

**National Conference  
18 April 2007**

**Financing the Sustainable Vision**

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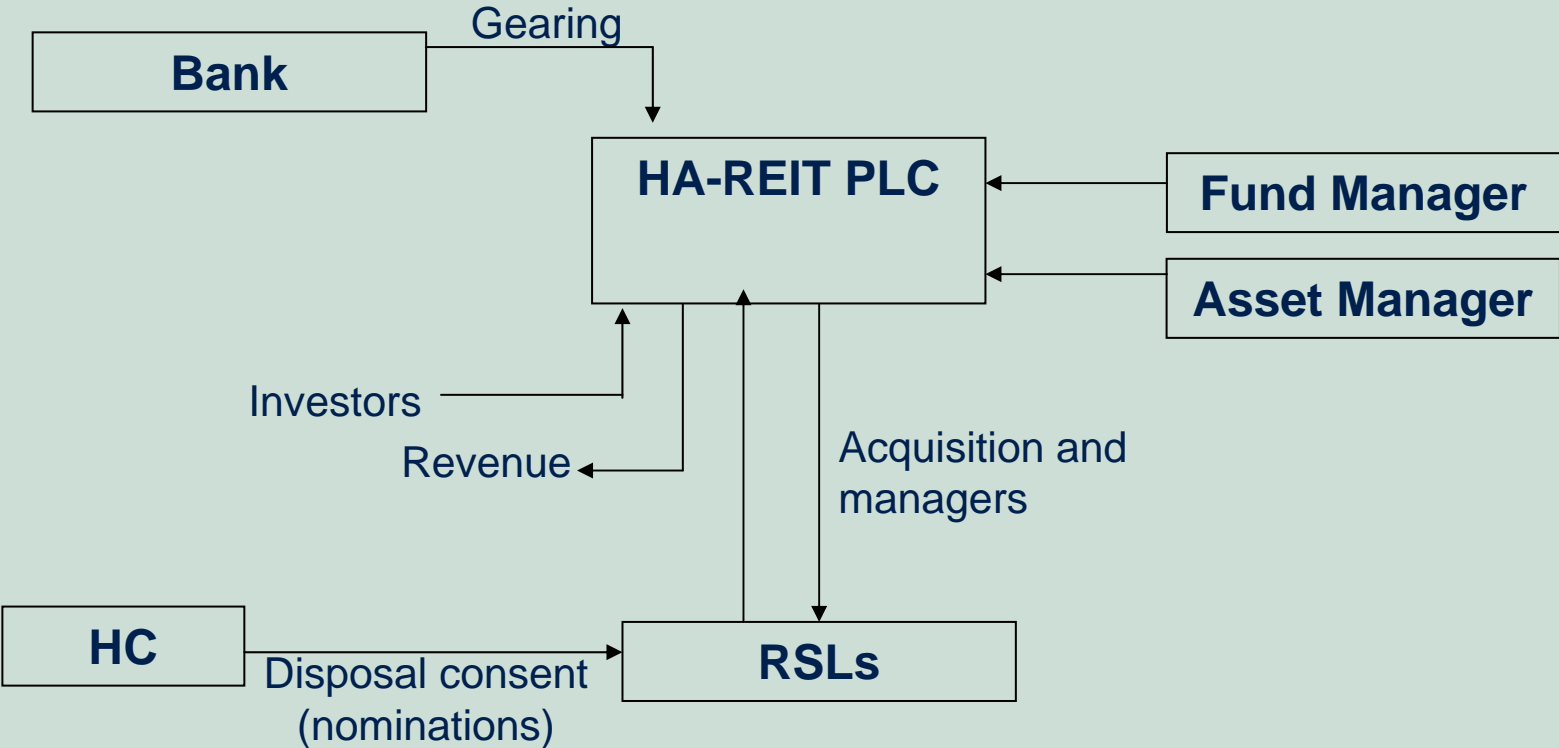
# Callcutt Review Themes

- 200,000 homes per annum target
- Alternative models, privately financed
  - Housing Association REIT
  - Expanding the shared ownership option
  - Assettrust Housing Ltd

# Housing Association REIT – The Proposal

- Consortium of 16 RSLs plus Rowntree (research)
- Principally residual shared ownership and key worker
- Initial yield to investors around 4%
- Open ended
- £250m target
- Tribal, Lawrence Graham and Lehmans appointed

# Housing Association REIT – Proposed Structure



# Housing Association REIT: Current Uncertainty

- REITs – the market and Treasury guidelines
- Interest rates versus investor returns
- Capital value increase
- Staircasing as predictable revenues
- Rental yields

# The Market for Shared Ownership

- Numerous initiatives since Community Leasehold in mid 1970's
- But no scale achieved
- Size of potential market substantial, particularly in London and South East

# Shared Ownership Affordability (£185,000 Property)

Initial Sales (%)	Monthly Rent <sup>1</sup>	Monthly Mortgage <sup>2</sup>	Total Monthly <sup>3</sup>	Minimum Annual Required Income <sup>4</sup>
12.5%	£405	£135	£590	£17,688
25.0%	£347	£270	£667	£20,001
50.0%	£231	£540	£821	£24,626
75.0%	£116	£809	£975	£29,252
100.0%	£0	£1,079	£1,129	£33,878

1. Yield on unsold equity at 3.5%
2. Assumptions: 25 year repayment @ 5.5%
3. £50 per month service charge is added
4. Assumption: 30% of income is spent on housing

Source: Hometrack ([www.hometrack.co.uk](http://www.hometrack.co.uk))

# Without Grant Solutions: Assettrust Housing Ltd

- Private company in Assettrust Group
- Funded by Royal Bank of Scotland and private equity
- Partnership working with LAs, RSLs and developers
- Purchases S.106 schemes and negotiated packages
- Mix of rented (at target rents) and SO properties
- All schemes managed by leading RSLs

# Assettrust Housing Ltd: The Story So Far

- 750 dwellings (75% SO)
- 1,200 under negotiation
- Medium term target of 10,000 dwellings
- Schemes in London (Greenwich, Wandsworth),  
Bedfordshire, Hertfordshire, Manchester, Yorkshire

# Occupations of AHL Shared Ownership Purchasers in Privately Negotiated Schemes

- Administrator
- Assistant accountant
- Credit controller
- Electrician
- Legal assistant
- Nurse
- Parking control officer
- Personal assistant
- Procurement analyst
- Project manager
- Researcher
- Sales administrator
- Technical assistant

# Shared Ownership: future initiatives

- Potential for SO to become mainstream tenure option to help first-time buyers throughout the UK
- As with all equity related products, funding is the key
- Watch this space...

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## Financing the Sustainable Vision

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