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Leveraging the local balance sheet: Post-crash approaches to housing and regeneration



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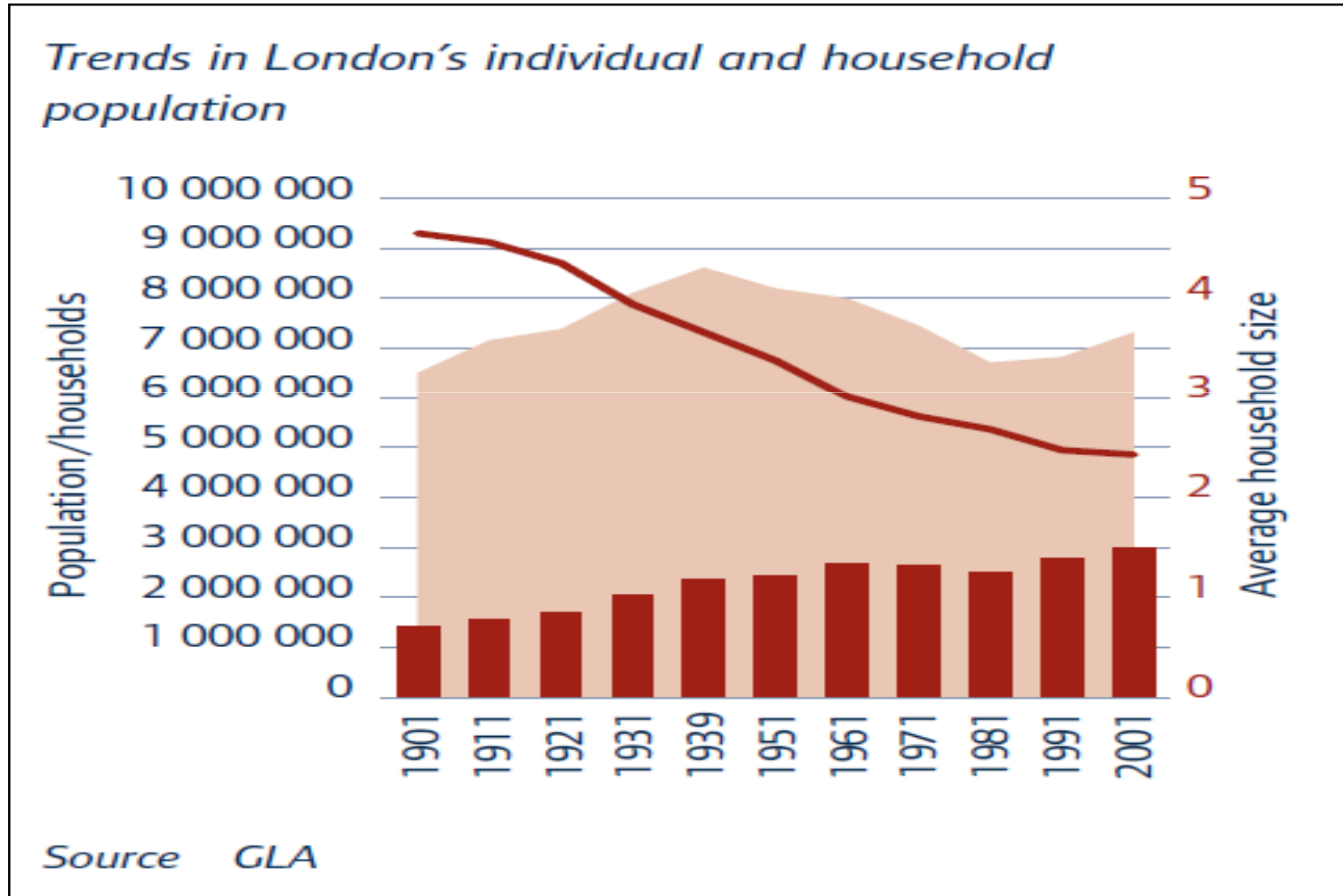
Thriving communities, affordable homes

The HCA – who are we?



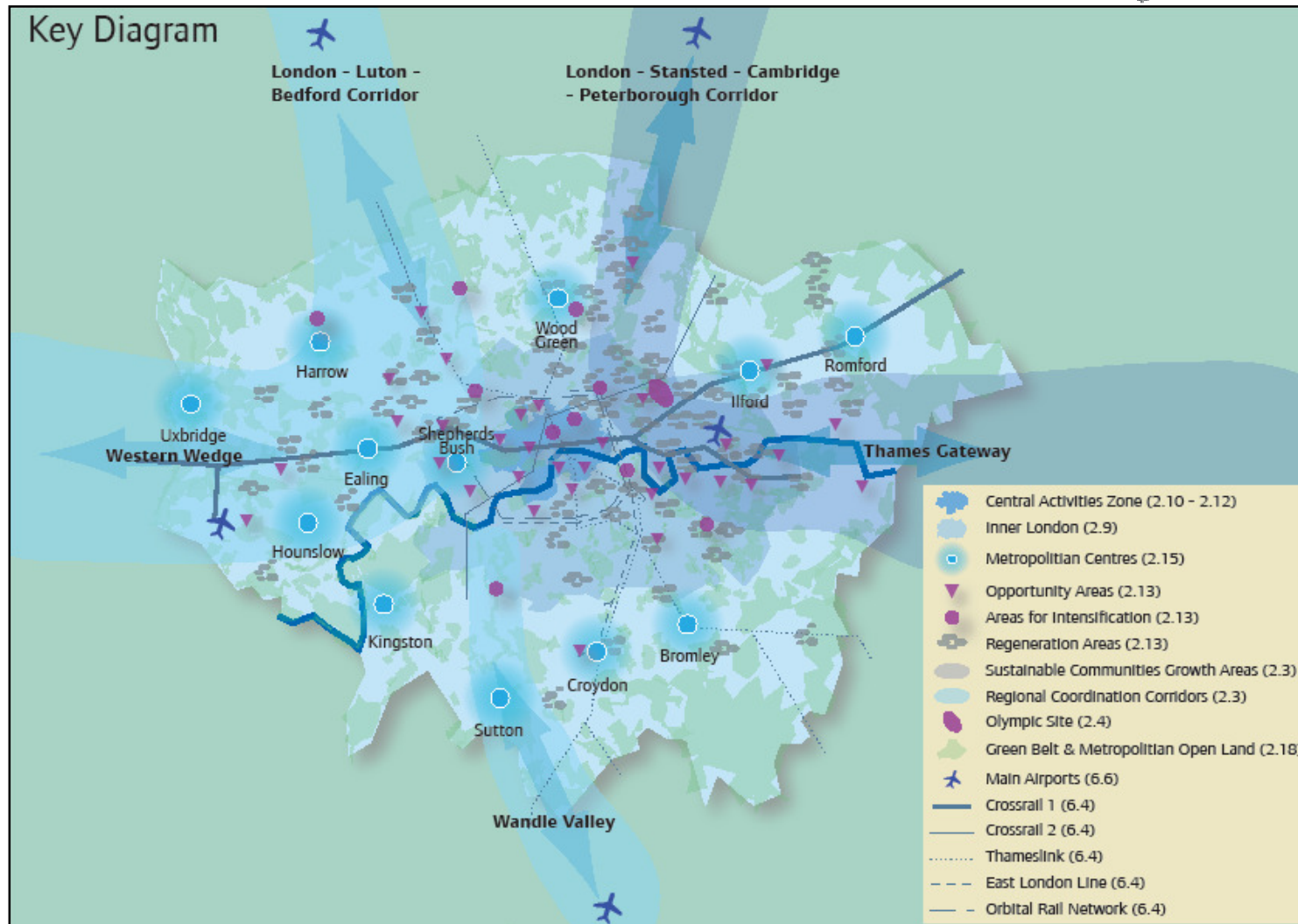
- Established by Government in December 2008
- Investing in affordable housing, regeneration and growth
- National organisation but strong local focus
- In London we work closely with the Mayor
- Investing £1.6billion (€1.8billion) in 2009/10

London – a growing city



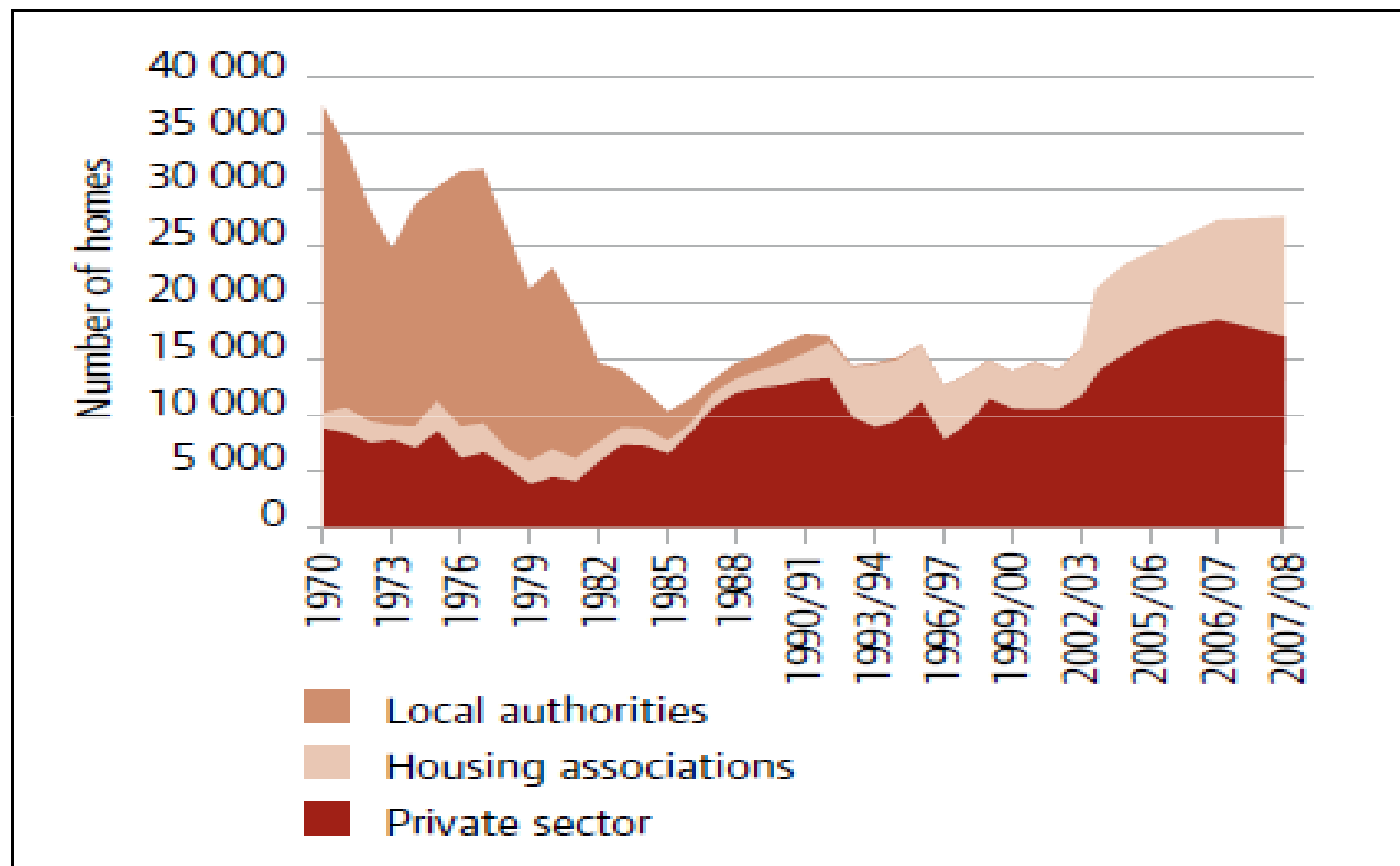
Thriving communities, affordable homes

With room to grow and regenerate – especially in the east



Thriving communities, affordable homes

We haven't built enough homes



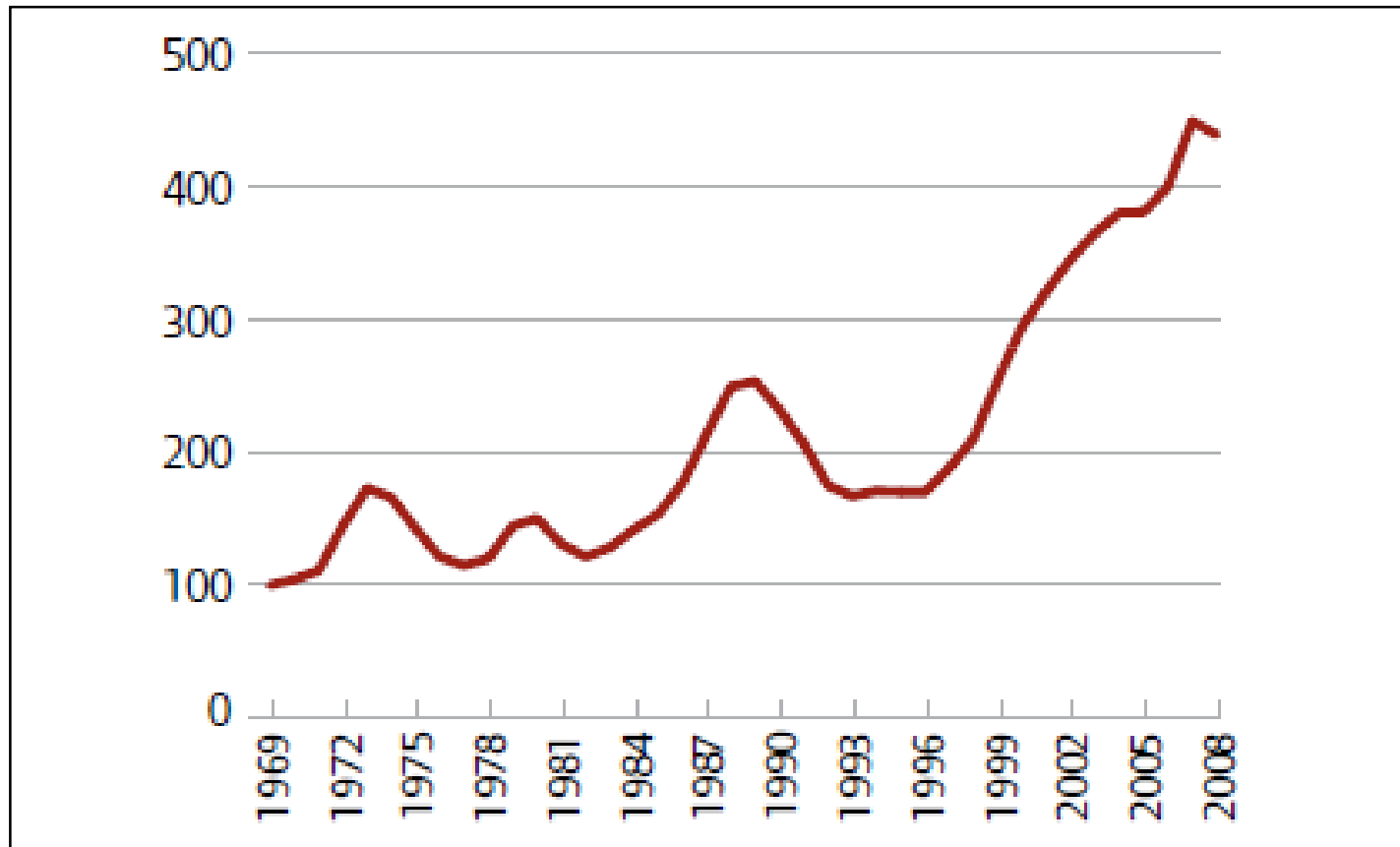
Source: GLA, from CLG Housing Live Table 232 and GLA Annual Monitoring Reports, 2009

Thriving communities, affordable homes

Affordability is a major issue



Index of mix-adjusted house prices,
1969 – 2008 (1969 = 100)



Source: CLG

The 'post-recession' market



- Prices down by c20% from peak
- Mortgage squeeze
- Development finance scarce and expensive
- No appetite for risk
- Capacity has been stripped
- Cross-subsidy for affordable housing and regeneration has disappeared
- Speculative trader-developer model defunct
- But underlying demand is strong



Working to de-risk developments and create longer term opportunities



1. Public land as equity
2. Long term partnering with contractor/developers
3. Working with institutional funds for a new Private Rented Sector model

Public land and shared risks

1. Focus on public land (regeneration, *plus* scale and certainty)
2. An alternative to frozen private land markets
3. Deferred returns to reduce carrying costs
4. Developer Partner Panel of contractor/developers
5. Working with local authorities to de-risk planning
6. Shared risks and rewards

Cost & benefit

public land and contractor-developer partnerships



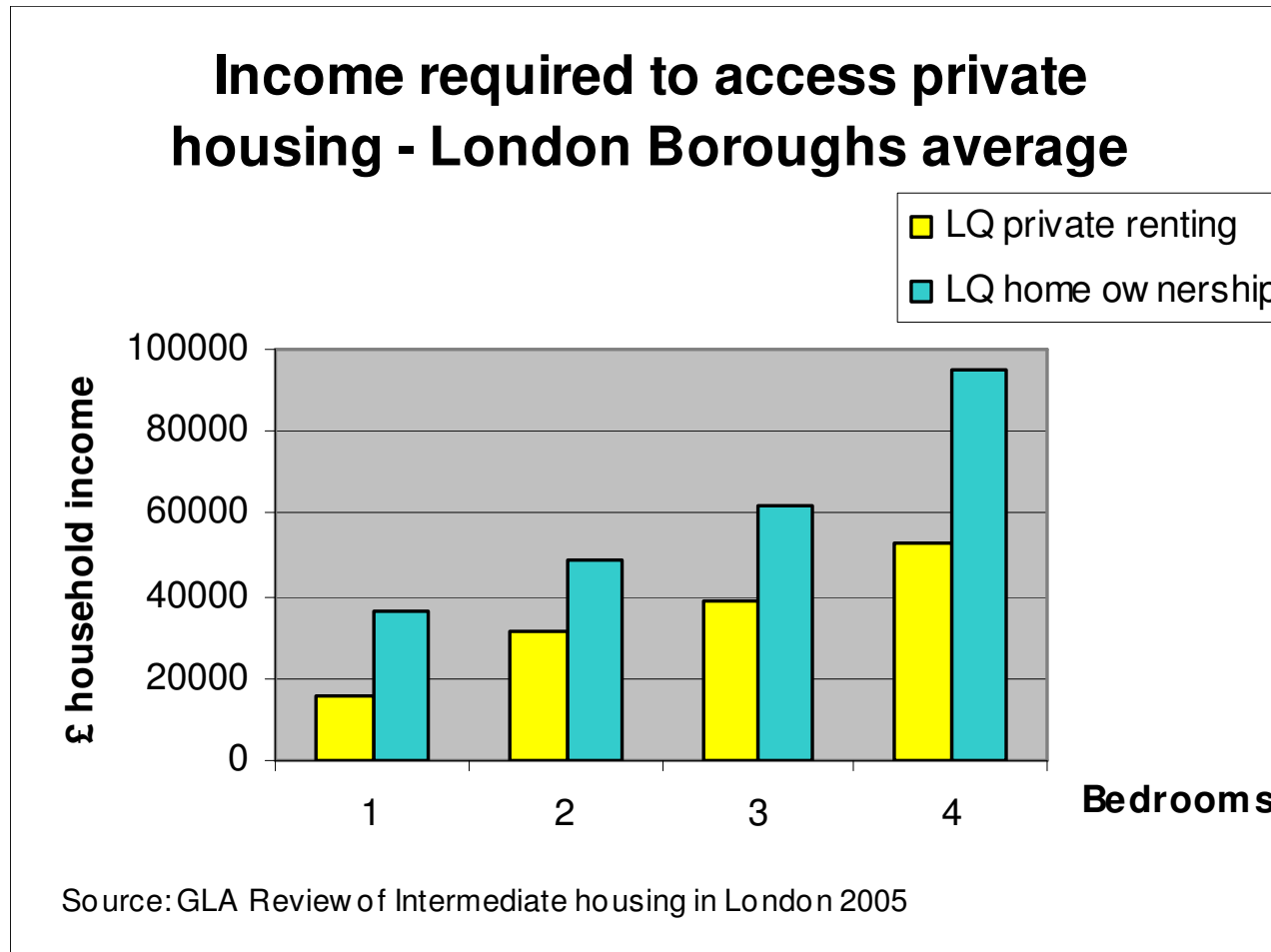
saving



benefit



Private Renting – cheaper than buying



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PRS – the potential



- Well-established sector (20% (600,000) of London's households)
- Currently small scale, 'amateur' and speculative
- Time for change – but needs scale and certainty
- Alternative options for new supply are non-viable
- Index-linked yields possible with some assistance

Overcoming investment barriers to private rent



Challenge	Opportunity
Relatively low historic yields	Investment safe havens post credit crunch – stable returns
Short leases & financial weakness of tenants	Better market intelligence & outdated perceptions
High management costs compared to commercial property	Larger purpose built properties – better economies of scale
Lack of understanding of sector Market fragmentation	HCA 'broker' role and developer panel Identification of suitable sites
Critical mass and front end risk	HCA and public sector sites with land as initial equity



Questions?

Thriving communities, affordable homes