

Background Paper 5: Financing and Resourcing Affordable Housing in Westminster



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Introduction

This report was commissioned by Westminster City Council to support the work of the Housing Commission.

Its aim is to provide the Commissioners with a broad understanding of how additional affordable housing, of a broader range can be provided in the City.

The main components of this report are:

- An understanding of the current situation in Westminster;
- Scoping of potential solutions to providing and financing affordable housing in Westminster.

Part one of this paper sets out the current situation and approach of Westminster and its partners.

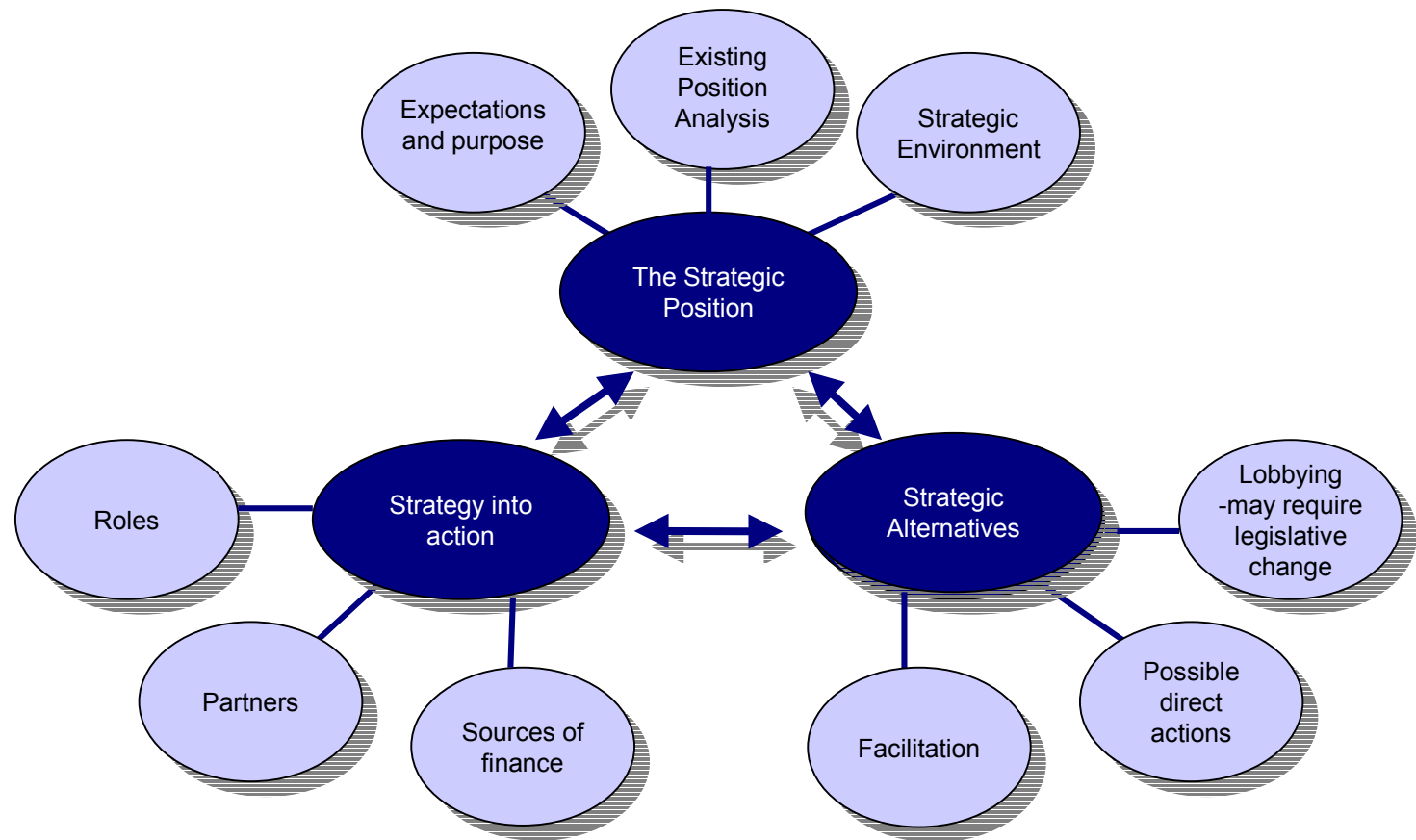
Part two of the paper looks at the possible application of existing initiatives and funding mechanisms, giving an overview and the potential role they might play in delivering Westminster's affordable housing needs.

The final part considers briefly other avenues which may be open to Westminster to use other assets to free up resource for housing.

Some recommendations are also made about the options that the Housing Commission might wish to pursue.

To complete the work, DTZ Piedad Consulting will analyse in depth two options selected by the Housing Commission.

The Strategic Framework



Options for Consideration

Potential options for the Housing Commission to explore include:

- Indirect investment vehicles
- Intermediate housing tenures
- Engagement with private sector developers/direct investors
- PFI structures
- Joint ventures

A brief analysis of various options is presented and an in depth analysis of two options selected by the Housing Commission will be undertaken. It is suggested that these should be options which do not require legislative change and could start to impact within a short time-frame

Key Issues for Financing and Resourcing of Affordable Housing in Westminster

- High land cost - that unless the land is effectively subsidised it is difficult for the private sector to make a return. Density will be important.
- Development size - over 2/3 of the affordable housing provision is anticipated to come from sites of less than 0.5 hectare. Smaller unit sizes, incorporating high quality design, could increase the supply
- Mature environment – certain products rely on an intervention creating a significant uplift in capital values to enhance return. This is very unlikely in Westminster.
- Central London location – investors will have a definite view on central London as an investment location. Banks may also be particularly concerned about house price volatility.

Available Finance/Funding Options for Affordable Housing Delivery

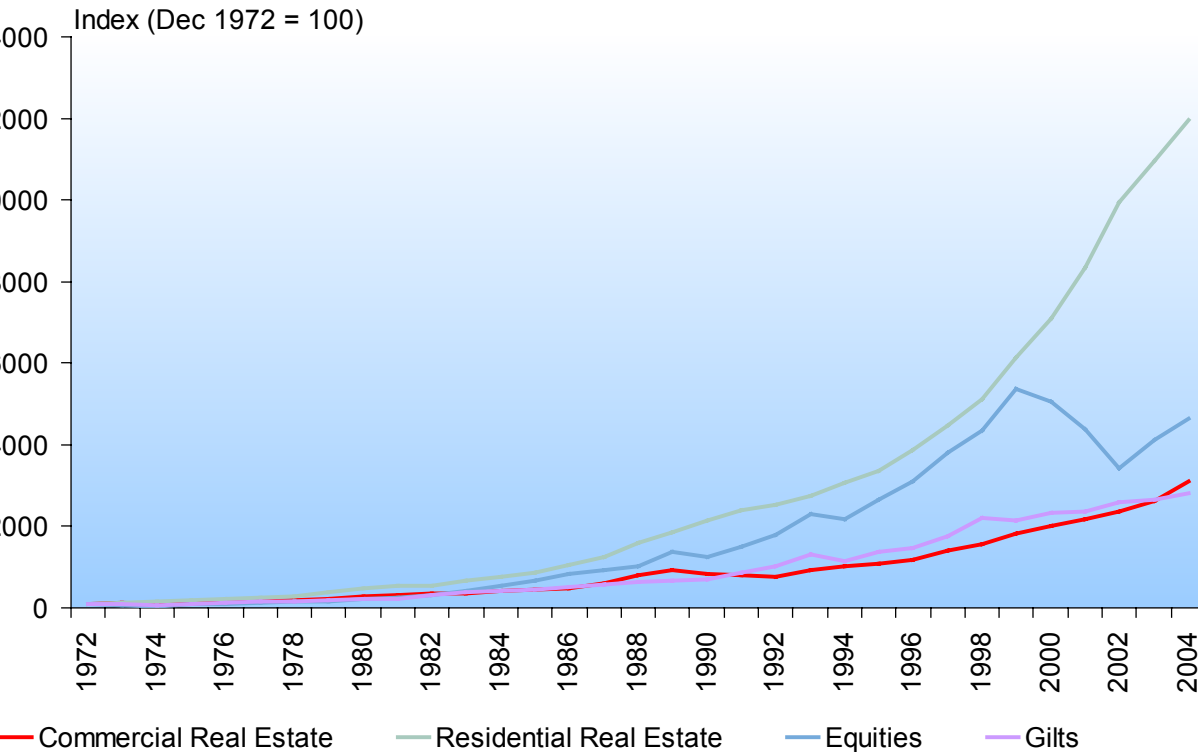
Public Funding	Available Private Finance
Section 106 Agreements <ul style="list-style-type: none"> On Site Off Site Commuted Sums into Affordable Housing Fund (£10m over 5 years) 	Bank finance, especially to RSLs
Currently lobbying for transitional funds to replace LA SHG through the London Housing Board	Bond Finance
Free or Reduced Price Land in LA ownership	PFI Credits and private finance
LA Own resources £3m p.a. from WCC own resources	Direct investment
Capital Receipts	Potential indirect investment
SHIP	Private developers
WCC have negotiated an increase to HB subsidy cap for procurement of self-contained temporary accommodation (uplifted in 04/05).	Retail lending for LCHO products
Surplus from HRA contributed to WCC capital programme	Joint ventures with financial institutions
Neighbourhood Renewal Fund	Investment encouraged by tax/regulatory incentives
Possible developments funds for ALMOs through Housing Bill	
RSL Funds <ul style="list-style-type: none"> SHG through ADP RCGF Own Reserves 	

Residential as an Asset Class

Indirect Investment Vehicles

- UK does not have a history of indirect investment vehicles offering residential risk
- Residential activity is limited when compared to the US and other European countries
- Partly explicable by the relatively small private rented market in the UK

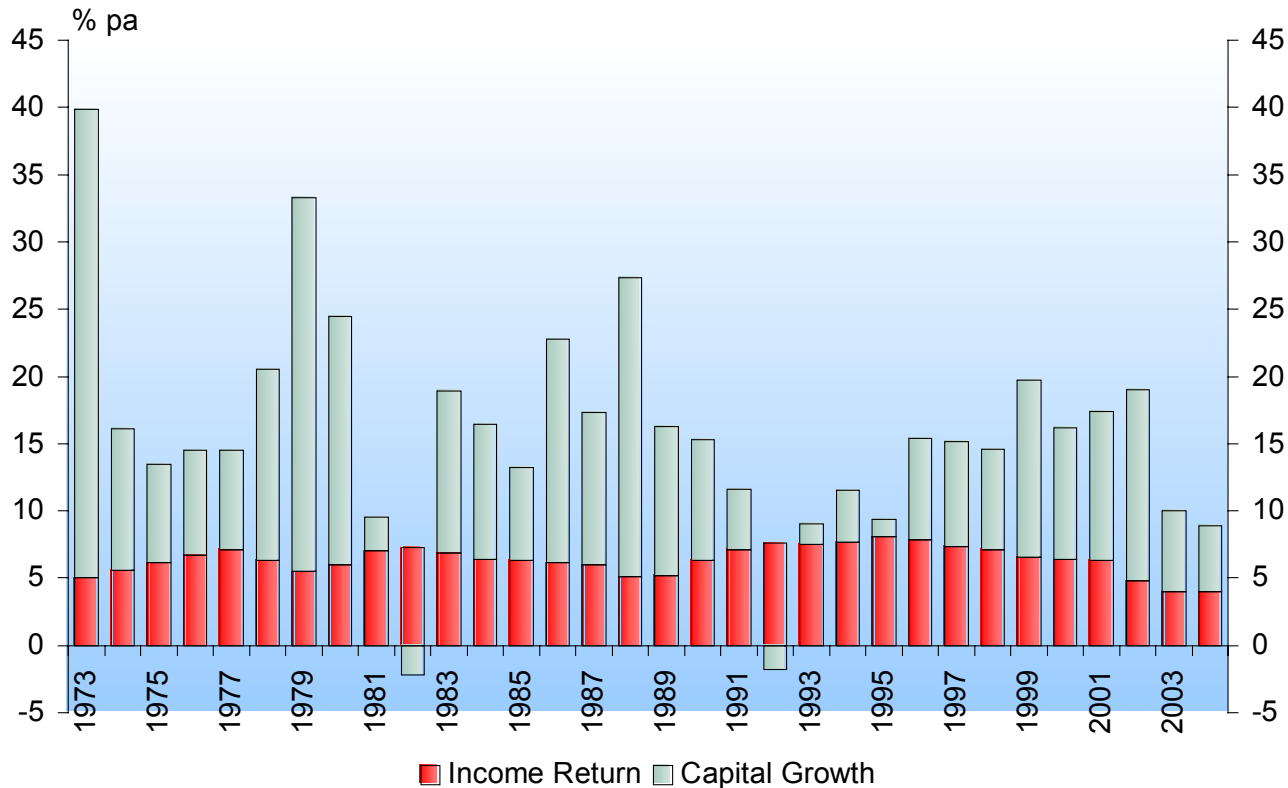
How does Residential Compare?



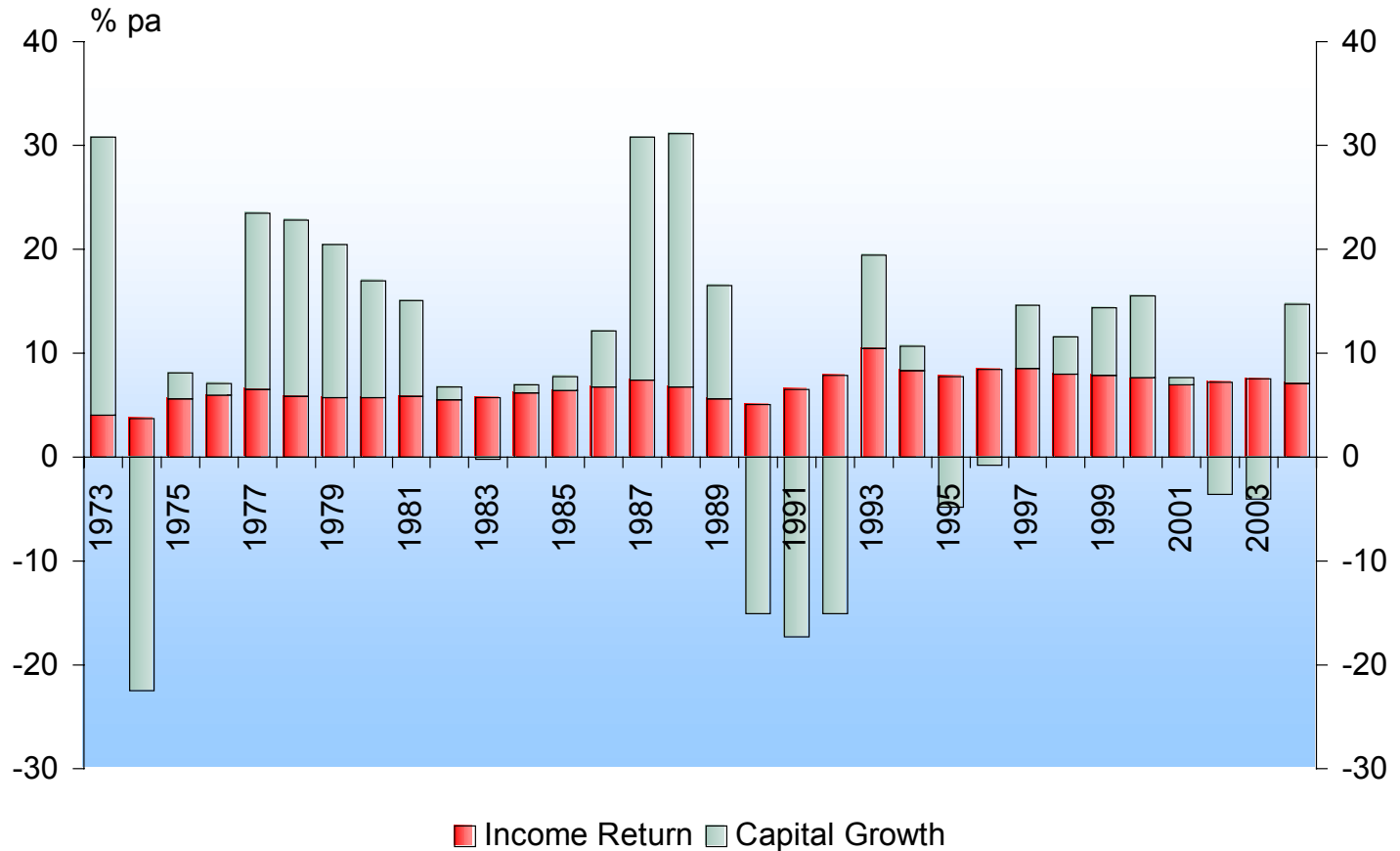
1972-2004

- UK total return index
- Residential consistently outperformed commercial property, gilts and equities
- Commercial property total return has largely tracked gilts

UK residential returns are weighted towards capital growth



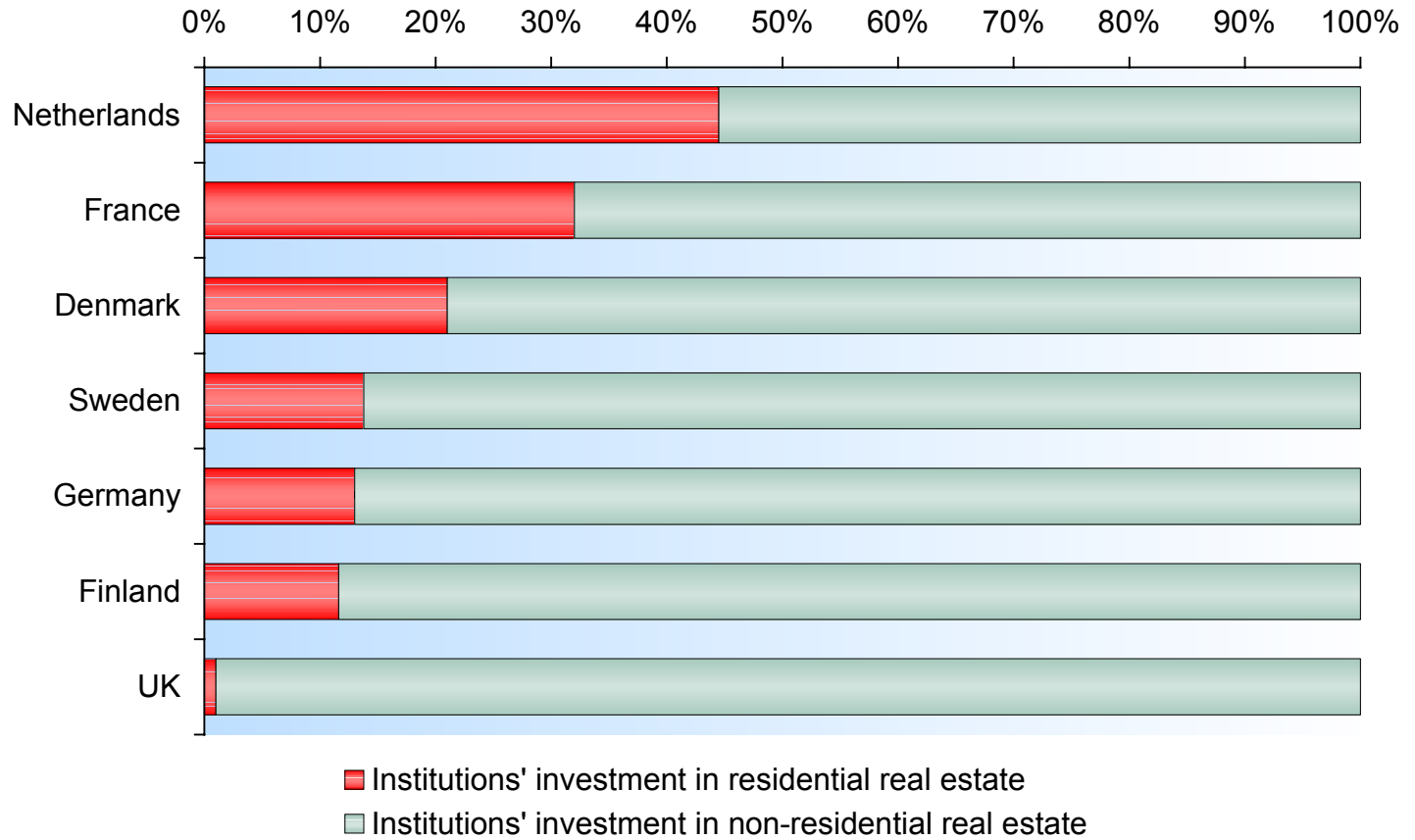
UK commercial estate returns are more income driven than residential



Growth in residential investment by country



Low proportion of institutional investment in residential real estate in the UK



Indirect Investment Vehicles

REITs

Overview

- REITs and similar structures have been effective in the USA and in certain parts of Europe
- A form of indirect and liquid investment in most forms of property assets
- Nothing of a similar scale in the UK
- Many of them concentrate on residential property
- generally perceived as income rather than capital growth driven investments

Many UK commercial property companies are anticipating the advent of REITs

- Land Securities contemplated a possible conversion in its recent statement
- Grainger Trust the most likely contender from the publicly quoted residential sector

REITs are tax transparent rather than tax exempt

There will be a conversion charge for existing companies to become a REIT

No anticipated incentives for affordable housing within a REIT

Proposed UK REIT Structure (pre Budget Report due to update position 5 December)

- profits arising from ring fenced activities will be exempt from tax;
- more than 75% of total gross income must derive from ring-fenced activities;
- at least 75% of gross value of assets must relate to property within the ring-fenced business;
- only be allowed to invest in properties generating a significant proportion of schedule A profits (rental income);
- at least 95% of the income from the ring-fenced business must be distributed to investors, after appropriate deductions and capital allowances (further consultation is expected here);
- income and expenditure incurred on both ring-fenced and non-ring-fenced activities would need to be apportioned between the two activities on a just and reasonable basis;
- must invest in more than one property (and no single property can exceed a defined proportion of the REIT's total assets); and
- able to invest in any property type.

REIT Tax Status

- Stated aim is to align the taxation of direct and indirect property investment
- Income within the ring fence (i.e. rental income) would be exempt from corporation tax, whereas income outside this would be subject to corporation tax in the usual way
- No corporation tax on chargeable gains would arise on the sale of land within the ring-fenced business, whereas profits from dealing or other activities outside of the ring fence would be subject to corporation tax.
- Distributions divided into two types of income. Income from the ring-fenced activity would be treated as property income and taxed at the investor's marginal rate. Such payments would be subject to a withholding tax at the basic rate (currently 22%). Income from the REIT's other activities would be treated as dividends.
- The fact that rental income would be tax exempt in the REIT will therefore provide a form of tax transparency

Spanish Real Estate Funds

- Collective investment institutions which invest exclusively in urban real estate
- Can invest during construction phase
- Minimum number of members of 100
- Minimum of 70% of assets in real estate (rest fixed income only)
- No single property more that 35% of fund
- Assets must be held for a minimum of 3 years
- Gearing maximum of 50%
- Low income tax rate of 1%
- Some relaxation of regulations (e.g. to allow more development) is anticipated
- **50% of assets must be held in dwellings, student residences and nursing homes**

Spanish Model Characteristics

- Requirement to hold 50% “residential” means that the yield is inevitably depressed
- Can deliver a genuine mixed property return, with commercial subsidising residential
- Currently only 7 funds, mainly controlled by banks
- Main investment in Madrid and Barcelona, which are more mature and expensive locations, similar in certain characteristics to Westminster
- Market expected to grow, possibly with overseas investors looking to invest in Spain

Shared Ownership REIT (London First)

Suggested by London First in *Increasing Access to Housing* as a joint venture between a bank and developers:

- Developer builds out the development, selling a percentage of units as shared ownership to key workers with the unearned portion being held in a fund
- Proposed stake between 25 and 75%
- Bespoke fixed rate mortgages to be arranged with a rental charge on the unearned portion
- Once critical size is reached, the fund converts to a REIT

For the investor, advantages are:

- Less voids and maintenance on shared ownership
- Stronger cash flow generated by staircasing and churn

Form of lease very important as staircasing would need to be actively encouraged to make the cashflow attractive

Properties would probably need to revert to the open market within a defined period (10years) to underpin return

Housing Investment Trusts – A Cautionary Tale

- Announced in 1996 to encourage institutional investment into the private rented sector – none were ever launched
- Anticipated that it would attract significant institutional investment
- Exempt from Capital Gains Tax and a lower rate of Corporation Tax (24 per cent). Investment returns will remain taxable in the normal way, in the hands of investors
- Were to be listed on the Stock Exchange
- HITs could invest in existing, occupied residential property let on assured shorthold tenancies, but not in property let on regulated or assured tenancies
- Limits set for property values, at the time of acquisition, of £125,000 in London and £85,000 elsewhere
- No significant trading allowed
- Gearing limited

Reasons for Failure

- Tax breaks not seen as attractive for gross funds
- At the time still some prejudice against residential asset class
- Difficulties in the Investment Trust Market led to widening of discount to net asset values
- Costs of management
- Difficulties in acquiring stock – SRPT was going to use stock generated by the part-exchange market
- Limits on trading
- Limit on value of properties impacted on perceived performance of portfolio
- Difficulty in verifying rental assumptions at that time as data evidence for open market as opposed to social rents

SIPP Self Invested Personal Pension

- A SIPP is like any other pension scheme to provide retirement and related benefits for its members. SIPPs are prohibited to invest in residential property market, but this will change on 6 April next year.
- Changes that will allow houses to sit inside tax-efficient SIPP will be introduced April 2006. Also new rules allow “concurrency” i.e. membership of both occupational scheme and a SIPP
- SIPPs total value now £28bn (average £243,000)
- Initial growth likely to be fuelled by individuals transferring buy to let properties and/or first and second homes into their own SIPP
- Buy to let market currently valued at £80bn – if 10% of these investments transfer, that alone would lead to a 30% increase in total value of SIPPs

SIPPs for Affordable Housing

- Evidence that potential providers of pooled SIPP funds are interested in existing residential portfolio
- Schroder's residential property fund has had talks with a SIPP provider
- Unlikely that affordable housing will be high on the list of assets unless return can be enhanced
- Potential application where restriction to affordable use is limited and assets ultimately return to open market renting
- Regulation and restriction by FSA likely to be heavy given retail application

Other Templates for Affordable Housing from the USA

Community Land Trusts

Not-for-profit, community-controlled organisation that acquires and develops assets for the benefit of the community. CLT activities will depend on the needs of the community and skills and experience of local partners.

Key feature is to retain ownership of land and grant long renewable leases to families who want to live there.

Works well for self-build properties

Their aims are to:

- Gain control over local land use
- Provide affordable housing for lower income community residents
- Promote resident ownership and control of housing
- Keep housing affordable for future residents
- Capture the value of public investment for long-term community benefit
- Build a strong base for community action

Community Land Trusts in High Value Locations

- There is as yet no urban CLT providing affordable housing in the UK, although a Birmingham feasibility study has looked at the applicability of CLTs
- The GLA Housing and Homelessness Unit published a research report on CLT for the Mayor in November 2004
- It concluded that the model was an effective mechanism for providing housing which remained affordable in perpetuity
- CLTs are a mechanism for long term affordability rather than a source of finance
- Key problem in London locations is the price of land
- Works better in low value areas, especially as a means of a local community intervention to promote regeneration

US Developer Tax Credits

Introduced in 1986 and now some \$3bn allocated annually for rental development for those with low incomes:

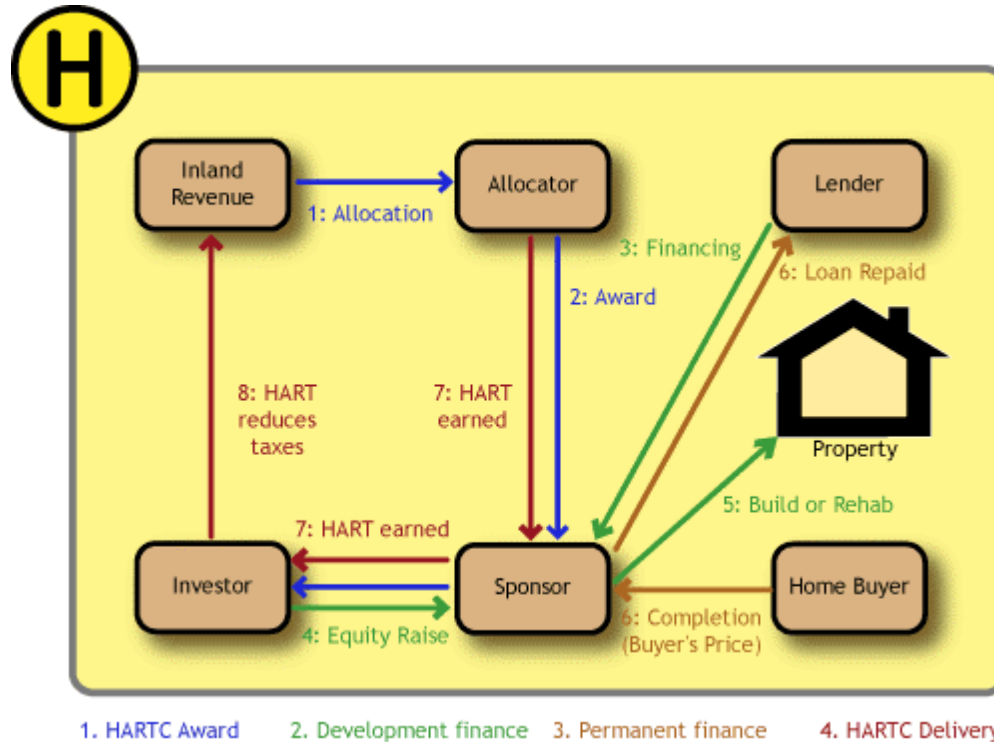
- Means of effectively creating equity to fund low yielding properties
- State allocates credits to specific development projects
- Credit can be sold on if the developer does not have sufficient taxable income to offset it

Qualifying criteria:

- 20% of rental units must go to households with incomes of 50% or less of areas median income or
- 40% must go to households with 60% or less of median income
- Rental restrictions apply for 15-18 yrs

Regarded as successful and are one of the principal mechanisms for supporting this type of housing in the US.

UK Proposal (HART – aimed at regeneration)



Would Tax Credits work in the UK?

Policy considerations:

- UK tax regime not receptive to tax credits
- May not be an effective use of public money – already other forms of subsidy in the system including Housing Benefit

Private funding considerations:

- Would provide “equity” without the financial requirements of a private equity provider
- Could form part of a number of bespoke financing structures

Applicability:

- Discussion in the UK has focussed on regeneration but equally applicable to areas such as Westminster where there is a significant mismatch between the cost of providing housing and the average incomes of the target market

Examples of Provision of Affordable Housing Providing a Commercial Return

The Investor - Assettrust

- Investor in all forms of new affordable housing
- No grant funding - privately financed
- Commenced business July 2004
- 1,300 new homes currently under construction or committed
- 8 – 10 long term RSL management partnerships
- Goal of 10,000 new affordable homes by 2009
- Built to Housing Corporation Scheme Development Standards
- 100% nominations available to Local Authority
- S106/Nominations agreement continue in perpetuity
- Rents at Housing Corporation guideline levels
- Low initial share ownership stakes are possible

Assettrust Progress to date

- Four sites under development - 269 units
- Other firm commitments made – 762 units
- Sites under consideration throughout the country
- London Boroughs working with Assettrust include Greenwich, Tower Hamlets and Wandsworth
- Purchased 72 flats from Berkeley Homes in Wandsworth. Under the Section 106 Planning Agreement with the London Borough of Wandsworth, 18 of the flats are required to be affordable shared ownership. Assettrust have stated that 72 homes available for nominees from the Council, providing ‘additionality’.

Assettrust Financial Structure

- Raised initial private equity to support £500m programme
- RBS providing senior and mezzanine debt component
- Structure uses leverage backed by cash flow from assets
- Uses experience from mortgage securitisations
- Long term inflation and interest rate hedges
- Capital markets used to create long term liquidity
- 50 year business plan enables a different approach to debt amortisation from a housing association
- Staircasing assumptions are more aggressive than a housing association

CASPAR – City Centre Apartments for Single People at Affordable Rents

Joseph Rowntree Foundation scheme

- To develop apartments for the rented sector, which achieve design excellence, let at below market rents and still make an attractive return on investment without any subsidy.
- Two pilot schemes in Birmingham and Leeds
- Anticipated returns are 6%, reliant on savings generated by high density, construction methods and low land costs
- Some construction issues reported in Leeds
- Comparison with social housing shows cost to be some 10% above cost for social housing units but with rents of between £107 and £111 per week
- Rents indexed at RPI plus 1%
- Capital gains also anticipated, especially where schemes assist regeneration.



The Developer - Pocket



- Pocket builds affordable housing on small sites (0.2-0.5 acres) in London with the aim of helping singles and couples on low to moderate incomes own 100% of a home of their own.
- They will enter into section 106 agreements and designate an entire development as affordable housing for key workers. Schemes are between 20 – 50 units.
- Developments do not require public subsidy and are sold at a significant discount (15-25%) to the local open market.
- Pocket schemes in the consent pipeline in London, include schemes on land acquired from Local Authorities. They aim for homes which are affordable on the average income for the relevant borough.
- Exclusive focus on the outright sale end of the intermediate market is unusual in London.
- Developments are non subsidised and prices are £90,000 to £175,000

Characteristics of Pocket

- Section 106 designates the development as affordable in perpetuity but an acceptable level of liquidity is ensured by an appropriate cascade arrangement.
- Upon sale, properties must be offered or the first 6 months to a key-worker. This applies to all sales, not just the first sale
- Small unit sizes – 37sq m for a one bedroom flat as opposed to a more normal 45 sq m.
- Off-site construction based on a standard model.
- Financed by £15m of debt from US venture capital house.
- Geared with a further £35m of debt.

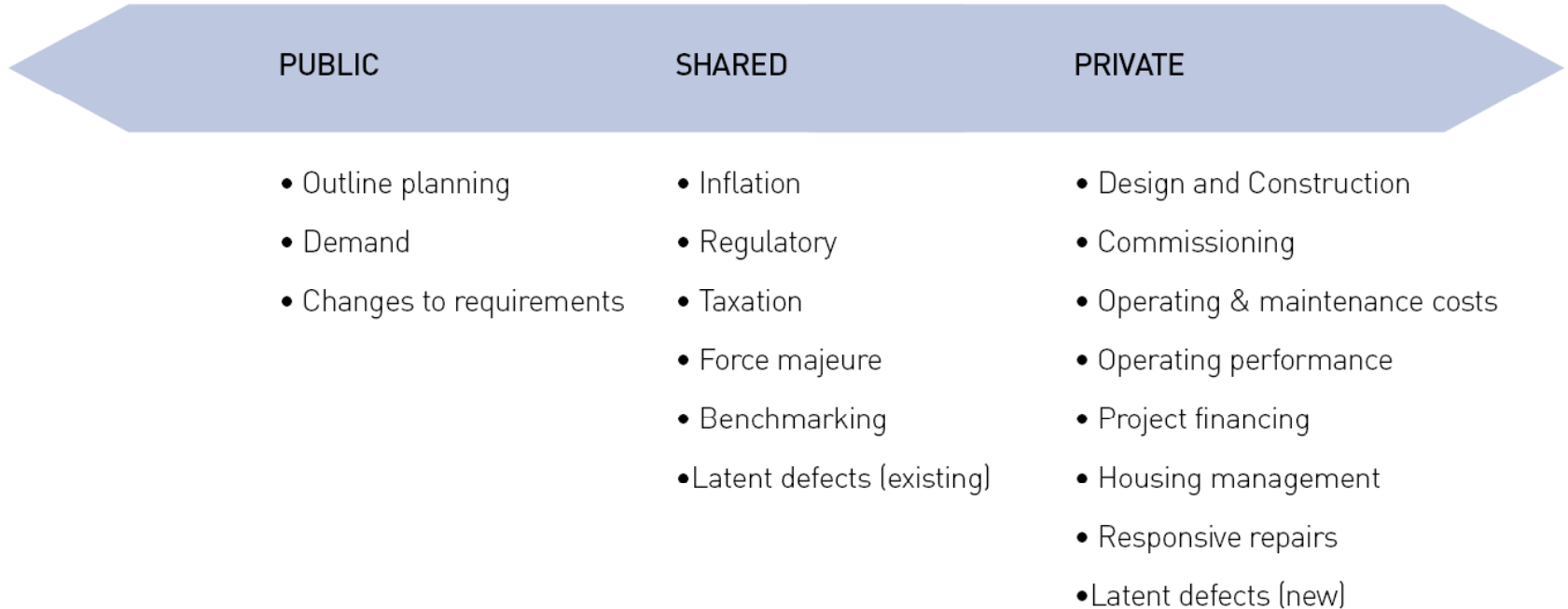
Traditional PFI Structure

Private Finance Initiative

- The PFI is a form of public private partnership but is also principally a form of contracting/procurement and risk transfer.
- Some important features are:
 - A long-term service contract between public sector body and a private sector operator;
 - The provision of capital assets and associated services by the operator;
 - A single 'unitary' payment from the local authority which covers investment and services
 - The integration of design, building, financing and operation in the operator's proposals
 - The allocation of risk to the party best able to manage and price it
 - Service delivery against performance standards set out in an 'output specification'
 - A performance related 'payment mechanism'
 - PFI vehicle raises private finance through equity and debt
 - An 'off balance sheet treatment' for the local authority so that any investment delivered through the project does not count against borrowing consents
 - Support from central government through 'PFI credits'
 - Currently the ODPM will not support schemes with a capital value of below £10m.

A critical element of whether a PFI can succeed is how to share and manage risks. The principle is that risks should be allocated to the party best able to manage them. The following diagram shows how the risks in a housing PFI are allocated.

PFI



Housing PFI Performance to Date

- Poor record of closure
- Originally confined to refurbishment, new build now permitted
- Few bidders from the private sector – Camden only had one effective option
- Time consuming and expensive from the perspective of the local authority
- Difficulties over nomination rights, tenant promises and service level agreements
- Ongoing attempts to simplify process and clarify guidance
- Possible uses:
 - To refurbish stock which needs spend for decent homes standard (Gateshead for sheltered accommodation)
 - For new-build where the development is not a priority for the regional housing board and therefore grant is unlikely to be available (West Wiltshire)

Tenures – Intermediate Housing Approaches

Tenures - Intermediate Housing Approaches

In total, there are around 750 shared ownership properties in Westminster including Key Worker schemes as at April 2004.

Recent intermediate housing schemes operating in the City are all over-subscribed, particularly the Homebuy scheme.

The number of applications has outstripped Westminster's allocation for all three schemes, with a significant number of applicants approved.

Key Worker Scheme Data

Scheme	Key Worker Living Homebuy	Key Worker Living Intermediate Rent	Key Worker Living Shared ownership
Allocations for 2004-2006	49*	76	45
Enquiries	790	40	87
Applications	694	110	136
Approved	543	79	117
Completions	82	0	0
Funds Committed	£1,477,187	£0	£0

Source: WCC Monitoring data, May 2004

London Wide Key Worker Initiative

- Intervention by English Partnerships to provide housing for key-workers, in mixed tenure developments
- English Partnerships purchased the sites and is facilitating development
- Sites spread across London
- Aims to make home ownership affordable to those on average household incomes of £33k
- Form of shared ownership marketed via zone agents
- Percentage of equity sold is calculated by reference to open market value of house
- Purchasers can staircase to full ownership
- No rent payable on unsold equity for three years
- Normal share ownership mortgage arranged for the balance
- Section 106 will only require property to be restricted to key workers until the first sale
- Legal structure still to be finalised as English Partnerships cannot hold a long-term interest in the land

First Base Tenure

- First Base is a combination of Stanhope and Bovis Lendlease
- One of the designated partners for the London-wide key worker initiative
- Using commercial construction techniques
- First Base Tenure is an evolution of shared ownership
- Creates a flawed lease which will automatically trade at a discount to the open market because of a restrictive covenant that the property must remain affordable in perpetuity
- Certain similarity with CLTs
- No staircasing and no rent on the non-owned portion
- Overage paid to the landowner each time the property is sold to provide an ongoing income stream
- Anticipated that the income stream together with capital appreciation on the residual property interest will compensate for the lack of rent
- EP are going to trial the tenure on part of the LWI portfolio

Homebuy

Government's stated objectives were to ensure that Homebuy:

- Was affordable, simple, transparent and fair to customers
- Provided good value for money to the public purse
- Reduced the number of people housed in temporary accommodation or classified as homeless
- Increased reinvestment in the construction of more social homes for rent, and
- Freed up social lettings for others in need.

Products under the Homebuy Banner

The home ownership products are as follows:

- **Right to Buy and Right to Acquire** continues to be available to local authority tenants and certain housing association tenants.
- **Social HomeBuy** enables tenants of participating Local Authorities and housing associations to buy at a discount a share in the home they currently occupy.
- **New Build HomeBuy** enables people to buy a share of a newly built home (generally built for a housing association).
- **Open Market HomeBuy** enables people to buy a home on the open market. They will purchase a share, with a housing association providing an equity loan to cover the remainder of the purchase price.

Target Market:

- Existing social tenants
- Key workers
- First-time buyers

Impact of Homebuy

- No real evaluation of Homebuy yet
- Anecdotal evidence suggests that it has made shared ownership more accessible and transparent
- Still many major lenders who do not provide shared ownership mortgages but there is capacity in the system underpinned by the three major lenders
- Minimum purchase of 75% still prohibitive for many potential purchasers, especially in high value areas

Student Accommodation

- One of the fastest growing markets for private money into housing
- Attracts bank finance, bond finance and investment
- Sits in REITS both in the USA and Europe
- Universities are increasingly divesting themselves of their accommodation to free up funds for academic purposes



Attractions of Student Accommodation

- Strong RPI linked cash flow
- Ancillary services can be sold to enhance the yield
- Appropriate for very dense development to defray land costs
- Perceived alternative use, especially for urban campuses
- Strong demographic evidence for continuing growth
- Growing pool of local, national and international students
- Increasing willingness for institutions to share accommodation, lessening the risk of voids

These characteristics ensure that both funders and investors participate in the market in a number of forms

Types of finance for student accommodation

- Bond markets, used for example by Unite (but there can be dispute over appropriate method of valuation)
- Direct bank lending to provider and university
- Sale and leaseback, often with a full FRI lease to an RSL
- PFI style structure where the university guarantees occupancy
- Joint venture arrangement where the occupancy risk can be passed on to the financing partner and the university retains a strong degree of control
- Charitable Trust arrangements where the university, funder and service provider work together

All the above structures could have applicability in Westminster

Student accommodation illustrates the importance of an enhanced yield on the asset

Bank Lending to Social and Affordable Housing

Bank Lending to Social and Affordable Housing

Vast majority of lending is to RSLs - £28bn-£30bn

- Market intensely competitive – 35 year money at a margin of 35bps over LIBOR or cost of funds
- Long maturities and fine pricing means that there are relatively few participants in the market – generally the major £ mortgage lenders
- Major lenders enhance their return by additional fees generated by hedging (interest rate protection), and underwriting (where the commitment to finance is made by one or two banks who take the initial risk and then sell it on to a smaller lender)
- Lending to an RSL attracts a favourable risk weighting from the FSA **provided that** the loan is to a registered entity and it is secured on income producing social housing assets
- Bank lenders regard RSLs as a largely homogenous credit risk but the introduction of Basle II (a new method of assessing risk) will probably lead to more differential pricing
- No lender has lost money lending to an RSL
- Most lending is predicated off the back of the 30 year business plan rather than project specific
- Increasing willingness to lend to non-registered subsidiaries for diversified assets

How to capitalise on RSLs financial strength and borrowing capacity

- Encourage more risk sharing in developments where the housing for sale will cross subsidise the social housing. These vehicles can increasingly attract competitive bank funding.
- Explore more joint ventures with funders. For example certain funders will take planning risk in return for a share of “profits”. This can effectively reduce land cost for the joint venture and help replace subsidy
- Bespoke structured products to facilitate the acquisition or holding of street properties for affordable housing. These could exploit some of the principles of equity release schemes, run for example., by Norwich Union and British Land (Retirement Plus)

Finance for Affordable Housing Bond FAHB (London First)

FAHB has been put forward by London First and is based on existing government benefit commitments to provide an income stream

Bank would forward fund the development of units against a forward take-out from a bond

The model would require two government income streams

- Development grant paid into a blocked account effectively providing an equity cushion during the construction period
- Housing benefit

The bond would be based on a net cash flow established based on income (rents and benefits) and outgoings (maintenance and repair)

Benefits and Issues of FAHB

London First have calculated that the bond could deliver substantial surpluses over a 25 year period

Issues to be overcome include:

- Bringing forward the payment of development grant
- Would require continuing direct payment of benefit
- Securing a government commitment not to reduce the level of benefit in real terms during the life of the bond
- The inflexibility of bond structures

Strategies Involving Other Property Related Assets

Local Authority Property Assets

- UK local authorities are substantial property owners holding in excess of £82 billion of land and buildings, £9 billion of which is commercial real estate held for investment purposes.
- Debt pressures, borrowing constraints and Government Best Practice are encouraging local authorities to reassess the performance and status of their investment property assets. Local authorities need to identify new ways to raise capital whilst maximising returns from assets
- “Standard” commercial assets e.g. offices are well understood by the investment community
- Local authority covenants are highly rated
- REITs would be an important option to consider

Local Authority Property Fund

- Local Authority Property Fund (LAPF) is currently being developed.
- A consortium of local authorities transfers investment property assets into the fund in exchange for Units in that fund.
- The management of the assets would be undertaken by a specialist property manager.
- Could be leveraged with private sector monies

The advantages are:

- Capital value can be released but ownership can be retained by the public sector through investment in the LAPF;
- Risks can be diversified through pooling of assets;
- Specialist real estate management can be accessed whilst retaining a degree of control;
- Returns can be maximised by leveraging the scale of the fund.

Why this could be attractive to local authorities

Local authorities retain as much or as little interest as they wish by the purchase of units in the fund. This means the local authority:

- Does not 'dispose' of their investment asset portfolio but retains a stake in the future asset performance;
- Retains control over planning and development activity within the local authority;
- Is able to enhance the built environment with a reduced capital commitment;
- Is able to leverage additional finance in order to redevelop and regenerate the assets;
- Is able to fulfill requirements under the Prudential Code and Government Best Practice; and
- Has a structure and a timeline (10 years) to develop exit strategy options from any particular sector or asset class as appropriate, and manage liquidity appropriately.

Commercial Property Ownership Solutions

There are a number of reasons why people look to outsource property:

- Capital required
- Premises acquisition/upgrading
- Smooth cashflow
- Improving cost efficiency
- Improving service quality
- Additional enhanced skills required
- Flexibility
- External pressure

A number of the above need to be present and not just capital release.

Government departments (DSS Prime and Inland Revenue STEPS) have pursued this route but not local authorities as yet.

The Options

Possible strategic options:-

Short term impact intermediate tenure developments
engagement with commercial investors/developers
facilitation of bank/RSL joint ventures
Exploration of wider applicability of structure
currently used for student accommodation

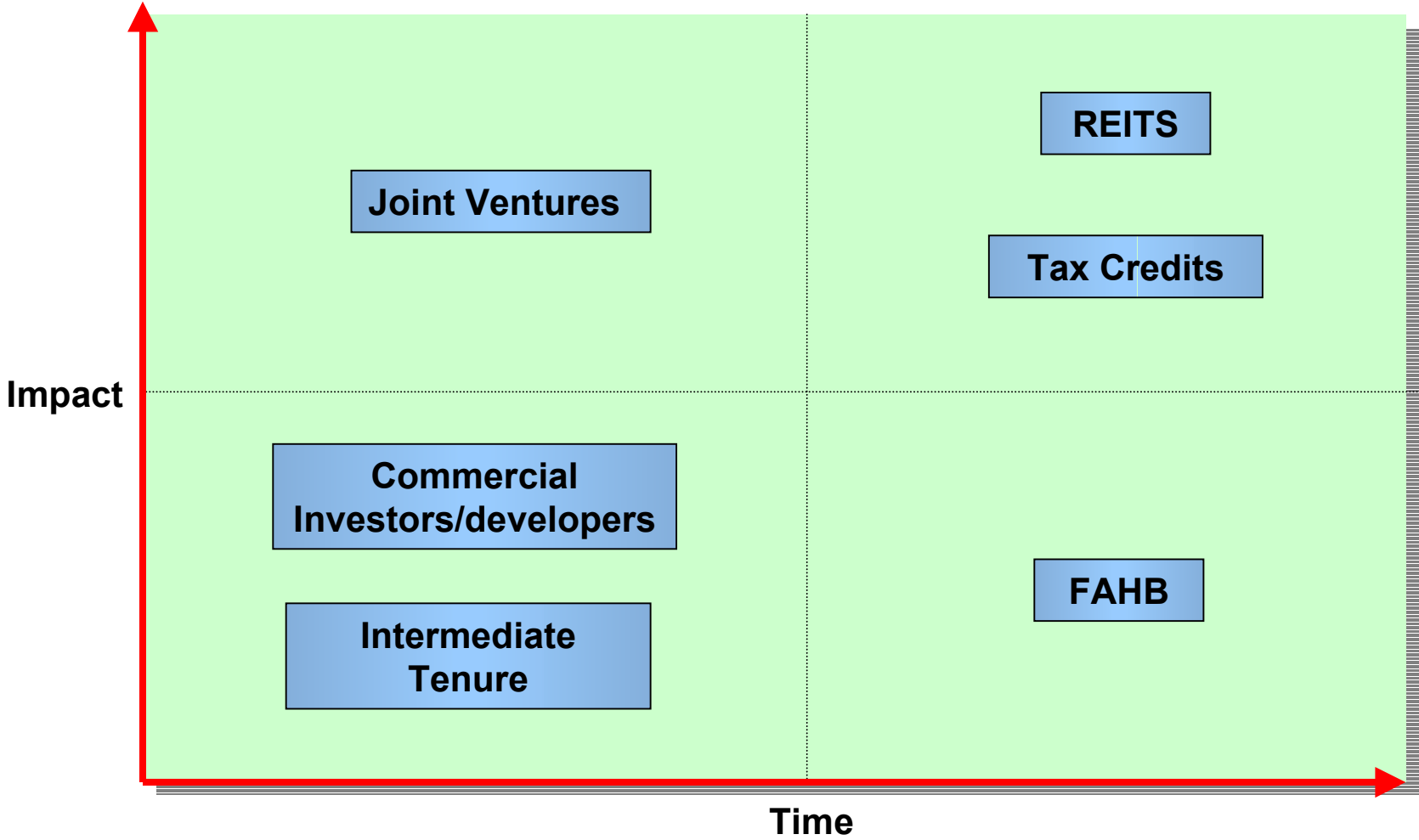
Possible longer term benefit

REITs for shared ownership and where
affordable housing is part of a portfolio

Concepts requiring legislative change

Developer Tax Credits
FAHB

Options for Increased Affordable Housing



Suggested Next Steps

- Analysis of two preferred options. DTZ preferred options would be selected from joint ventures, engagement with investor/developers and development of intermediate tenures
- A facilitation of a small stakeholder workshop to include bank, investor, RSL and developer as appropriate