Housing the South East : Opportunities and Challenges

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A Paradigm Shift

- No capital funding for traditional ‘social rent’
- Shift from capital to revenue through higher rents
- Housing benefit takes the strain
- Flexibility for HAs around asset management?
- New product – ‘Affordable Rent’

Housing Market

- Access to mortgages
- Cost of mortgages for FTB
- Reduced supply
- Uncertainty around planning
- Private sector rents increasing (lack of supply)
- Landlords withdrawing from HB claimants
- Waiting lists increasing (based on current criteria)
- Homelessness increasing

The Affordable Rent model

- Framework issued 14th February
- HAs allowed to charge 'Affordable Rent' :
  - On relets (% not specified)
  - For the majority of newly-built homes (with the remainder as shared ownership)
  - Only in connection with an agreed development programme
- Affordable Rent definition:
  - 80% of market rent (as determined using RICS approach)
- Linked to new flexible tenancies
- 80% rent includes service charge

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Rent Differentials South East

Area	*Market Rent	80% MR	*Social Rents	% increase
Basingstoke	£138.08	£110.46	£84.58	39%
Brighton & Hove	£159.95	£151.89	£73.13	108%
Maidstone	£149.59	£119.67	£79.69	50%
Reading	£182.96	£146.37	£97.06	51%
Sussex East	£116.80	£93.44	£77.75	20%
Winchester	£189.86	£151.89	£88.52	72%
	**Valuation office June 2010*		**Core Return June 2010*	

LHA impact

Property type	Social rent	Local Housing Allowance cap	80% Market Rent
1-bed flat	£94.82	£136.13	**£120.00**
2-bed flat	£108.35	£166.49	**£156.90**
2-bed house	£124.61	**£166.49**	£168.90
3-bed house	£131.54	**£188.48**	£200.30
4-bed house	£143.30	£267.01	**£247.40**

Potential Additional Capacity:

Based on 35% Re-Lets Converted to Affordable Rent	# of homes converted	# of new homes funded	New homes as % of converted relets
A) Use Proceeds to pay interest on new finance	395	179	45%
B) Use proceeds to pay interest & assume Grant @ 25K	395	290	73%

* Based on a 2 bed house

Key Issues

- Affordability of 80% rents – poverty trap
- Loss of ‘social’ housing
- Less movement in existing stock?
- Benefit change impacts:-
  - On tenants
  - rent arrears
  - development viability
- Availability of private finance?
- Cost of new finance - higher margins?
- Impact on HA financial covenants & existing loans

Other thoughts………

- Reduced capital funding – London & North?
- Scope to raise revenue V ability to spend?
- Local build standards – 71 versions in SE?
- Impact on LA Tenancy Strategy?
- How will this product work with S106?
- Larger homes and benefit cap?
- Impact on supported and rural housing?

Other Options?

- Working without grant – S106 / HA subsidy / LA land
- Joint Ventures with the private sector – risk sharing
- Flexible tenure – break link to bricks and mortar?
- Asset management – strategic sales to fund new homes
- Cross boundary working

…but

- All models need subsidy
- Will still require higher rents & mix of product

Conclusions

- Very complex model & we’re still learning
- Closer partnership working & joint understanding of issues is key
- Sub –regional working – LIPs / LEPs
- Not a “money spinner for HAs” – much higher risk

Thank you