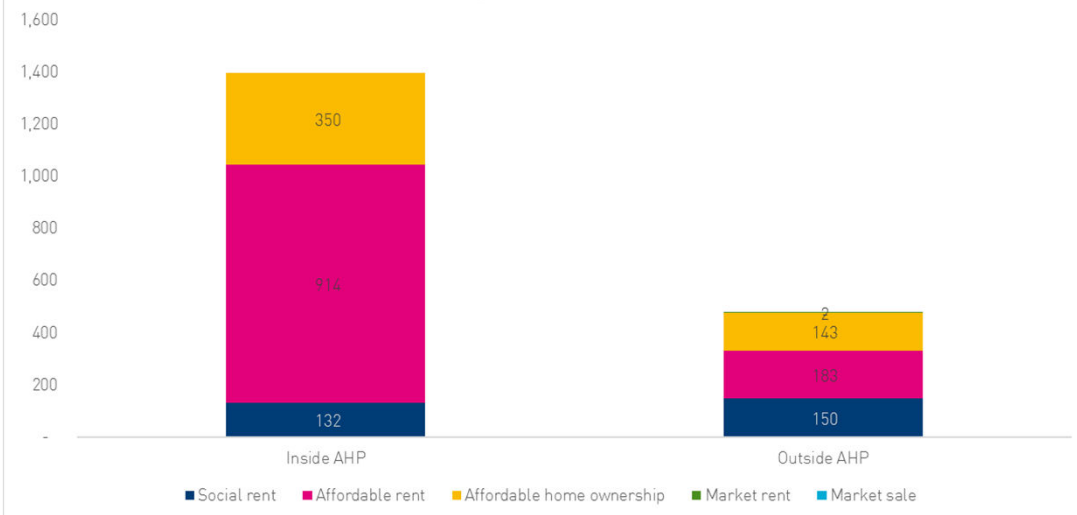
Smaller Housing Association completions 2015/16



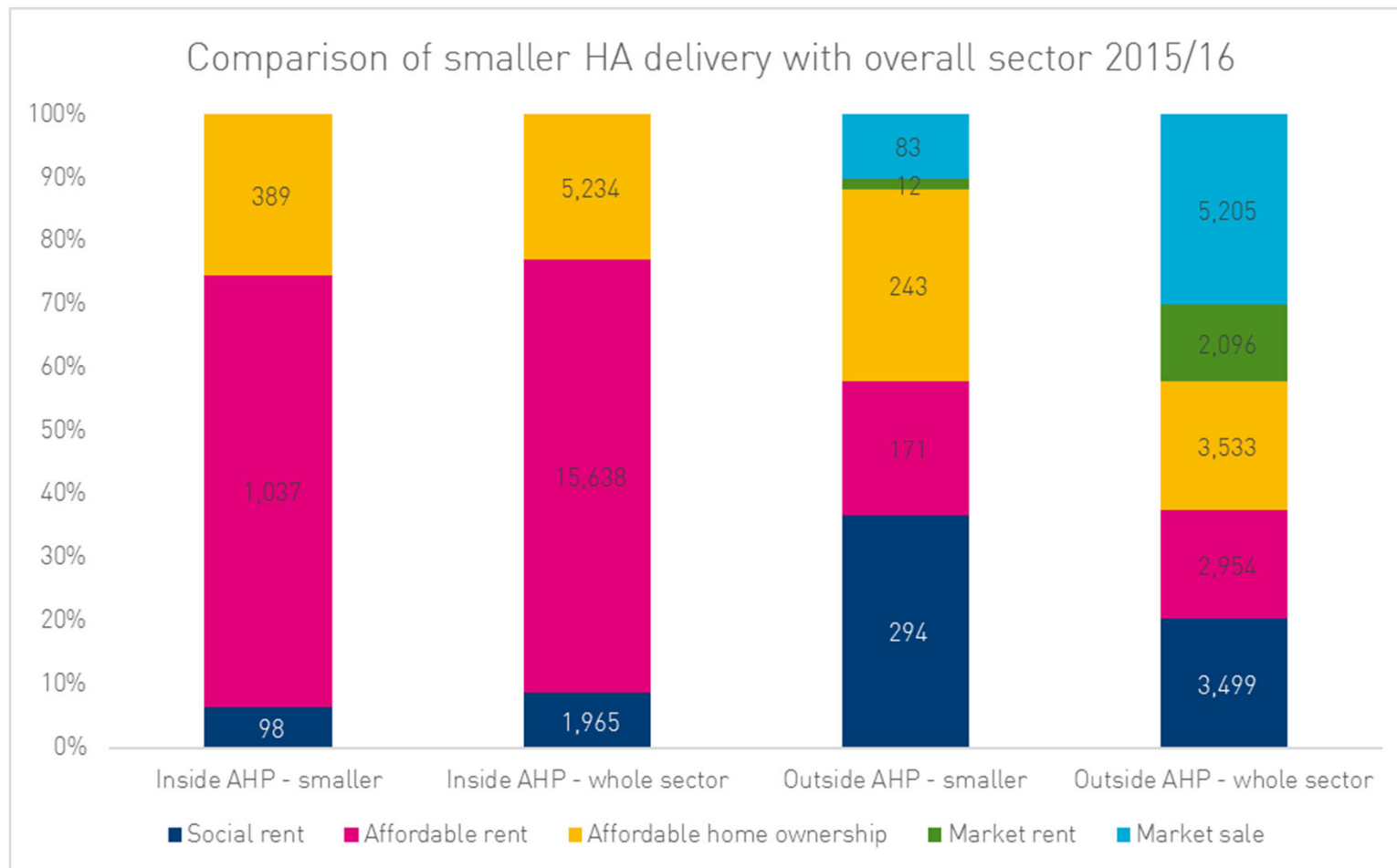
2,327 homes completed in total
1,874 homes started in total

For smaller members, 39% of affordable completions delivered through Section 106, compared to 43% in whole sector

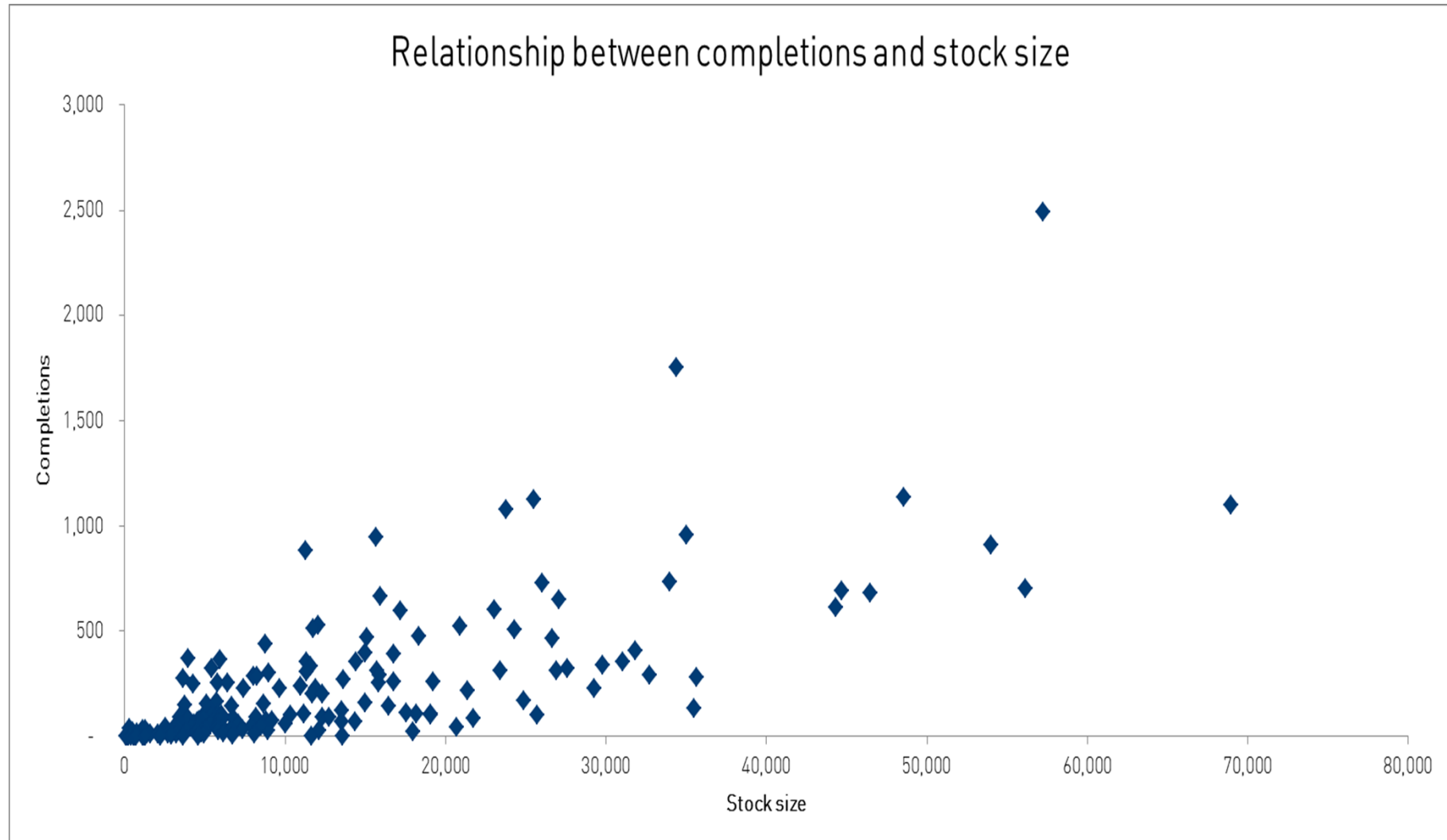
Smaller Housing Association starts 2015/16



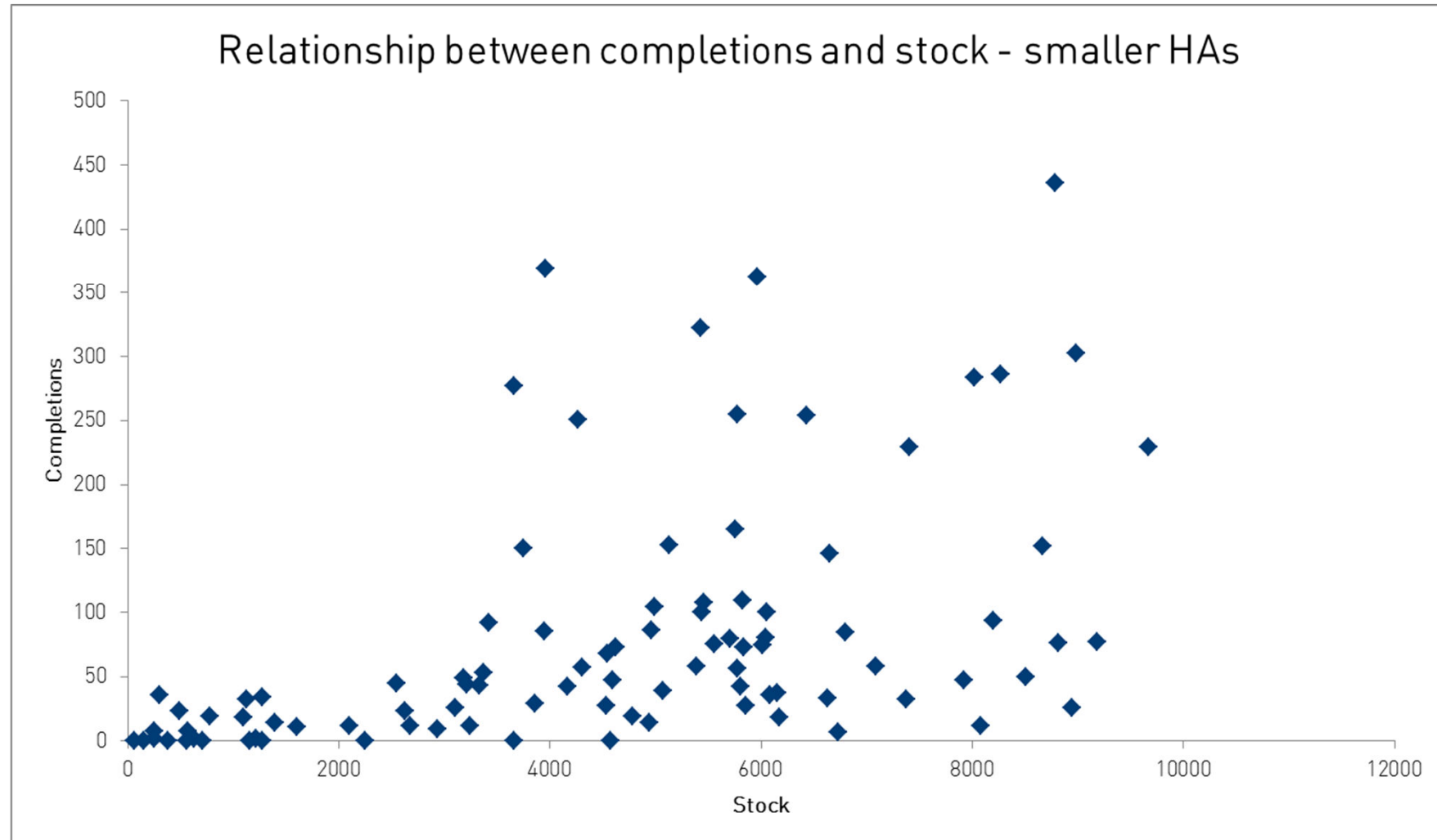
Comparing smaller HAs with overall sector



Relationship between size and development



Relationship between size and development – smaller / medium HAs



Policy context – JRF research ‘smaller HA capacity to develop new homes

- On average, the associations could sustain future organic growth at a rate of about 5 per cent a year
- To make use of that capacity requires sufficient organisational capability or/and suitable partnership arrangements combined with access to new debt finance and grant funding
- “This is significant and worth working for but is not as great as some commentators have suggested.” – JRF 2014
 - Projected this group as a whole could produce an additional 1,230 homes per year

Key ratios

- Gearing (debt-to-gross-cost of housing properties basis) of just 25 per cent, compared with a sector average of 35 per cent, with typical maximum covenant levels for this measure ranging from 60 to 70 per cent
- Interest cover (earnings before interest, taxes, depreciation and amortisation (EBITDA) basis – created by considering a company's earnings before interest payments, tax, depreciation, and amortisation are subtracted for any final accounting of its income and expenses) averaging 250 per cent, compared with a sector average of 197 per cent and typical loan covenant minimum of 110 per cent
- An average operating margin of 30 per cent (sector: 23 per cent), ranging from 14 to 50 per cent.

- The sector has financial capacity to more than double their output and bring forward 44,000 extra new homes by 2029 through additional asset backed borrowing
- “It is worth noting that only a very small amount of additional capacity sits with associations with fewer than 5,000 homes” Savills

Challenges and Barriers

- In house skills
- Board appetite for risk
- Quantifying risk and ability to cross subsidise through market delivery
- Competition with larger organisations
- Access and availability of sites
- Access and ability to borrow