



New routes to affordability: The Rentplus way

The Housing Forum National Conference

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Housing: national context

- Nationally and locally the demand for homes far exceeds supply
- Inability to save for a deposit is one of the biggest obstacles to home ownership
- Soaring prices and rising rents plus not enough of the right homes in the right places means exclusion and insecurity of tenure for many
- Recognition that we need a flexible approach to tenure and ownership; creative solutions and a different mind-set are key to avoid doing what we've always done
- Traditional affordable housing solutions have not delivered at pace or scale; new investors and new developers need to be attracted into residential development
- Affordable rent to buy offers an accessible route to home ownership for those who are currently excluded, with the opportunity to rent, save & own
- Rentplus is an innovative housing solution, facilitating best use of existing social/affordable housing; housing people from the waiting list



Rentplus: background

- Developed by a regional developer (Pillar Land), Plymouth City Council and Tamar Housing to address the issues identified with access to, and the quality of, affordable housing
- Established 2012 in the South West and now growing at scale across the country
- Ambitious business plan approved to deliver **5,000** homes by March 2020 as part of **an 10,000 home programme** nationally
- Completed schemes in Devon, Dorset, Cotswolds & Oxfordshire, with schemes under construction across the South-west, Northampton and Fenland
- The first affordable housing product to attract significant institutional investment & deliver
- Finances upfront delivery of affordable homes on new developments, giving housebuilders (including SMEs) confidence to build, unlocking stalled developments and meeting local housing demand
- Complements existing models of affordable housing and home ownership offering local people a greater choice and the opportunity to live in a new affordable rent to buy home



Rentplus: status

- Currently an **NPPF compliant affordable housing tenure**
- Meets the test of *in perpetuity* over 20 years
- **Additionality:** delivery of more homes over and above housing association capacity to deliver
- Complements existing models of affordable housing and home ownership offering greater range of tenures & choice; delivers White Paper commitment to provide range of tenures
- Replacement on one to one basis in LA area: reinvesting in the same area
- Supported by government as an affordable housing tenure as part of funding programmes
- Pre-requisites for delivery:
 - Local authority inclusion of rent to buy tenure in affordable housing provision in s106 agreements
 - Registered Provider/ALMO partner to lease and manage our homes
 - Funding

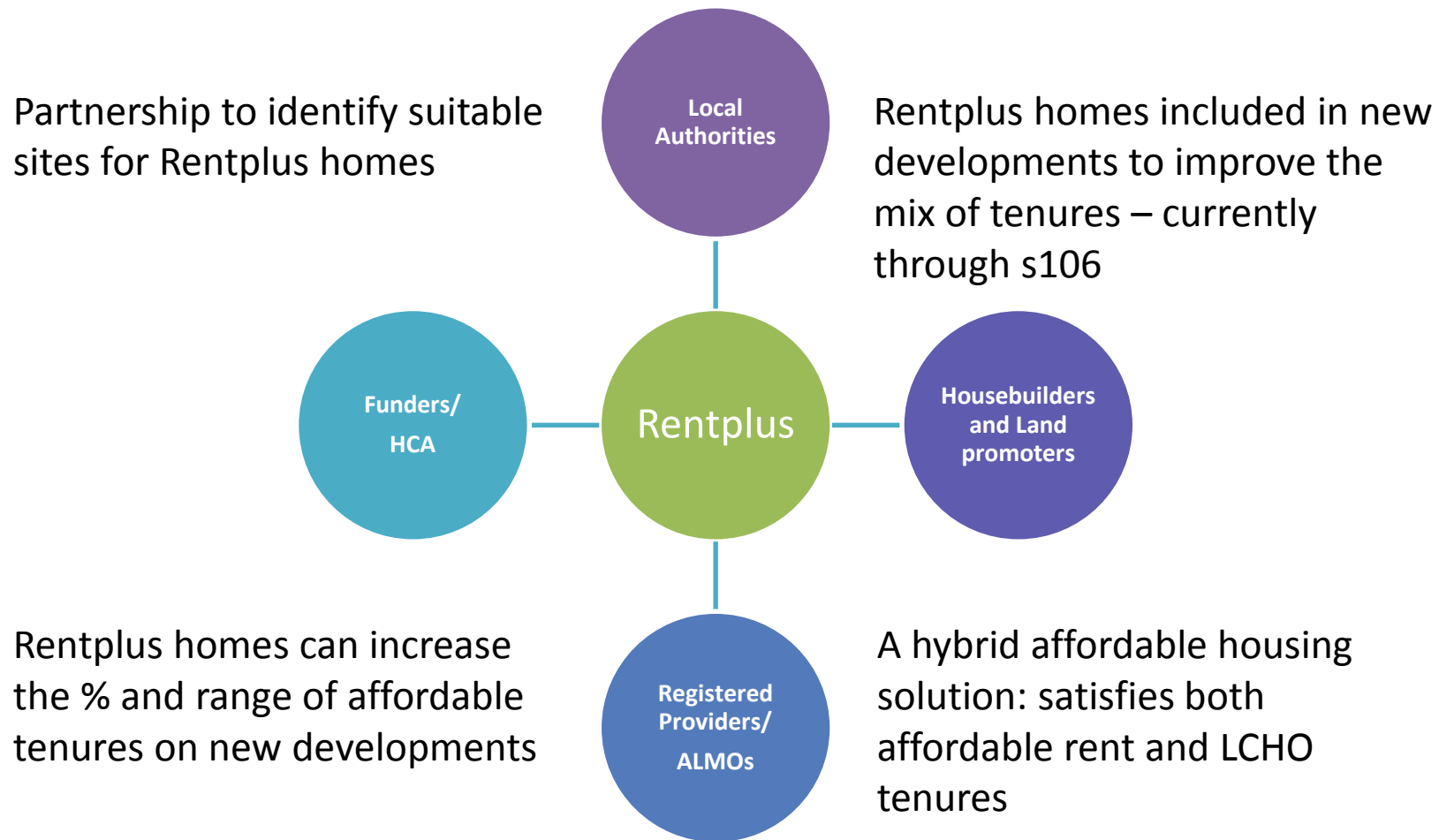


Rentplus: in a nutshell

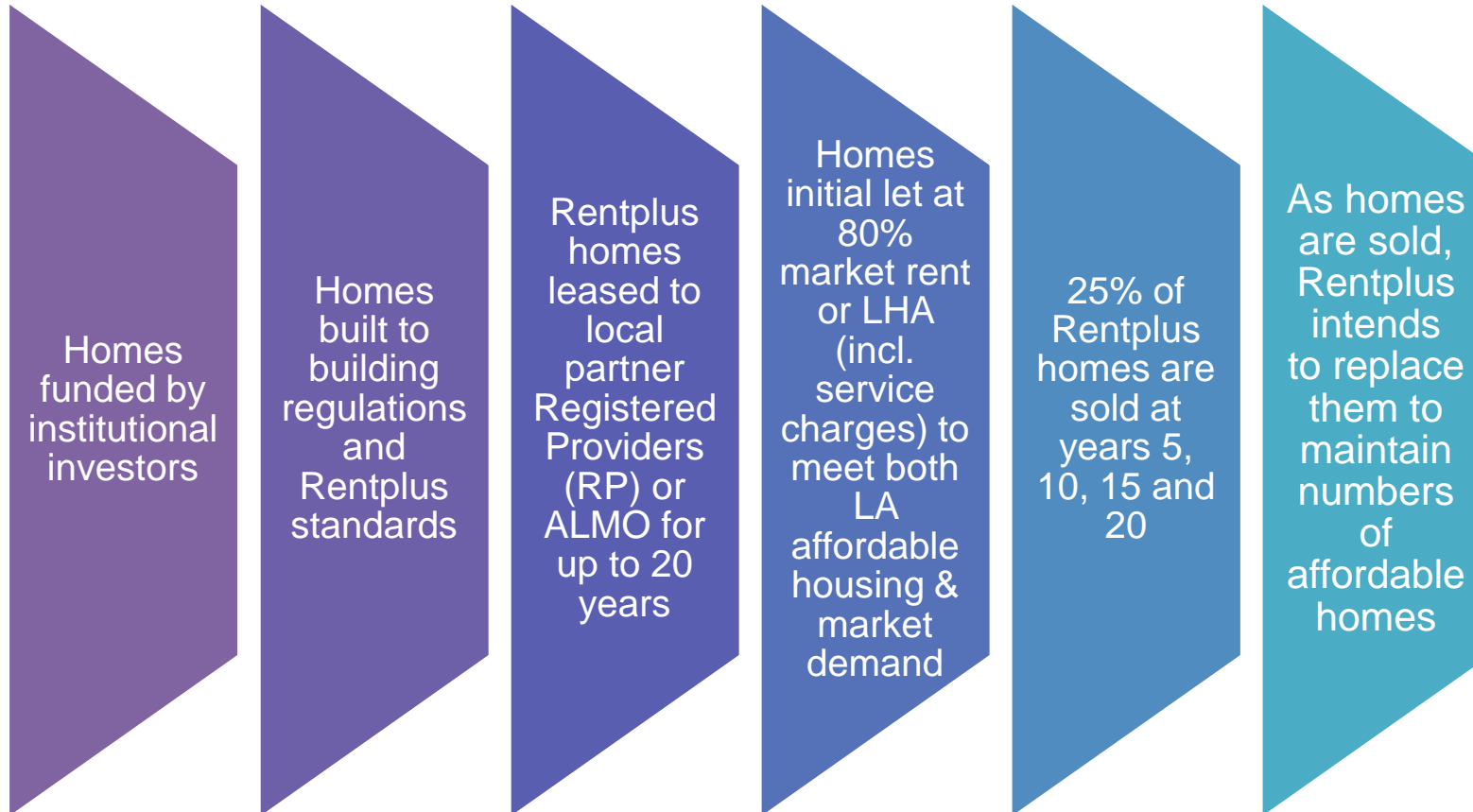
- Fully funded by institutional investors; no grant or public subsidy required
- Offers a route to home ownership for working/in training lower income households who can't get on the housing ladder with security of tenure
- A hybrid **affordable housing** solution:
 - ✓ Tenants pay an affordable intermediate rent (80% market rent or LHA) for a defined period: **affordable rent**
 - ✓ Tenants have an opportunity to buy their home at 5, 10, 15 or 20 years: **affordable home ownership**
- Rentplus gives tenants a 10% of OMV deposit when they buy their home
- Homes are managed & maintained by a local housing association or ALMO on a 20 year lease
- Tenant has no repairing obligations or services charges to pay during the rental period
- Opportunity to build creditworthiness to help mortgage application and to save with Help to Buy Cash or Lifetime ISA



Rentplus: working in partnership



Rentplus: how does it work?



Rentplus: managing the tenancies

Tenants supported and enabled to move into home ownership by RP/ALMO

RP/ALMO partner manages Rentplus homes including repairs service, collects rent

Rents increased by CPI +1% annually; rebased every 5 years

Tenant agrees at sign-up when their home is available to purchase; 5-year renewable tenancies until then

10% OMV gifted deposit provided by Rentplus for tenants at purchase

S106 cascade allows for substitute tenant, RP/ALMO discounted purchase or sale on open market



Rentplus: for tenants

- Offers a route to home ownership for working/in training low income households who can't get on the housing ladder/have low priority for social housing
- Opportunity to build credit history to help mortgage application and to save with Help to Buy or Lifetime ISA
- Provides real opportunity for local people in housing need who aspire to home ownership and are unable to save a deposit
- New home at an affordable rent with low running costs and support to achieve home ownership
- No repair obligations during the rental period
- Gifted deposit of 10% of the open market value of the property
- Access to a wide range of mortgages



Rentplus: Registered Providers (RPs)/ALMOs

Working in partnership with local RP partners/ALMOs to deliver great customer and landlord services for Rentplus tenants:

- Partnership based on framework agreement and site specific 20 year operating leases
- No requirement for additional borrowing or using financial capacity to grow/consolidate portfolio; in addition to planned development programme
- Bringing sites forward, with joint appraisals and bids, to create a pipeline of future homes
- Control over allocations, in accordance with LA requirements
- Additional income stream from retained rent income, project management & introduction fees, estate management service delivery
- VfM and efficiencies through consolidation of stock portfolio and reduction in overheads
- Opportunities to purchase properties with 10% discount if tenant unable to proceed with their purchase



Rentplus: delivering affordable housing

- Increase in the number of affordable homes available and New Homes Bonus payments – additionality to RP/LA affordable housing provision
- Opportunities to unlock stalled developments & accelerate delivery: viability challenges or bringing forward stalled sites by forward funding the affordable housing element
- Local lettings plan agreed with LA; applications made through local CBL scheme or alternatives to ensure local people housed. Evidence of current schemes:
 - 60% housed from CBL
 - 30%+ of Rentplus tenants have moved from existing social housing, freeing up homes to house those in need from the housing register
- If home sold on the open market, 7.5% of sale proceeds given to LA to invest in future affordable housing
- MOU to maintain pipeline of properties to replace sold homes to retain affordable rented homes in perpetuity and reinvest in local authority area
- Opportunities for bespoke strategic partnerships including working with ALMOs, local housing companies and/or combined or devolved authorities



Rentplus: impact

- **For institutional investors:** a sustainable and robust financial model with a blended rental yield and capital return
- **For government:** supports momentum in delivering homes at scale and pace; the model is robust against market correction; protects against risk of reduced appetite for home ownership
- **For local authorities:** certainty of delivery of s106 Affordable housing obligations by developers & housebuilders. Facilitates best use of existing affordable housing stock. Bespoke strategic partnership with LA Local Housing Companies, council housebuilding programmes and Garden Towns/Villages
- **For RPs/ALMOs:** complementary to existing development programme, growth and income generation without additional borrowing or sales risks, or impact of reduced appetite for shared ownership; reduction in overheads, extends range of housing options
- **For housebuilders:** competitive prices, improved viability to unlock stalled sites, certainty of purchase for Affordable housing; upfront financing; doesn't compete with open market sales
- **For UK economy:** supporting inward investment, sustaining viability, funding and delivery of affordable housing, creating jobs and providing short-, medium- and longer-term investment in home ownership



Thank you

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