Housing Development and Asset Management and Maintenance Conference and Exhibition 2014

NATIONAL HOUSING FEDERATION

W2

Changing times – the right homes in the right places

Speakers:

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Riverside

Chair:

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Happy 20th Anniversary
SDS
Housing Development Software

Claire Stone

Executive Director

Communities & Assets

Objectives

- Accent's response to two areas of low demand
- Thoughts on longer term trends
- Impact on our national development programme
- Right place, right homes...right time

Changing times

- Demographic changes
- Employment shifts
- Welfare reform
- Regulatory changes
- Grant levels
- Funding
- Investment spikes

But...

...clarity

- Financial capacity
- Risk capacity
- Risk appetite
- Protect social assets
- Sweat assets
- Make grant work hard
- Commercialisation
- Innovation

Challenges of low demand - former mining community

- 340 homes
- Terraced houses and bungalows
- 41% turnover
- Number empties 63 or 19%
- Number days to re-let 100+
- Cost repairs per annum £2K
- Costs of void £3k
- Low satisfaction with home

Inner city

- 450 homes
- Houses converted to flats/bedsits
- 13% turnover
- Number empties 188 or 42%
- Number days to re-let 100+
- Cost repairs per annum £2K
- Costs of void £3k
- Low satisfaction with home

First challenge
- should have seen it coming

- Increased turnover
- Harder to let
- Longer turnaround time
- Residents satisfaction with home
- Number of offers being made
- Increasing anti social behaviour
- Mines closed
- Riots

What we did (or didn't) do

- Letting 2 beds to singles to fill a void
- Letting to younger residents to fill a void
- Concentration of single person households
- Changed the area demographics
- Neglected investment while we battled with the decision
- Chased the wrong performance indicators
- Distractions from core business
- Impact of bedroom tax

Second challenge
- to invest or not to invest

NOT TO INVEST

- Invested in 126 bungalows
- **LONG TERM DEMAND**
- Not in houses
- **NO DEMAND**
- Local authority joint working
- Other RPs
- Private sector
- No HCA support for demolition or remodelling

INVEST

- Invested to remodel £6.7m
- Reduced households to 188 to 118
- Support from local authority £1m
- Average investment per unit £82k
- Turnover from 40% to 1%
- Arrears 1.67% (from 3.37%)
- **LONG TERM DEMAND**

Third challenge
- sustainability test (quantitative)

- Define sustainability
- Matrix to measure before we invest
  - Demand
  - Financial performance
  - Asset performance
- Options appraisals
- VFM challenge
- Fair to all residents
- End of worst first approach to planned investment

Third challenge
- sustainability test (qualitative)

- More dynamic
- Open minded to remodelling
- Consider your stock profile
- Creativity and innovation
- The art of the possible
- Impact on capacity to develop
- Engage stakeholders

National development programme

- Operate in 5 regions
- Across over 79 local authorities
- Targeted development in 11
- Core area
- Affordable rents exceeds social rent
- Capacity to invest
- Reduced bid
- Garage sites

Longer term trends

- Worry about some northern markets and communities
- Worry that spikes in investment being are not being planned for
- Doesn’t mean new housing is not needed but
- Remodelling, creativity
- Support needed
- Balance between new development and investment
- Impact of not developing on business plan
- The future?

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Development & Asset Management Conferences 2014

Changing Times: Right Homes, Right Places

Hugh Owen
Director of Policy and Communication

Riverside

Riverside

Vital Statistics

- + 50,000 homes
- 160 local authorities
- Around 70%, general needs for rent
- + 10k bed spaces of housing with care/support
- Riverside Home Ownership: LCHO, leaseholders
- Commercial companies: Prospect and Compendium

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Local Authorities
with Riverside Stock
2013
Legend

OneRiverside
Corporate Plan 2014-17

This session

- Right homes, right places
- In context of change
  - Demographic
  - Economic
  - Social

- When we're not building enough…..
- Doubly important to get this right!

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Let’s start with an example (fictitious)

GreatValue Housing

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National Government/HCA

- Shortage of 1/2 bed homes
- Minimise cost/unit, maximise output. Affordable rents
- **Small and cheap**

Local Authority

- Housing needs assessment (out of date)
- Political pressure for larger family homes, social rents
- **Big and traditional**

Housing Association

- Adjacent estate of family homes, ageing population
- Demolition of ‘sheltered’ bedsits
- **Specialist and expensive**

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Who is right?

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Demographics

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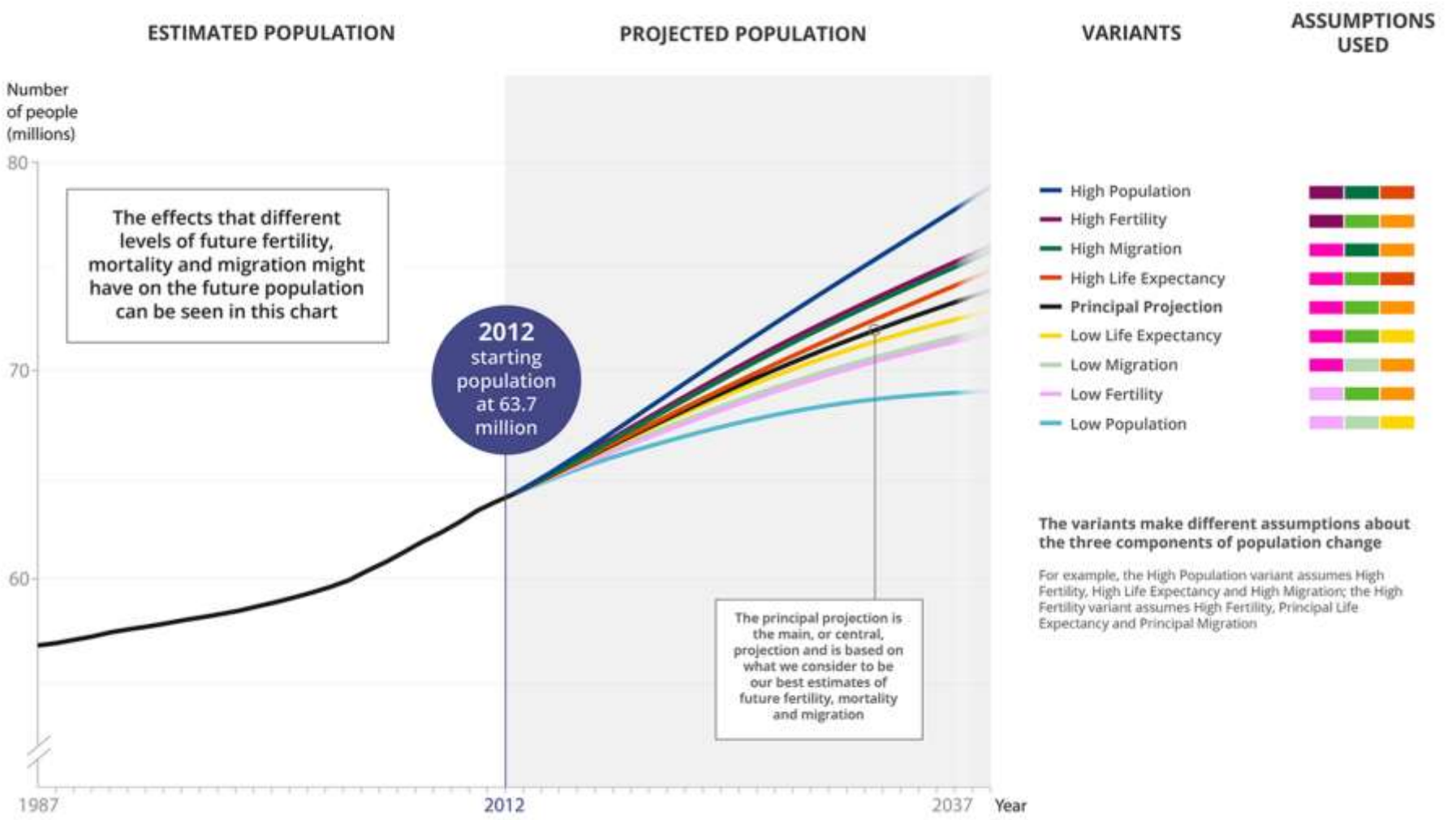
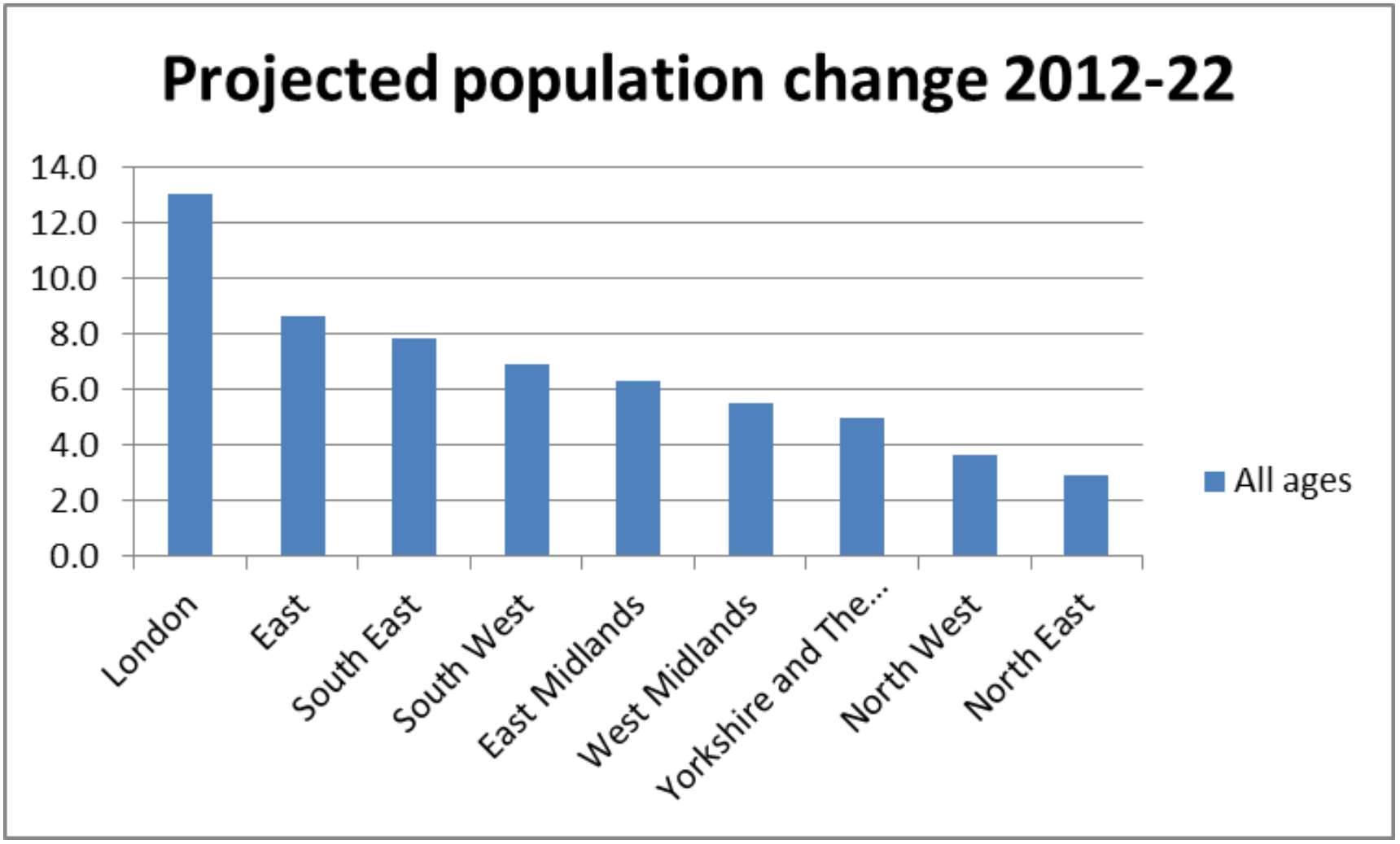


- National population rising by c 10m over next 25 years
- Though 10m variation in estimates!
- +2m household growth next 10 years

Uneven distribution between regions



Uneven distribution within regions

Contrast household growth projections to 2021

- Cambridge (-3%) and East Cambridgeshire (+23%)
- Liverpool (+1%) and Warrington (+12%)

Incidentally:

- City of London (+58%), Tower Hamlets (+32%)

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…and nature of ‘growth’ very different

- London and SE, driven by net inward migration (from within and outside UK) and birth rate
- In parts of the North, driven by ageing population and out migration

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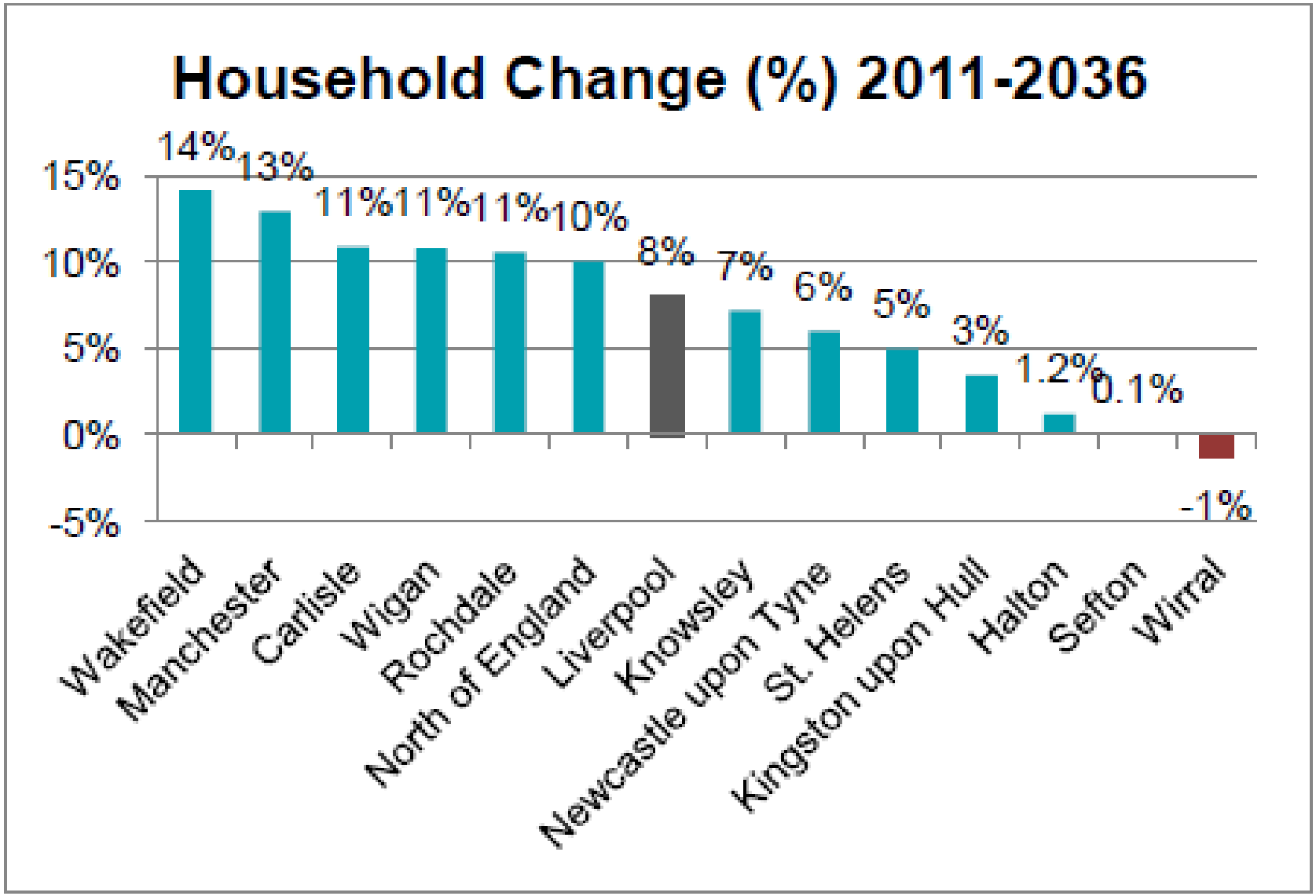
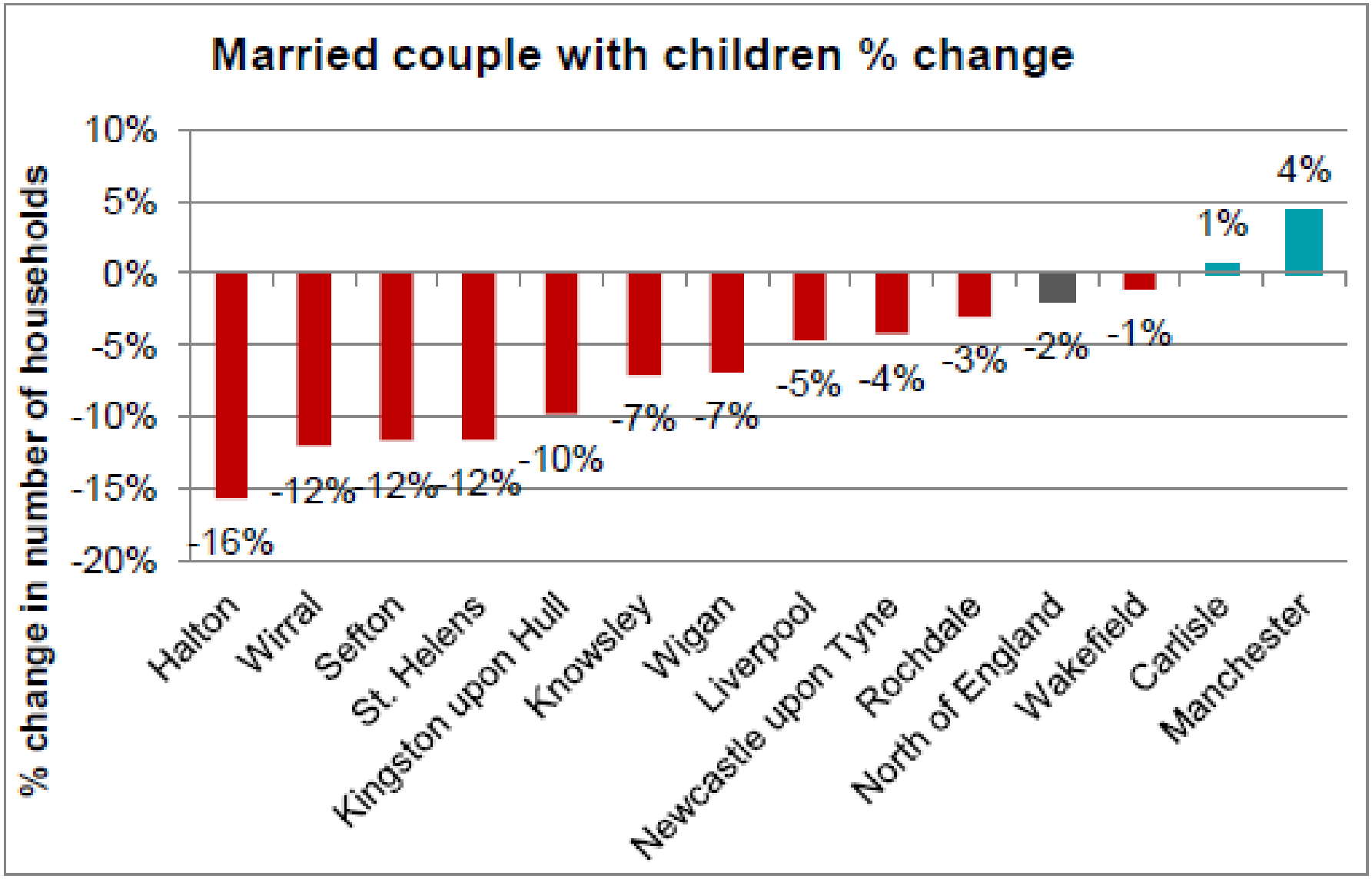
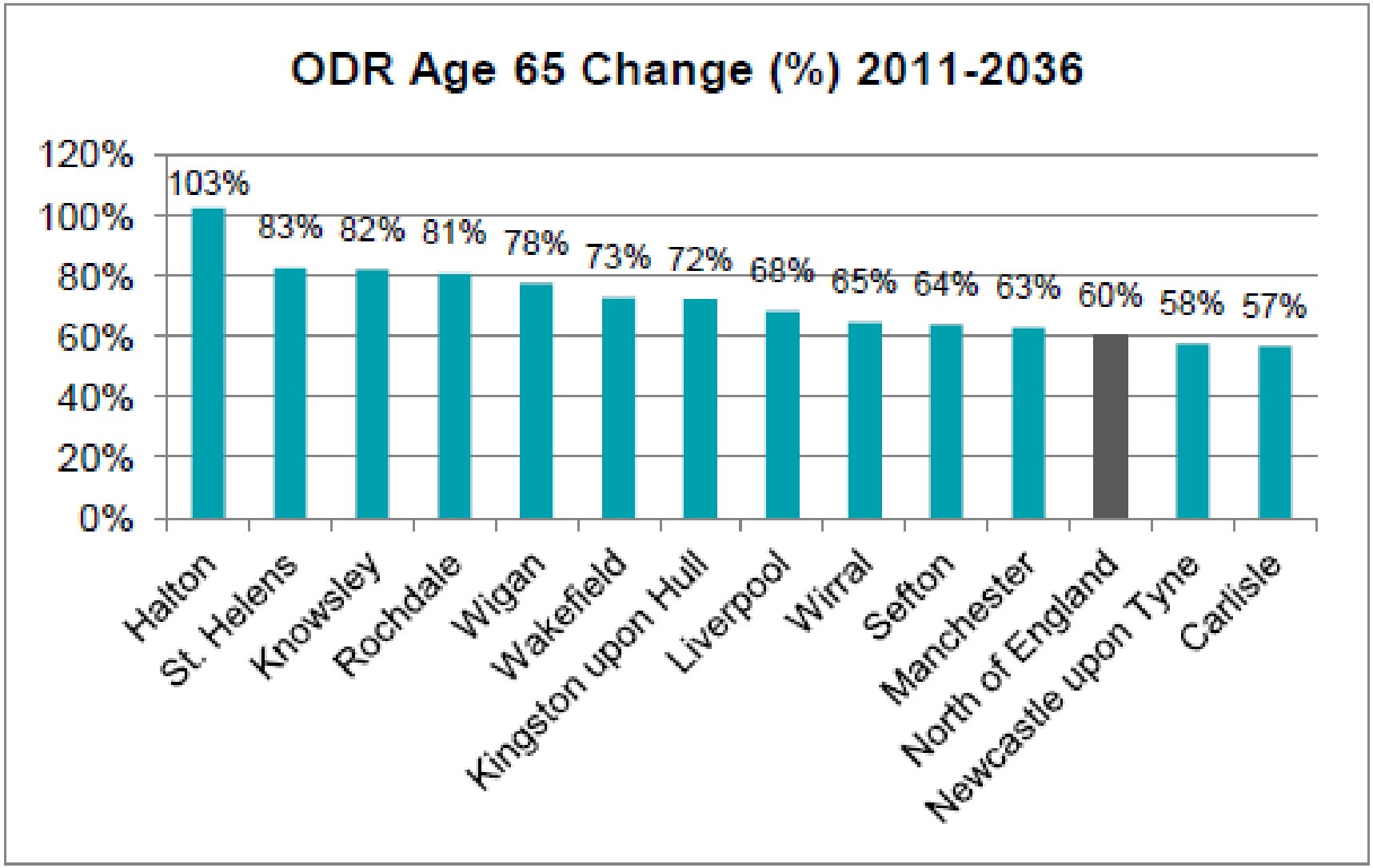

Household Change (%) 2011-2036
15%
10%
5%
0%
-5%
14%
13%
11%
11%
11%
10%
8%
7%
6%
5%
3%
1.2%
0.1%
-1%
Wakefield
Manchester
Carlisle
Wigan
Rochdale
North of England
Liverpool
Knowsley
Newcastle upon Tyne
St. Helens
Kingston upon Hull
Halton
Sefton
Wirral


Married couple with children % change
% change in number of households
10%
5%
0%
-5%
-10%
-15%
-20%
-16%
-12%
-12%
-12%
-10%
-7%
-7%
-5%
-4%
-3%
-2%
-1%
1%
4%
Halton
Wirral
Sefton
St. Helens
Kingston upon Hull
Knowsley
Wigan
Liverpool
Newcastle upon Tyne
Rochdale
North of England
Wakefield
Carlisle
Manchester



- All of this equals increasing dependency

Household composition changing too

- Average household size continues to decline: 2.36 – 2.33 over next 10 years
- But, new phenomena
  - Young people moving back home, delaying household formation
  - Shared housing, driven by affordability/benefits
- What was the fastest growing household type in the decade to 2013?
- Do you know your local demography?

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Choice

Table 1 Comparison of selected European dwelling sizes

	All dwellings			Newly built dwellings		
	Floor space (m^2)	Number of rooms	Room size (m^2)	Floor space (m^2)	Number of rooms	Room size (m^2)
UK	85.0	5.2	16.3	76.0	4.8	15.8
Italy	90.3	4.1	22	81.5	3.8	21.4
Portugal	83.0	4.3	19.3	82.2	4.7	17.5
Sweden	89.8	4.3	20.9	83.0	4.0	20.8
Finland	76.5	3.6	21.3	87.1	4.0	21.8
Ireland	88.3	5.3	16.7	87.7	5.2	16.9
Austria	90.6	3.4	26.6	96.0	3.7	25.9
Spain	85.3	4.8	17.8	96.6	5.1	18.9
Luxemburg	125.0	5.5	22.7	104.1	5.1	20.4
Germany	86.7	4.4	19.7	109.2	5.1	21.4
France	88.0	3.9	22.6	112.8	4.2	26.9
Netherlands	98.0	4.2	23.3	115.5	4.1	28.2
Belgium	86.3	4.3	20.1	119.0	5.8	20.5
Greece	79.6	3.8	20.9	126.4	3.2	39.5
Denmark	108.9	3.7	29.4	137.0	3.5	39.1

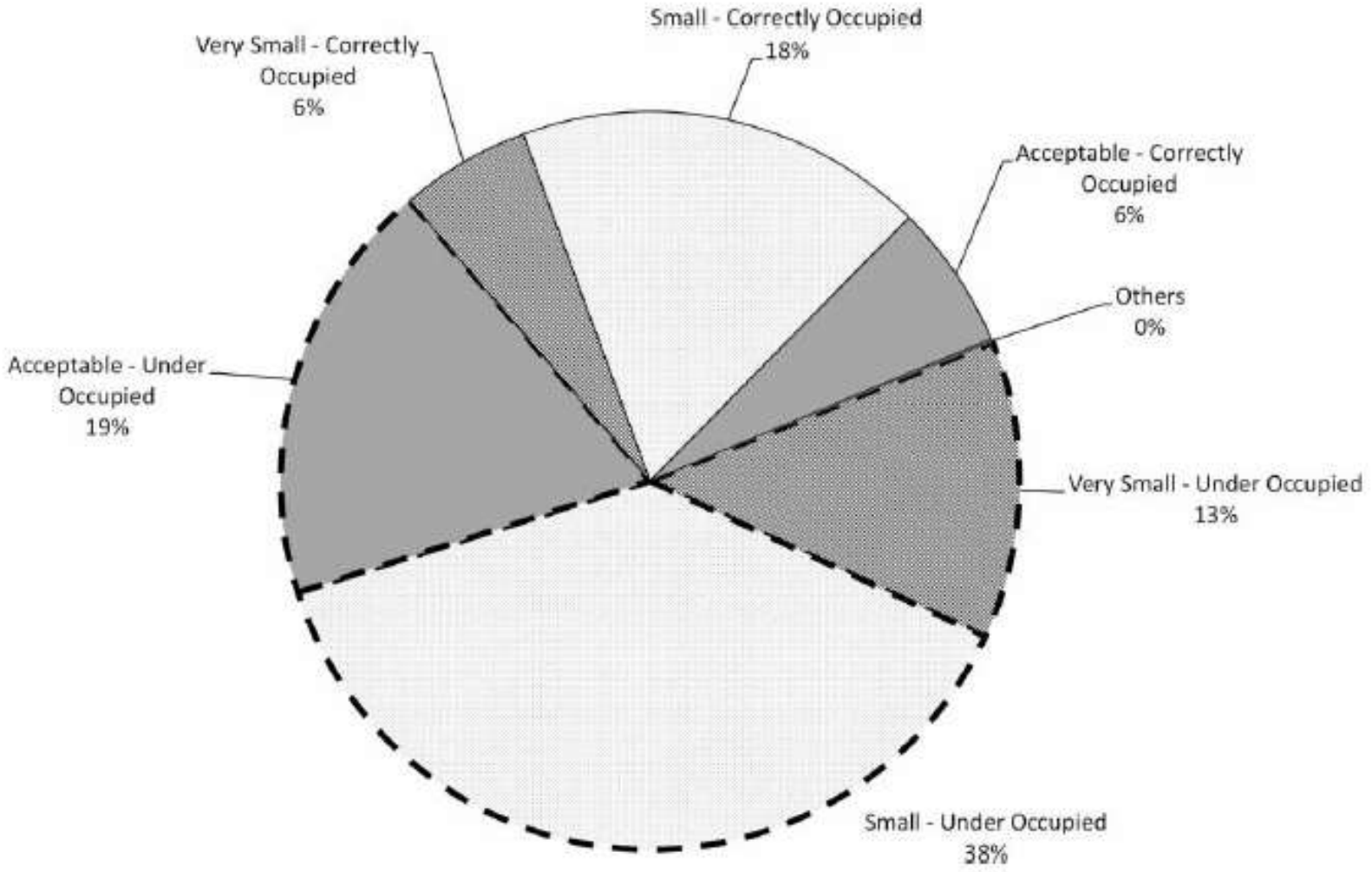
Source: Evans and Hartwich (2005)

- Smallest dwelling sizes in Europe
- Up to half of homes smaller than 2010 London Design Guide Standard

STANDARD SETTING THE GROSS INTERNAL AREA (GIA) M² OF FLATS

1 BEDROOM
– ACCOMMODATING
2 PEOPLE

20 % INCREASE BETWEEN LONDON AND GERMANY



- Poor space standards = significant driver of under-occupation
- Only 25% of those deemed to be under-occupying live in acceptable homes!
- Confirms previous HfN survey: 82% of under-occupiers considered size of home ‘about right’

Living space requirements vary by life stage

Source: Isos MORI

UNIVERSAL NEEDS

- FLEXIBLE ENTERTAINMENT AND PRIVATE SPACE
- SPACE TO ENTERTAIN FRIENDS AND SOCIALISE

Households with children

- Safe, unsupervised play areas
- Homework area
- Able to supervise children from the kitchen
- Able to use the kitchen for family meals
- Seperate work space for parents – closed off from children
- Some private space for retreat

Households without children

- Space to work at home
- Private areas for older adult children to stay or entertain friends

Older residents

- Adaptations to reflect changing health requirements

Affordability

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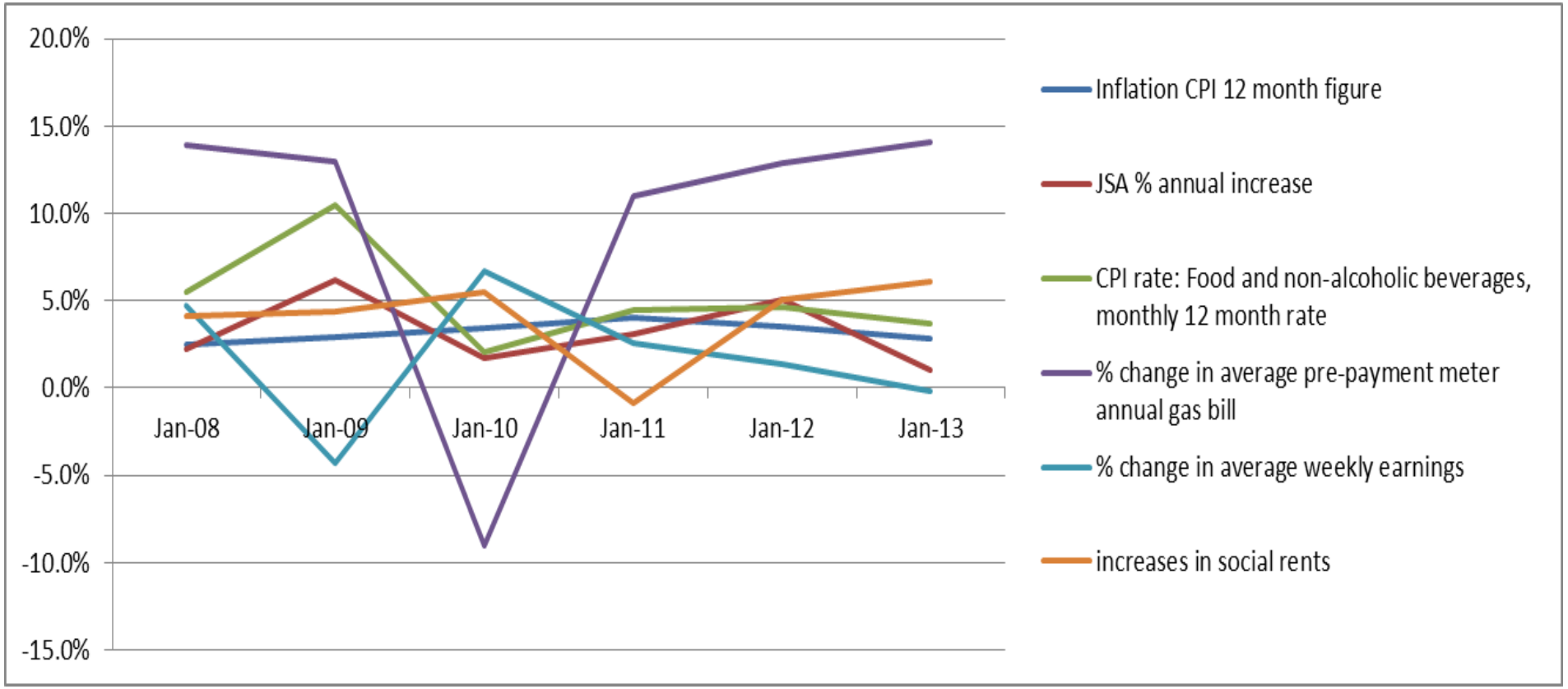

2008 – 13

- Earnings increased by 109%
- Social rents by 116%
- Riverside rents by 122%
- Pre-payment gas by 165%

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Riverside approach to affordability

For affordable rents, 80% market rent subject to following caps:

- Target rent
- LHA
- Maximum HB limits
- Residual rent calculated back from overall benefit cap (£500/350 pw)
- 30% local household earnings (gross), based on 30th percentile of income distribution (weighted)

Currently reviewing

Cambridge Centre
for Housing &
Planning Research

Housing Costs, Affordability and Rent Setting

A report to Affinity Sutton

by
Christine Whitehead, Chihiro Udagawa and
Alex Fenton

Affinity Sutton/CCHPR research

- Opposite approach
- Asked *'what proportion of working households can afford market, intermediate and social rents by locality?'*
- Uncovered significant affordability problems, esp. in London and for households with children:
  - Croydon: two thirds working lone parents (1 child) can't afford social rents, let alone affordable/market. 20% working couples
  - Manchester: 80% of working lone parents (2 children) can't afford social rents, 11% singles.

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No easy answers……

- Rents regulated – room for manoeuvre limited
- Funding model assumes income maximisation
- BUT in longer term, customers likely to be more price sensitive. Can't take anything for granted.
  - Higher proportion of working customers
  - Incomes rising below CPI and certainly below CPI + 1%
  - UC and direct payments. Psychology different
- Imperative to understand relationship between rents and incomes at local level

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Existing Assets

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Business perspective

- Housing supply in context
- What do we own locally?
- How does it perform?
- What do our neighbourhoods need?

- This is where development and asset management need to work hand in hand

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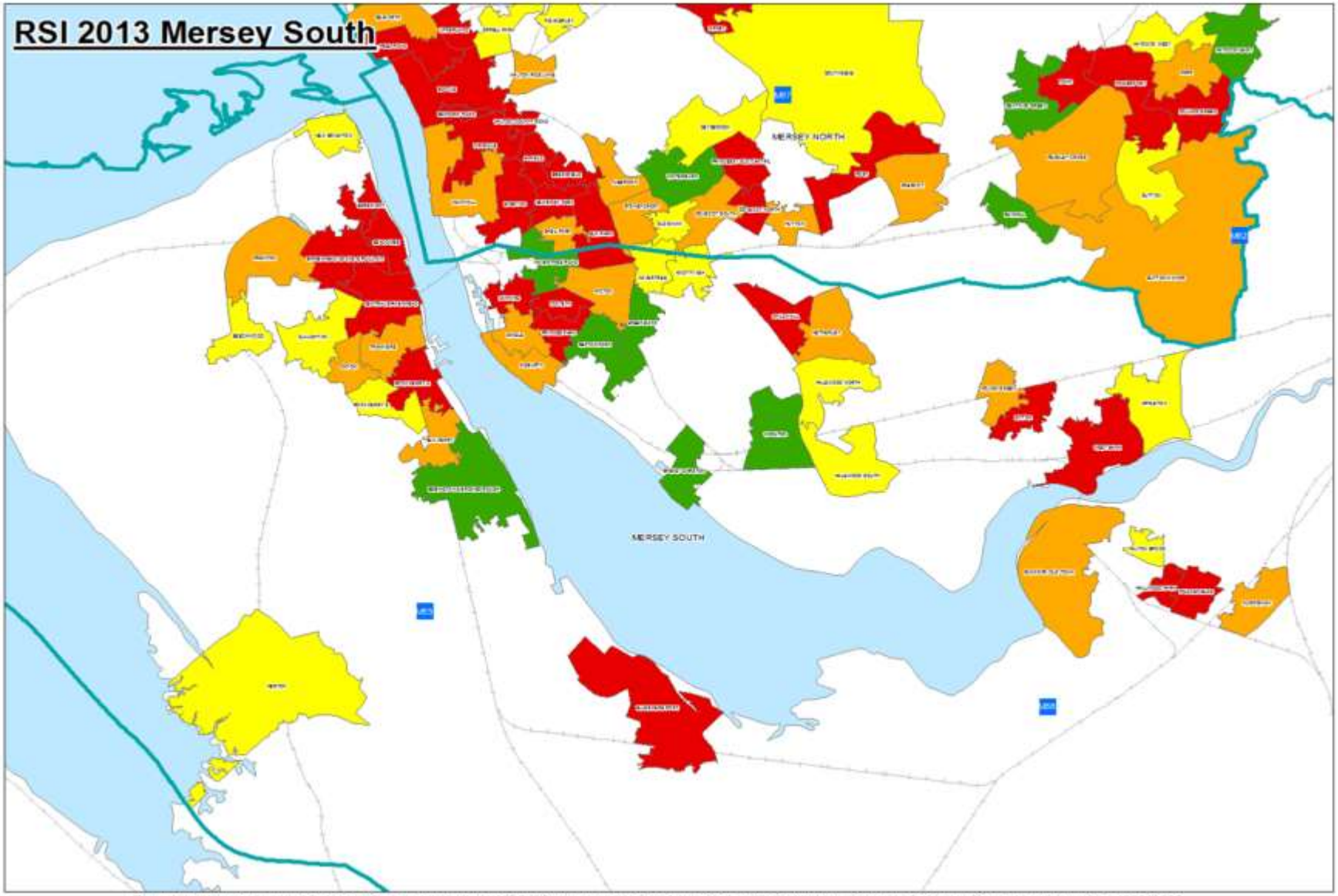
Far
Wide
For Sale
Better quality
Better places for people to live
Better Places
Fewer areas
2500
Investing
Selling
Building
Modern, energy efficient Homes
£240m
Existing stock
£233 m

Neighbourhood tool: NIS



Property tool: HFAT

Output 4 - Traffic Light Analysis by Area - No. of Properties								Return to M
	Green		Amber		Red		Total	
	No	%	No	%	No	%	No	%
Total all Neighbourhoods (45)	7545	86%	450	5%	730	8%	8725	100%
CENTRAL BIRKENHEAD	83	88%	1	1%	10	11%	94	100%
CLAUGHTON	152	83%	11	6%	20	11%	183	100%
EGREMONT	60	80%	3	4%	12	16%	75	100%
ROCK FERRY S	50	85%	3	5%	6	10%	59	100%
SEFTON PARK	106	84%	6	5%	14	11%	126	100%

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Borland Avenue, Carlisle
Replacing flats with houses!

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In conclusion

- Right homes, right places (right price) ?

- Need to understand underlying national and regional trends
- But place firmly in a local and organisational context

- Process is everything!

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