



Homes
England

Stephen Kinsella, Chief Land and Development Officer

How can Homes England deliver on its 5 year strategic plan?



The Housing Market

“[housing is] one of the central priorities of this government, so we are very interested in ways that we can get homes built.”

Robert Jenrick, Secretary of State for Housing Communities and Local Government

England 'needs millions of homes to solve housing crisis' 

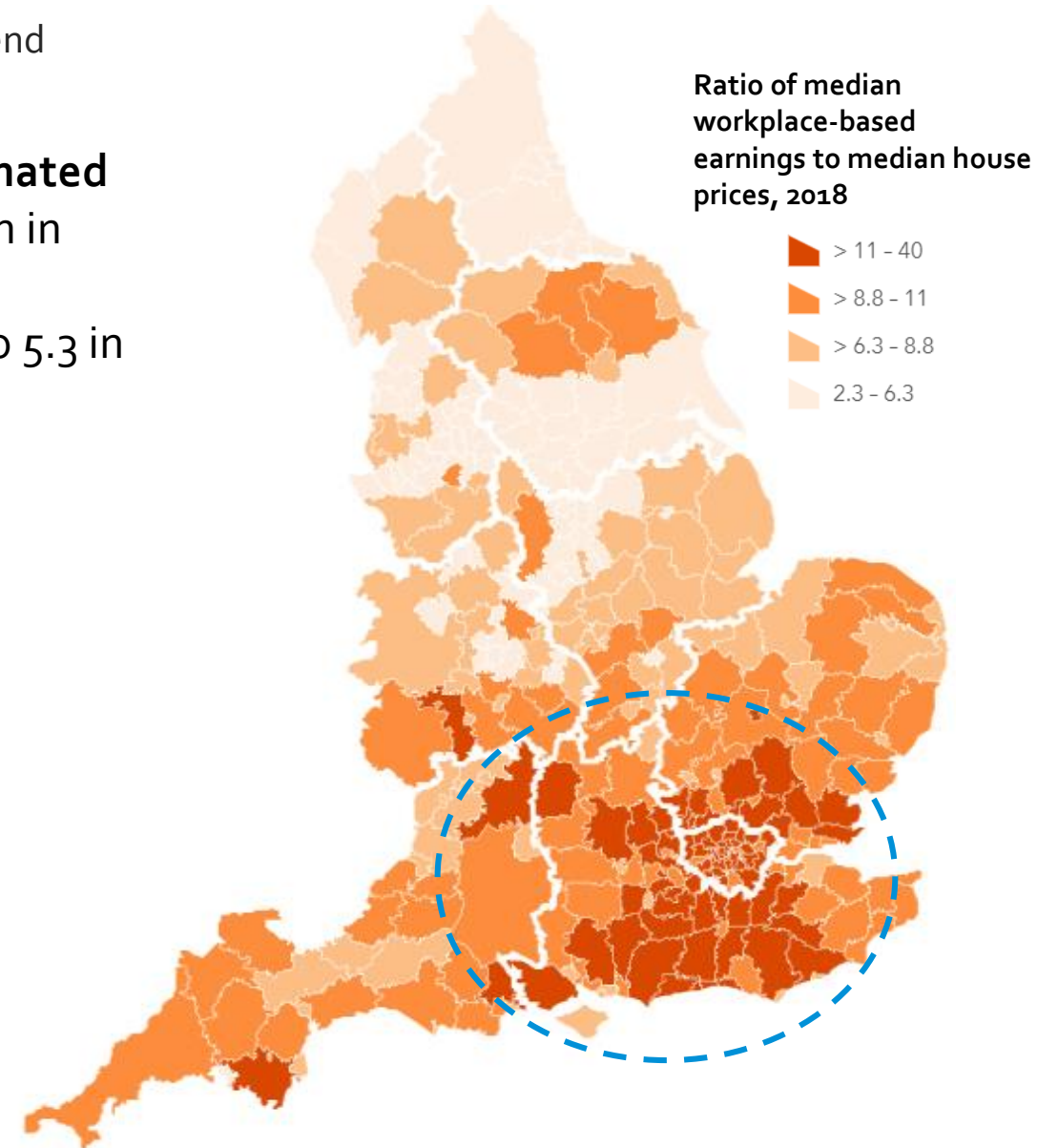
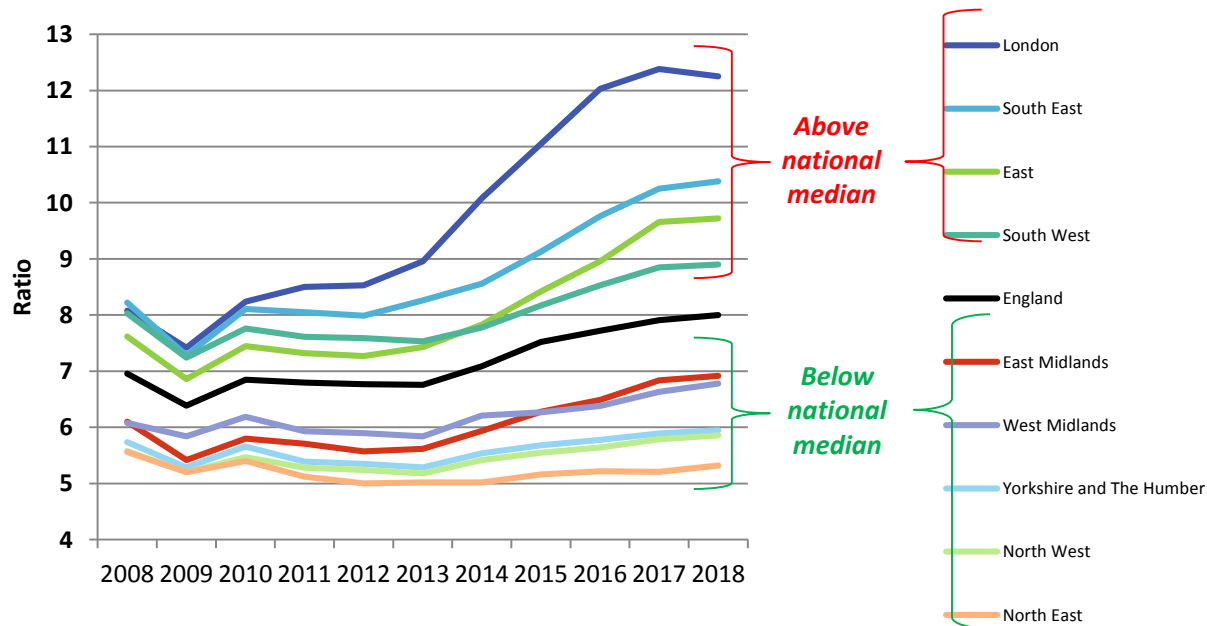
Homes England to go where the market won't 

Identifying land to help solve the UK's housing shortage 

Housing affordability

Affordability worsened across England in 2018, continuing a five year trend

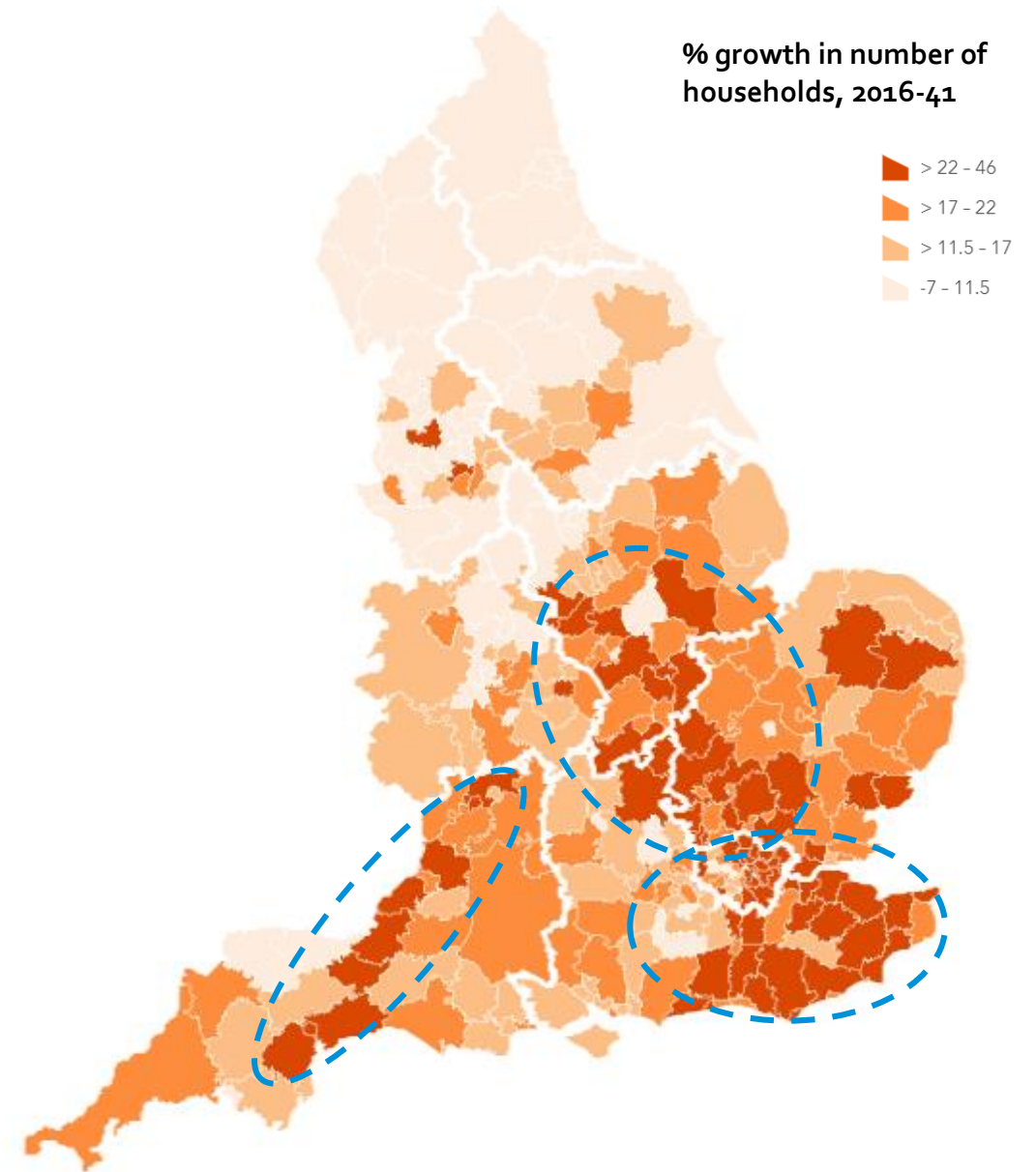
- On average, full-time workers could expect to pay an estimated **8.0 times** their annual workplace-based earnings a home in in 2018.
- Affordability varies widely by region – from 12.3 in London to 5.3 in the North East.



Household projections

4 million more households in England by 2041

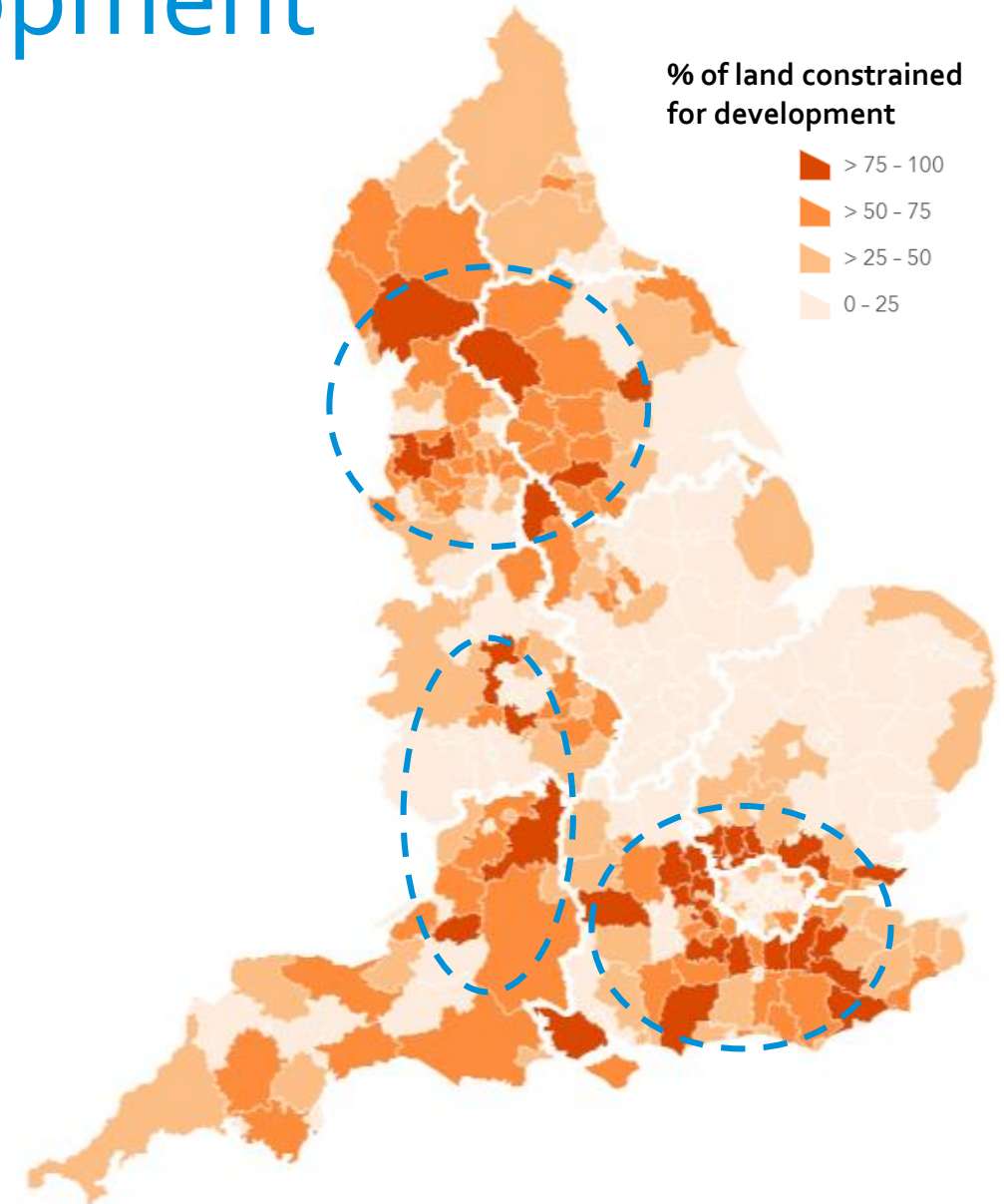
- **There were 23 million households in England in 2016. This is expected to rise by 4 million to 27 million by 2041.**
- Growth in the number of households is concentrated in London, the South East, Midlands, East of England and the South West.
- Growth is expected to be highest in Tower Hamlets (+47%), and lowest in Barrow-in-Furness (-7%).



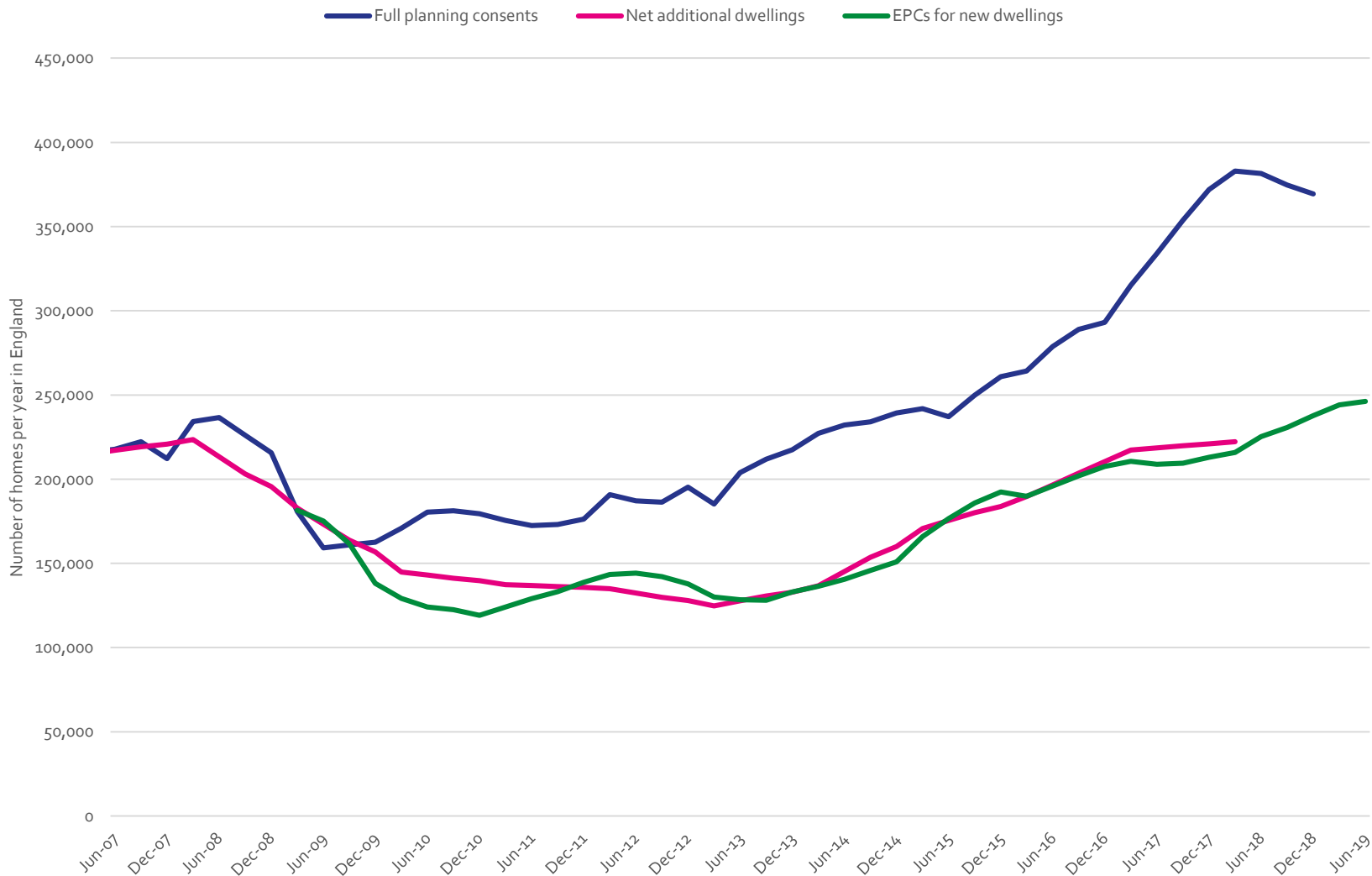
Land constraints to development

Limited land for development in many areas

- **Around 40% of land in England is constrained for development** e.g. greenbelt, AONBs, national parks etc. limiting land available for development.
- Constrained land is concentrated in the South East, the South West, and across the North.



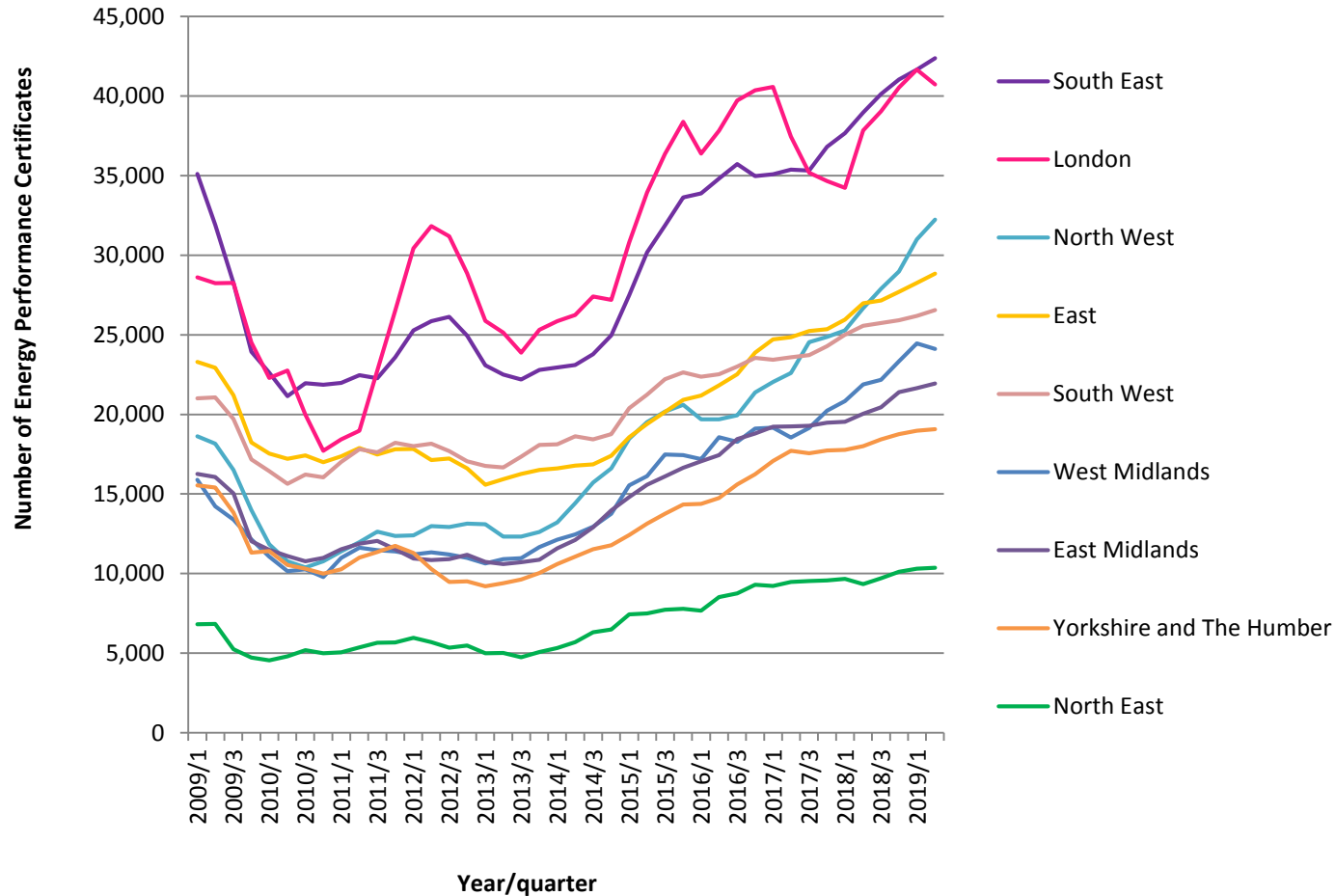
Planning permissions are climbing



- Consents have been rising but additional dwellings aren't keeping up
- Larger sites are being allocated which come with higher risks and bigger funding challenges so there are build out challenges

Energy Performance Certificates

More EPCs were lodged in the 12 months to Q2 2019 than in any other 12-month period since they were introduced

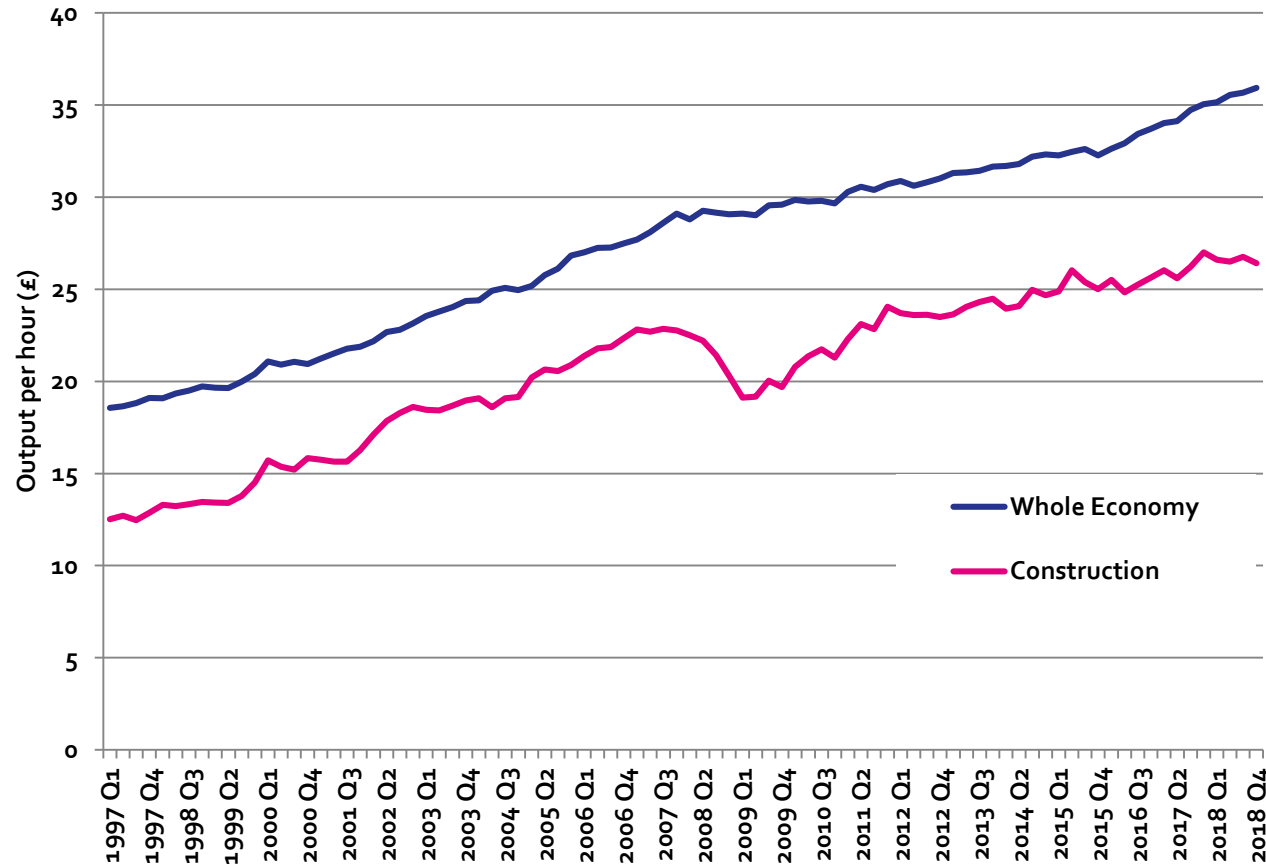


246,251 Energy Performance Certificates (EPCs) were lodged for new domestic premises in the year to the end of June 2019, the highest 12-month total ever. By comparison, just 119,000 were lodged in 2010.

- The number of EPCs lodged in each region was also the highest ever, with the exception of London and the West Midlands
- The South East and London had the highest number of EPCs lodged for new premises in the year to June 2019
- The number of EPCs lodged in the North West continues to increase (32,233 from a low of 10,383 in 2010).
- All new domestic premises require an Energy Performance Certificate. It is therefore a useful quarterly indicator of housing completions.

Productivity in the construction sector

The sector has consistently had lower levels of productivity than the whole economy



The construction sector has consistently had lower levels of productivity than the economy overall.

This has particularly been the case since 2008, although the gap has narrowed in recent years.

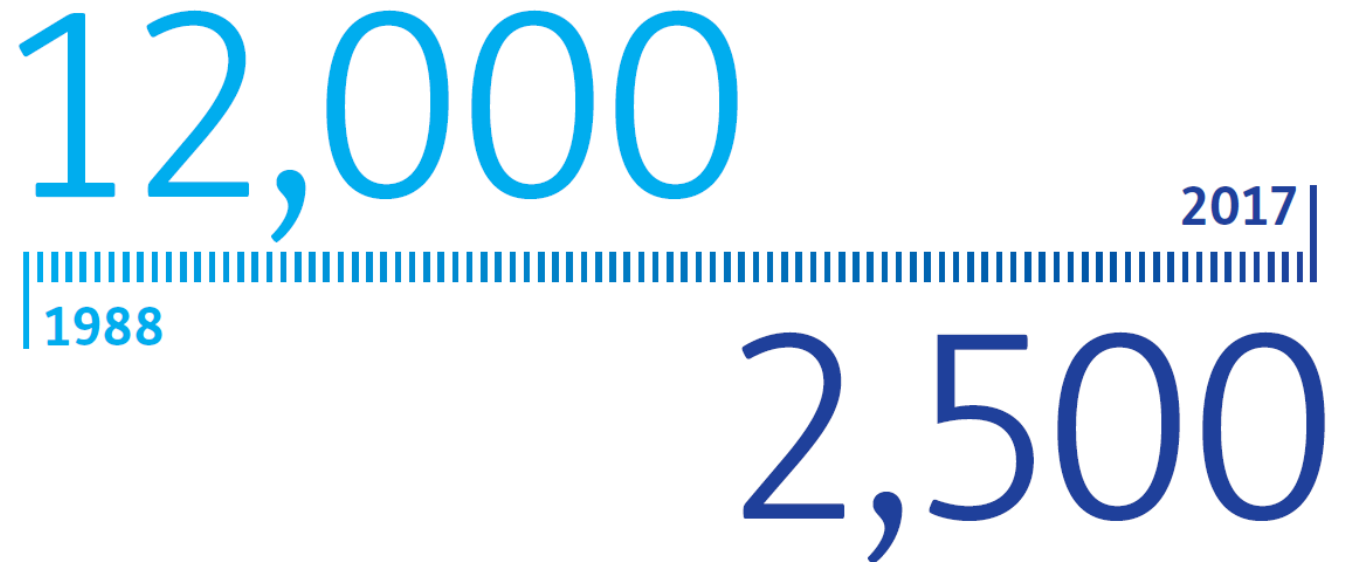
Total productivity grew by 2.5% in the last decade, construction by 0.4%.

The components of the gap are a combination of differences in levels of output generated, together with numbers of jobs and hours worked

Housebuilders across the country

- The SME sector has shrunk since 1988 and particularly after the 2008 crash
- We've seen a renewed focus on the big 10 housebuilders
- Housing Associations need to ramp up delivery if we're going to deliver 300,000 homes a year

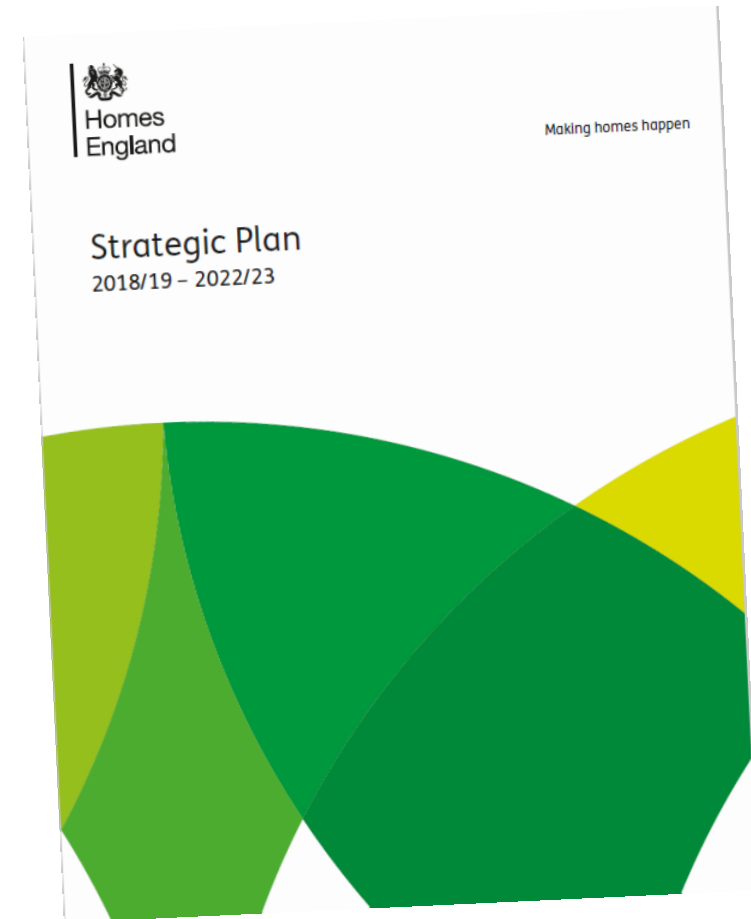
Decline in number of SMEs 1988 – 2017



Our Strategic Plan

Our Strategic Plan

- In October 2018 we launched our new five-year Strategic Plan
- This plan sets out our ambition for the future and how we want to work with partners to achieve the delivery of 300,000 homes a year
- We cannot do this alone



Our mission is to intervene in the market to ensure more homes are built in areas of greatest need, to improve affordability.

We will make this sustainable by creating a more resilient and diverse housing market.



Our objectives



We'll unlock public and private land where the market will not.



We'll ensure a range of investment products are available to support housebuilding and infrastructure.



We'll improve construction productivity.



We'll create a more resilient and competitive market



We'll offer expert support for priority locations



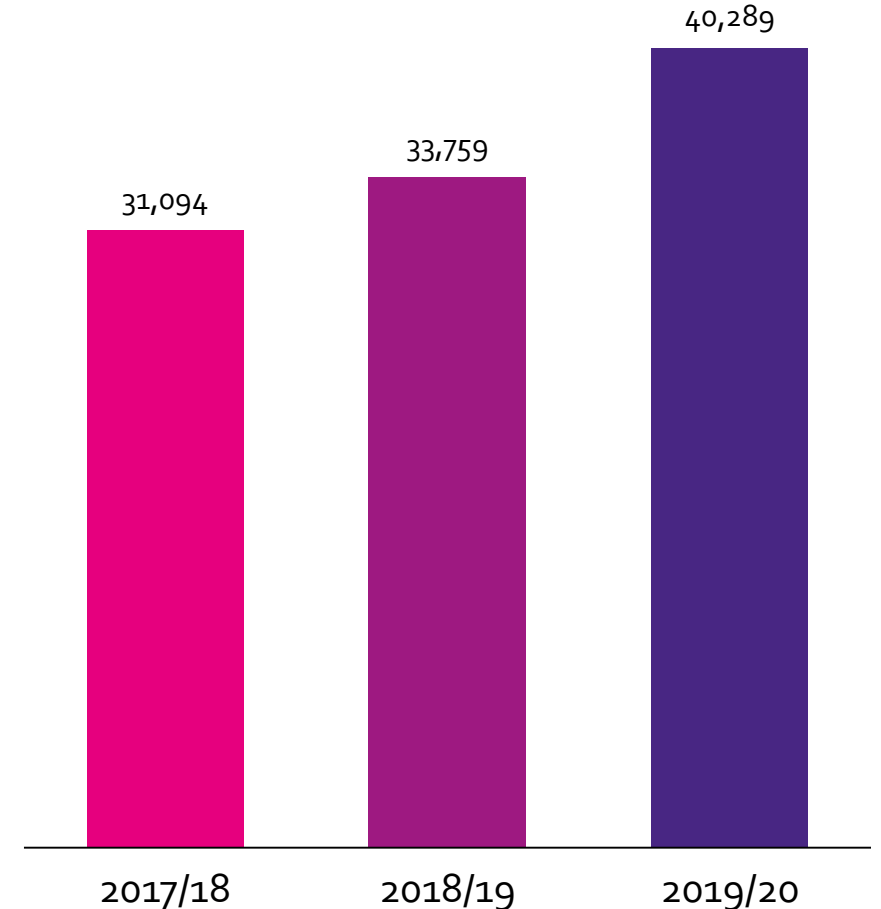
We'll effectively deliver home ownership products

Looking to the future

Our successes

- We are #makinghomeshappen across the sector and in 2018/19 alone we:
 - directly supported the completion of 40,289 new homes including 28,710 affordable homes
 - supported 61,321 households into home ownership
 - unlocked land with the capacity for 35,500 homes

Housing completions supported by Homes England



Our resources

- We are **one of the Government's largest land owners with large budgets to intervene at scale**
- We **administer over £9bn of grant funding** including the affordable homes programme
- We undertake significant **demand side intervention through the Help to Buy programme**
- We **lend money to SMEs and innovators** as well as providing guarantees to ensure private sector investment
- We **have a unique scale and mix of expertise in government** from planners and surveyors through to economists and design specialists

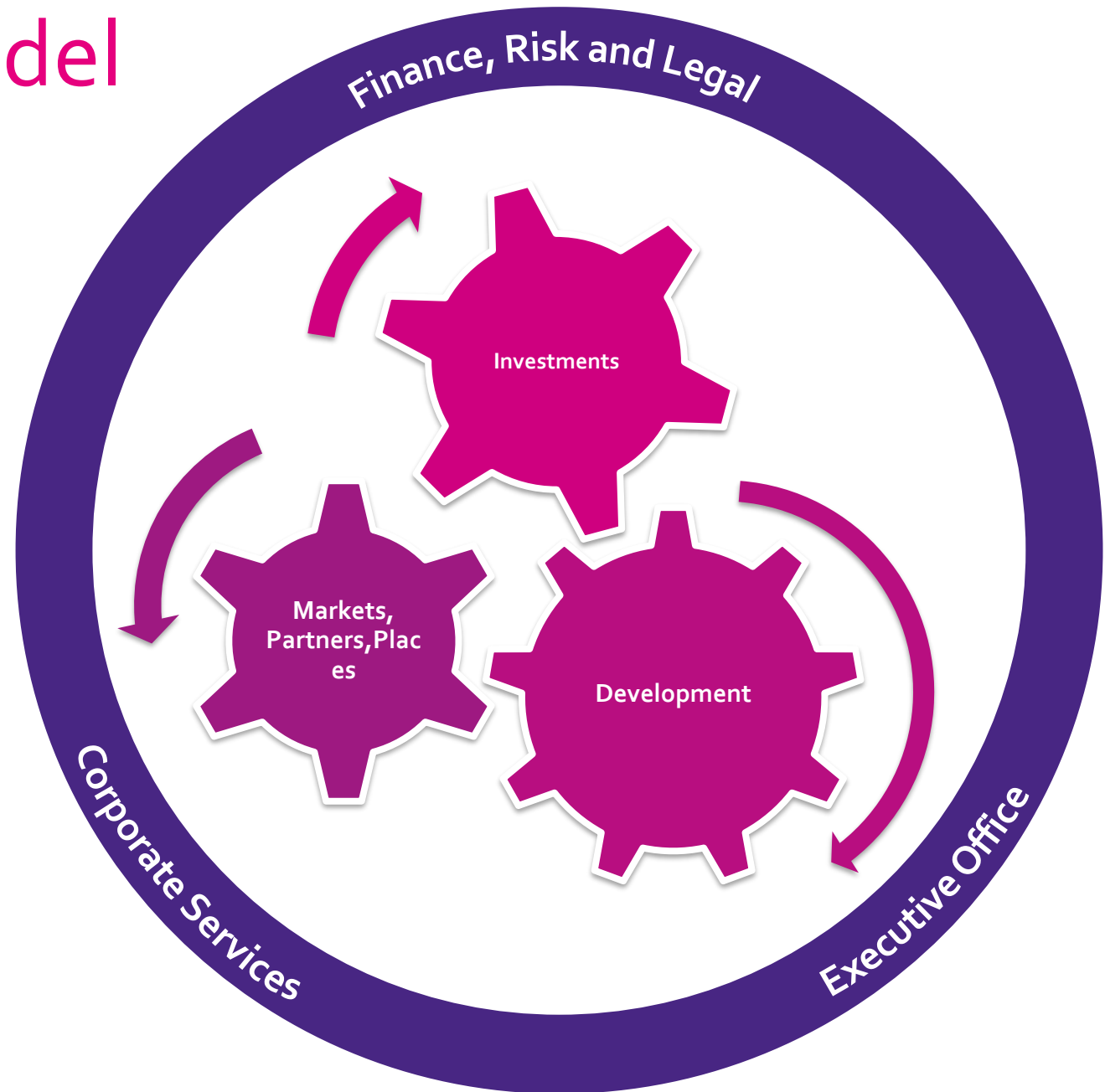


Our work is evolving and so must we

- As part of the delivering our Strategic Plan we are developing a new Operating Model to do more in different ways
 - Becoming one of the largest professional master development businesses driving housing completions on its own land and supporting others with developing their sites and new settlements
 - Enabling structural change in the housing market through delivery of policy objectives
 - Working more collaboratively across Development and Investment to deliver more strategic interventions
- We need to **deliver success today** whilst also planning and implementing a wide range of transformational initiatives to ensure we are capable of **successful delivery tomorrow**

Our new operating model

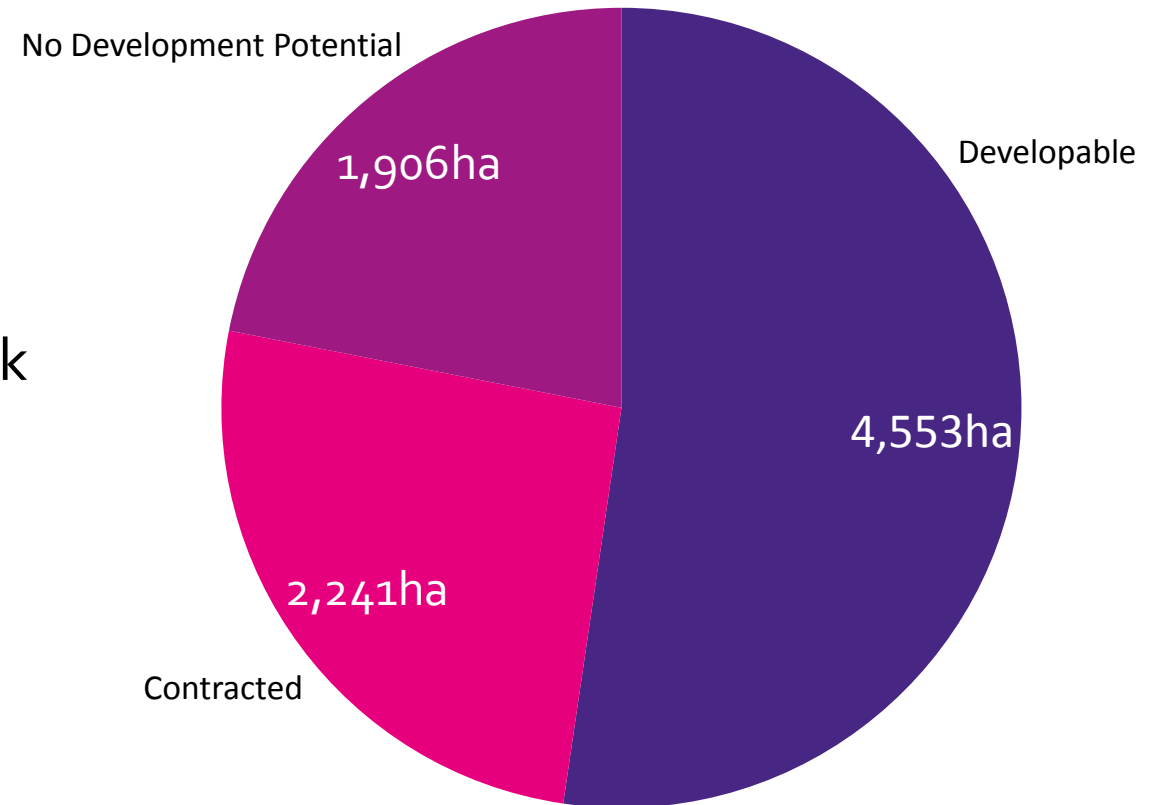
- We will have three national directorates that work collaboratively to bring in new opportunities and deliver interventions:
 - Investments
Leading on our loan and financial instrument activity
 - Land and Development
Supporting the delivery of our own land and that of partners into the market
 - Markets, Partners and Places
Engaging with the sector across the country, setting our strategy and producing industry leading research
- Wrap around support from corporate services, including a central Executive Office



Our development business

We are one of the Government's largest landowners

- c600 projects/ sites at all stage of the development cycle
- Around a dozen large strategic sites with a growing portfolio of high quality sites such as Upton Lodge, Hardingstone and Spencer's Park
- We're selling 180 sites over 18 months and investing c£300million in acquisitions this year
- Tackling the 'too hard pile' to act where the market cannot
- Driving our policy objectives as well as achieving financial return



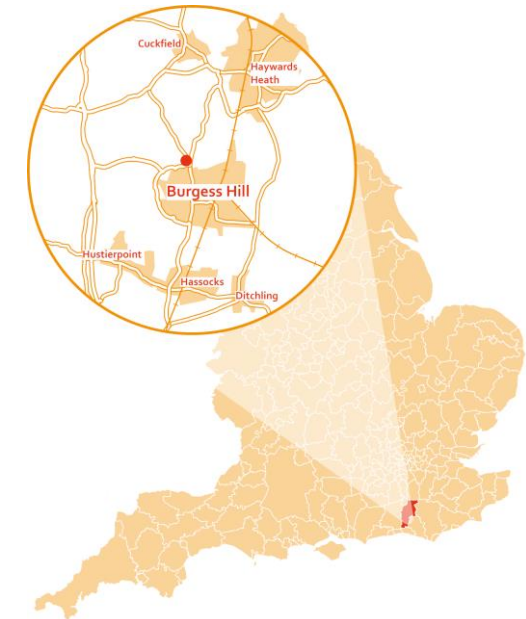
Phase 2, Northstowe

- We have an objective to increase productivity and we know this cannot be done through traditional building methods alone
- At Northstowe, **Urban Splash will be delivering 406 homes** using factory-engineered modules
- They will deliver a mix of housing types including later living facilities through their MMC brand 'House'
- All of the homes will be constructed at their factory in Alfreton, Derbyshire
- Subject to planning work is expected to being in Spring 2020



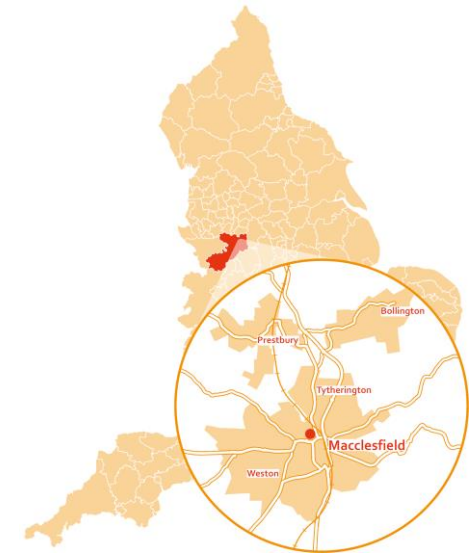
Burgess Hill, Surrey

- **We act as a master developer** to acquire challenging sites that the private sector cannot progress without public sector intervention
- **Burgess Hill is a major strategic site** in Mid Sussex split across a number of ownerships
- **The site has capacity for c3,000 homes**
- We will fund **£60m of infrastructure** to unlock the site including a link road, bridge, landscaping and utility works
- The **first development partner was announced earlier this year**. Countryside will deliver 460 homes on the Freeks Farm site



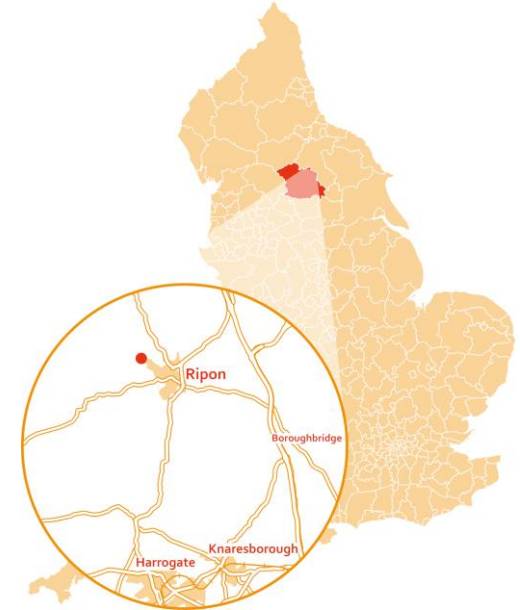
King's School, Macclesfield

- We are seeking to increase the pace of delivery to get more homes built, faster
- King's School, Macclesfield is a planned housing development on the site of a local school and **through this deal 560 homes will be delivered**
- King's School currently operates across four campuses and was seeking to relocate to a new purpose built school on a single site
- No private sector support could be found for the largest site, so **we acquired the site in June 2018**
- Whilst the new school is developed we can work in tandem to develop the planning brief, undertake technical work and put the site out to market to ensure development can commence as soon as the site is vacated



Ripon Barracks, N. Yorkshire

- We **work with our public sector colleagues** to help them deliver their land for housing
- We have **entered into an MOU with the MoD and Defence Infrastructure Organisation** to support housing delivery on seven of their sites
- **Ripon Barracks will deliver c1300 homes**
- We have used our **brokerage skills** with the Local Planning Authority to increase the housing planned for the site
- We will be **front funding the infrastructure** to ensure deliverability



Our investment business

We deliver guarantees, grants and recoverable investments

- C500 loan and equity investments made since 2012.
- Total current recoverable investment funding budget will support c275,000 new homes (excludes guarantee and grant funded homes).
- The **Home Building Fund**, was launched by Government in October 2016, providing development finance and infrastructure finance via our Short Term and Long Term funds.
- The **Estate Regeneration Programme**, designed to accelerate the regeneration of deprived estates.
- The **Infrastructure Grants** to local authorities providing grant funding for the provision of infrastructure.
- **Affordable Housing Programme** supporting Housing Associations through strategic partnerships and CME delivery

c£4.6bn of

recoverable investment funding
currently live

Housing Delivery Fund, Barclays

Supporting challenging sites with high potential including retirement living, apartments for rent and social housing, through lending and investment partnerships.

- Barclays Bank has committed to lend **£875 million to SME developers alongside £125 million from Homes England** in August 2018.
- Barclays will provide senior loans and the joint venture will share the mezzanine tranche equally.
- **Loans between £5 million and £100 million** will be provided to bring forward challenging sites with high potential across housing sectors.
- The lending alliance not only provides capital for borrowers but **aims to drive competition amongst lenders.**



Sekisui House

- We're providing **£30 million through the Homes Building Fund** to help bring Sekisui Housing into the UK housing market through Urban Splash's 'House'
- **Sekisui are an innovator in modern methods of construction** and see sustainability at the core of their business
- 'House' is expected to deliver **thousands of homes across England** using MMC



Strategic Partnerships

- We've announced **23 Strategic Partnerships**
- This includes **over £1.74bn investment** delivering
- The partnerships will deliver **39,431 additional affordable homes** by March 2022



Questions?