

L&Q
GROUP



Private housing for sale in RSLs The future

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creating places where people want to live



Private housing for sale in RSL's – the future



- Introductions
- How did we get here?
- Current outlook
- Where next?

Caveat: 8th October

Introductions – L&Q

- 60,000 homes in management and ownership
- 9,000 home development pipeline
- Asset base £9 billion, annual surplus c £40 million, three years committed loan facilities
- FT100 employer, FT50 employer
- Best Audit Commission rating in London

How did we get here?

- The 1988 Housing Act – independence
- The nineties – countercyclical investment
- £50 billion private loans, £15 billion reserves
- Grant down, gearing up
- Cross subsidy from shared ownership
- Expansion into outright sale
- The credit crunch

HA Global Accounts 2007



- **Reducing surpluses for traditional associations** – down 30% in three years.
- **Increasing pressure on large associations** – interest cover down from 107% to 92%, gearing up from 51% to 59%.
- **A mismatch between capacity and growth** – 23% of the sector's surplus produced by associations under 2,500 homes, who delivered just 2% of new homes.

HA Global Accounts 2007



- **Capacity in the South, none in the North** – a surplus of £335 million in the South and a deficit of £64 million in the North.
- **Increasing capitalisation, increasing sales** – overall surplus of £271 million becomes a deficit of £1.1 billion adjusting for sales and capitalised repairs.
- **The overall capacity of the sector is negative**, with 47% of associations reporting positive capacity and 53% reporting negative capacity.

Current outlook

- Corporate lenders exercising caution
- Marked slowdown in sales
- Limited ability to cross subsidise
- Slowdown in S106 development
- Balance sheet capacity diverted through tenure conversion
- Impact on ratios?

Our unique offer

- Committed and financed for the long term
- Every penny reinvested in our social objectives
- Able to switch between tenures and take advantage of market uncertainty
- Trusted partners, track record of delivery
- Some of us have still got capacity and committed funds

Where next?

- New caution
- New partnerships
- New models
- New opportunities

New caution

- Short term - digging in to manage immediate impact
- Medium term - protection of capacity to manage current pipeline
- Switch from short term supply to long term opportunity
- Short term hole funded through short term government intervention

New partnerships

- Sharing the carrying cost of land
- Sharing sales risk
- Sharing supply chain efficiencies
- Providing an integrated management service with a long term commitment
- Joint lobbying
- Developing new models

New models

- Public sector land transfer
- From mixed tenure to mixed income
- Right but not obligation to buy
- Government investment taking the lead
- From grant to grant plus equity

New opportunities

- Risk sharing
- Learning
- Growth

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