

# Active asset management



## Help or hindrance?

Housing associations have recently come under fire from the media for selling social housing out of the sector for non-social housing use. But isn't this just good asset management, maximising capacity for investment in new, better quality social housing?

Our analysis shows that across the 150 housing associations that sold homes out of the sector over the last three years, six times as many

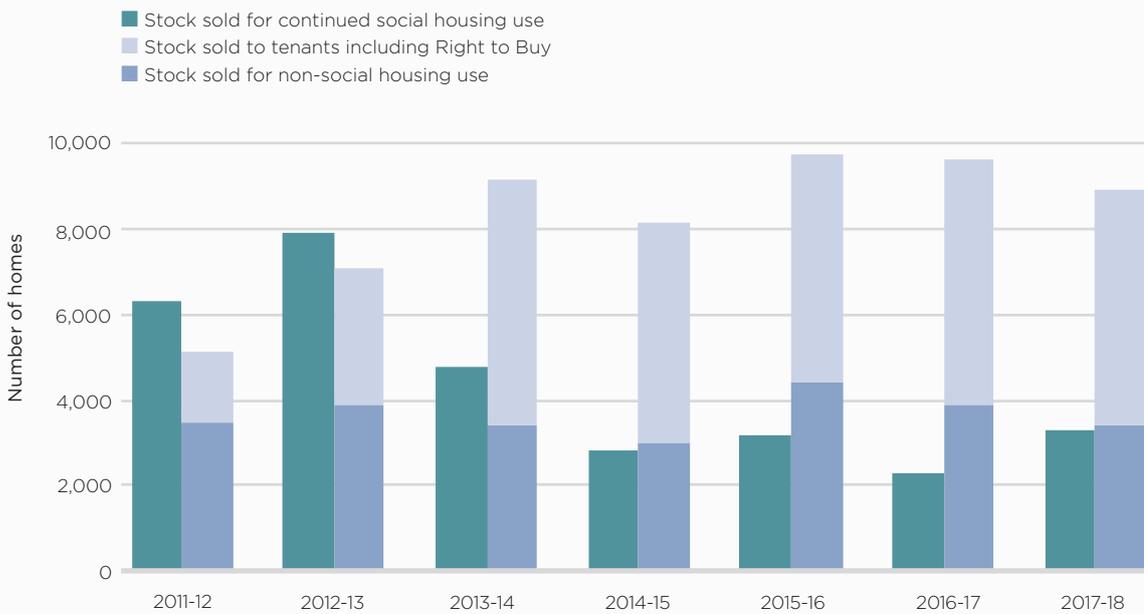
new sub-market rented homes were delivered. The more homes were sold by an organisation, the more new sub-market rented homes were built, in general. Those organisations most active in trading assets also built the most new homes.

However, there are legitimate questions to be answered around the use of proceeds from the sale of social rented homes: where the money is

spent, how quickly and on what?

The Regulator of Social Housing is more interested in the quality of decision making around homes sales than the activity itself. It recognises that well considered proposals for homes sales may be the most appropriate course of action, assuming there is a full understanding of the risks at Board level and a proper consultation with stakeholders.

**Figure 1** How many homes are traded by housing associations?



Source Savills Research using HCA/RSH SDR

## How many affordable homes are actually traded?

Trading of rented homes within the sector is well established, with activity often focused on rationalising an organisation's footprint. The growth of For Profit Registered Providers has increased the pool of buyers, assuming charitable housing associations are happy to sell to them.

The sale of housing outside the social housing sector and trading within the sector has varied over time. Since 2011-12, the amount of stock traded between providers of social housing for continued social housing use has fallen by nearly 50%.

Yet with pressure to maximise financial capacity to build much needed new affordable housing, stock rationalisation should be higher on the agenda.

Housing sold out of the sector for non-social housing use has remained at a fairly consistent volume over the last seven years. Some housing is uneconomic to manage for social housing and the financial pressure from rent cuts remains. It can make sense to use sales proceeds to cover spending commitments, including investment in existing housing and development of new homes.

Sales to tenants have been the majority of sales out of the sector for non-social housing use since 2013 and have increased by 250% between 2011-12 and 2013-14. Right to Buy sales dominate this activity. Those with the option to exercise a Right to Buy tend to do so when house prices are rising, so it is no surprise that this activity increased in 2013 when house price growth in the UK accelerated after a long period of uncertainty. The same pattern is seen in leaseholders exercising their right to extend or enfranchise their leases.

### KEY STATISTICS



**6 X**

Across 150 housing associations that sold homes out of the sector, six times as many new sub-market rented homes were delivered



**3.3%**

Housing associations have added homes equivalent to 3.3% of their total housing stock over three years



**15%**

40 of the 200 housing associations, controlling 15% of stock, didn't sell any homes for social or non-social housing use, but still built 7,000 homes for sub-market rent in the last three years



**60%**

Around 60% of stock sold for non-social housing use was by traditional housing associations, which control 39% of all stock



**13%**

LSVTs are less active, they sold 13% of the homes sold out of the sector and control 31% of all stock

## Relationship between asset management and development volumes

Figure 2 below shows analysis of 200 of the largest housing associations between 2015/16 and 2017/18; together they own 95% of general needs housing.

Housing associations that did not sell any social housing, either within or outside the sector, over this period, control only 15% of general needs stock. These organisations have been excluded from the graph.

The pink dots show how many homes each organisation has sold out of the sector for non-social housing use and how many new sub-market rented homes they have delivered. It excludes any housing association that didn't sell any homes out of the sector.

The space below the dashed line is where an organisation would be if it had sold more homes than it had built.

In all but two cases, at least as many new sub-market rented homes were built as were sold out of the sector. There is also a clear trend in the pink dots that the more homes being sold out of the sector, the more new sub-market rented homes were delivered.

Across the 150 housing associations that did sell homes out of the sector, six times as many new sub-market rented homes were delivered. Over the three years, housing associations have sold 0.5% of their total housing stock out of the sector for non-social housing use. But they have added sub-market rented homes equivalent to 3.3% of their total housing stock over the same period.

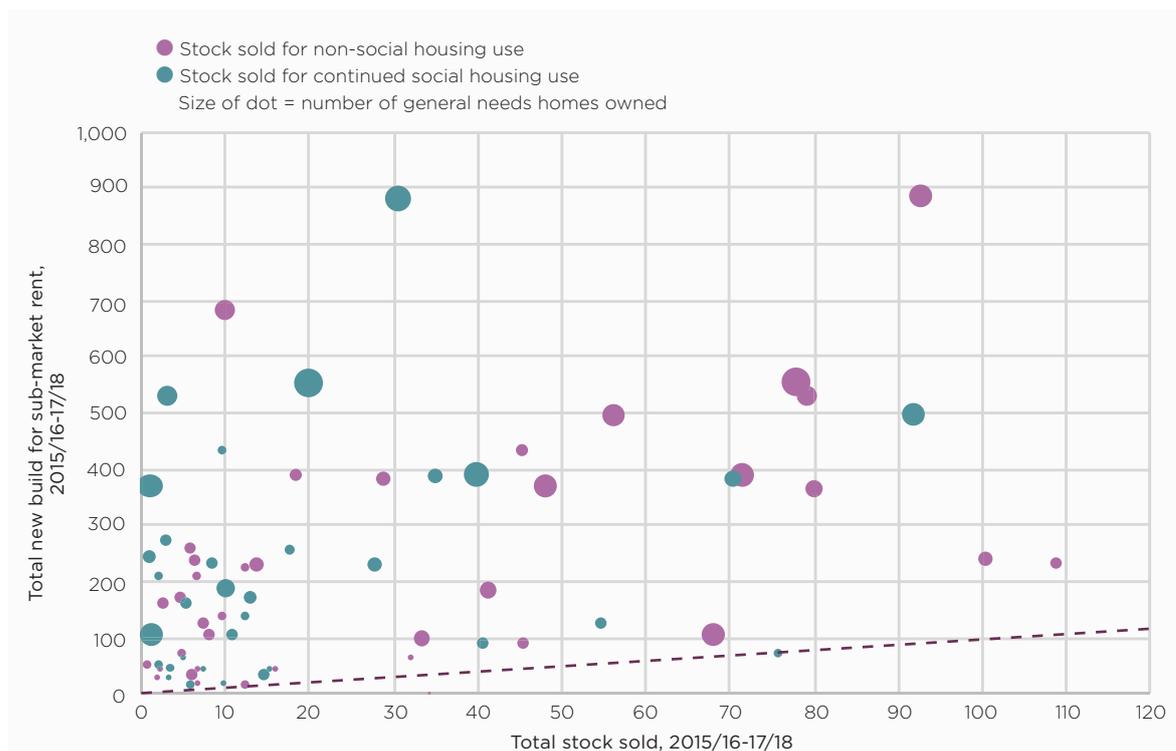
The green dots show how many homes each organisation has sold

within the sector for continued use as social housing and how many new sub-market rented homes they have delivered. In all cases, more new homes were built than lost to that organisation through a stock transfer.

Selling stock out of the sector is just a normal part of asset management. But given the severity of the housing crisis in many areas, public debate is understandably concerned about any perceived loss of social housing.

The sector needs to explain more clearly why sales are a key part of asset management, valuable in maximising the capacity of organisations to play as big a role as possible in solving the housing crisis.

**Figure 2** Many more new sub-market rented homes are built than sold out of the sector



**Source** Savills Research using HCA/RSH SDR data on 200 housing associations, representing 95% of all stock owned (any organisation engaged in selling stock for social housing use AND for non-social housing use is shown twice)

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