



Homes
England

Making homes happen

Homes England
Home Building Fund



A new agency

#MakingHomesHappen

Who are we

We're the government's housing accelerator. We have the appetite, influence, expertise and resources to drive positive market change. By releasing more land to developers who want to make a difference, we're making possible the new homes England needs, helping to improve neighbourhoods and grow communities. So we welcome partners who share our ambition to challenge traditional norms and build better homes faster. Join us in breaking new ground to make this happen.

Our objectives



We'll unlock public and private land where the market will not, to get more homes built where they are needed.



We'll ensure a range of investment products are available to support housebuilding and infrastructure, including more affordable housing and homes for rent, where the market is not acting.



We'll improve construction productivity.



We'll create a more resilient and competitive market by supporting smaller builders and new entrants, and promoting better design and higher quality homes.



We'll offer expert support for priority locations, helping to create and deliver more ambitious plans to get more homes built.



We'll effectively deliver home ownership products, providing an industry standard service to consumers.

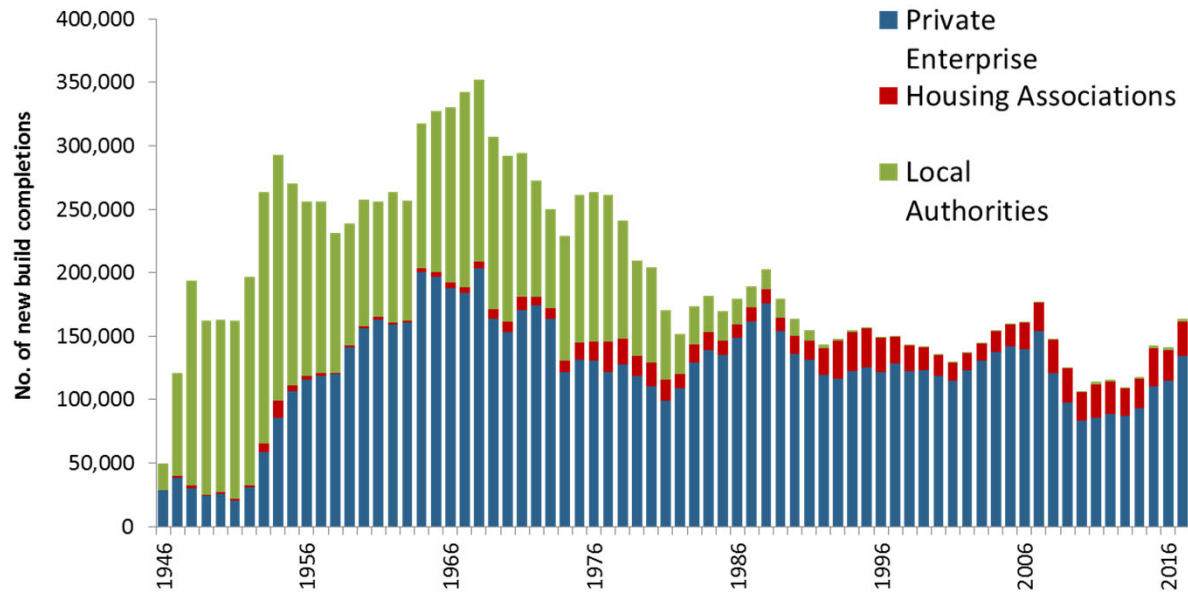
Driving market resilience

- We will create a more resilient and competitive market by supporting smaller builders & new entrants
- A 2017 survey by the Federation of Master Builders found the top two constraints for SME House Builders to be a lack of;
 - Viable land
 - Finance
- We are addressing these challenges.
 1. Provide short-term development finance for SMEs and custom builders through our Home Building Fund.
 2. Continue to invest in lending partnerships, such as the £1bn Housing Delivery Fund with Barclays and increase our investment with Lloyds Bank in the Housing Growth Partnership.
 3. We will also support SMEs to access land.

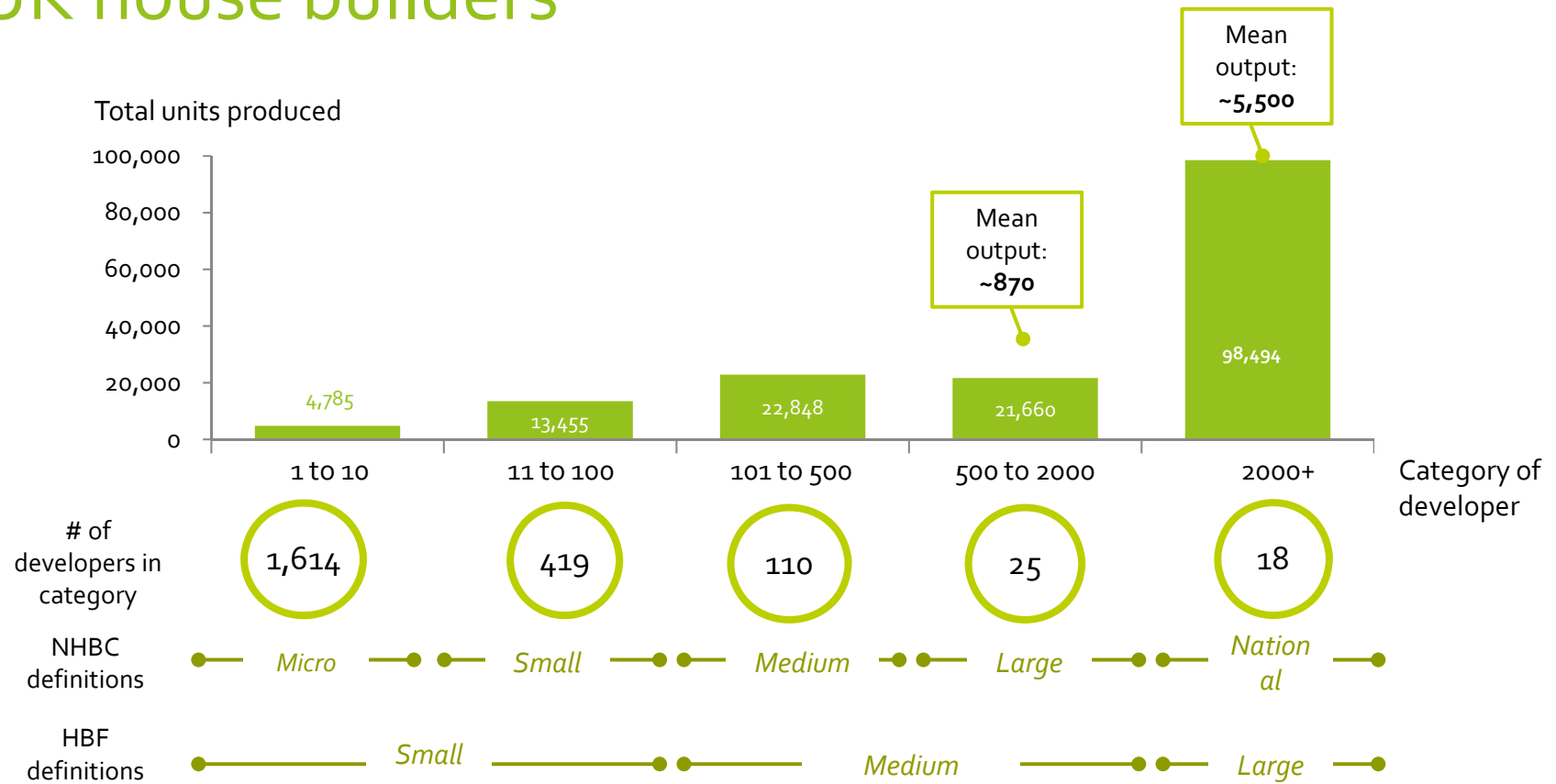
Why do we need the Home Building Fund?

- 160,470 homes built in England in 2017/18
- The number of SME developers has shrunk from c12,000 in the late 80s to c2,500 today
- Lack of Capital and Debt are key barriers for SME developers
- Government targeting c300,000 pa new homes in England
- The Home Building Fund is committed to funding 25,000 new homes by 2021 for the SME sector

House building permanent dwellings completed 1946 - 2017



UK house builders



Aims – Accelerate and deliver more units

Infrastructure and
Complex Projects

£2 bn



£2 billion focused on delivering infrastructure to support strong future pipeline of housing supply – target 200,000 homes.

SMEs

HBF

£2.5 bn



£2.5 billion for development finance to SME's, custom builders and innovative construction methods – target 25,000 homes.

Key metrics

Term	Debt Finance – typically 3 yr term, potential for longer if req. Infrastructure – 8 – 10 yr term, longer possible for large/ complex schemes
Loan Size	£250,000 (minimum of 5 units) - £200 million
LTC	Up to 90% achievable dependant on scheme requirements. Recycled income and limited equity models supportable. 90% LTC for strategic sites only
Margin	220 bps – 1,000 bps
Fees	0.5% - 1.0%
Loan Type	Senior and mezzanine only, not equity injections

Risk Appetite

Experience?

- Track record (individuals, more than companies)
- Professional team
- Qualifications

Equity?

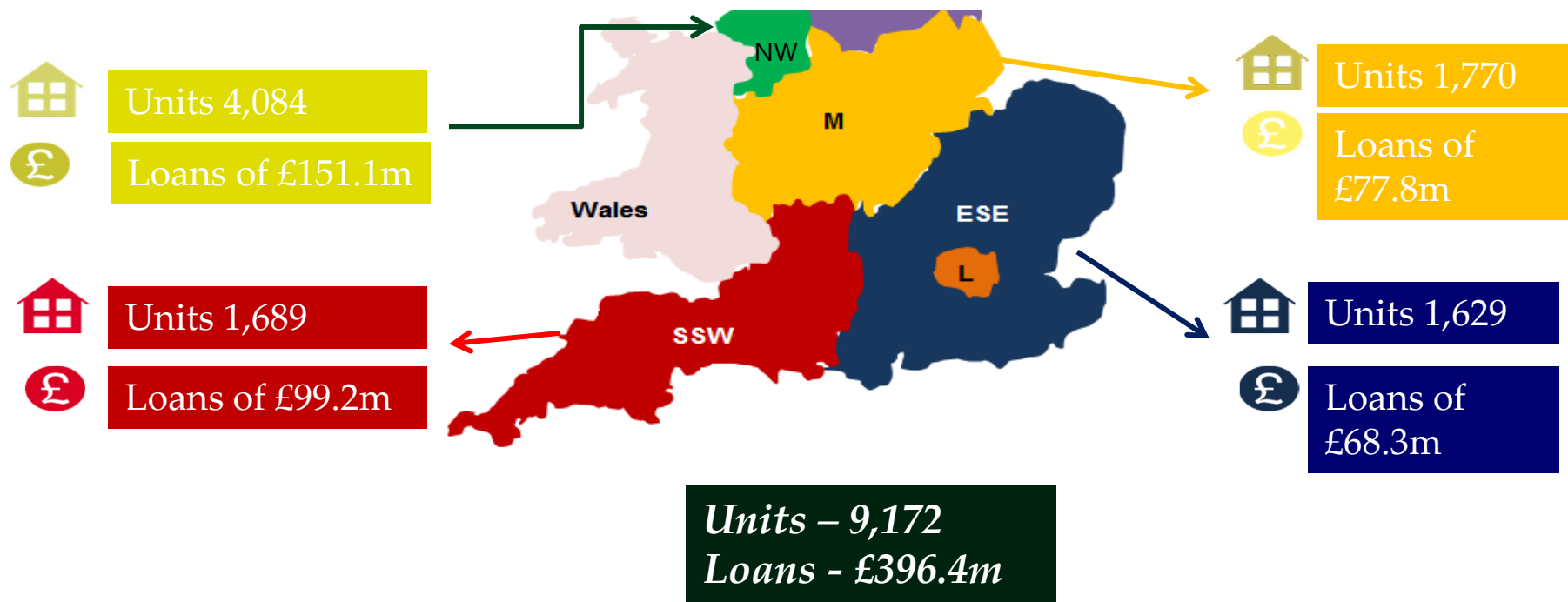
- Land/Cash investment
- Minimum 20%

Viability?

- Valuation/Market level of profit



Contracted STF deals in the South, Midlands and North West to 2017-18



Who is using it and why?

- Developers unable to get high street funding
- Stretch Finance to make equity go further and to do more, including for SPV's
- Difficult sites – contamination/ listed buildings etc.
- Limited experience – no track record but skilled Directors.
- Specialist development leading the market – Eco and housing for those with disabilities

Funding Partnerships

- Housing Delivery Fund:
 - £1bn alliance with Barclays Bank
 - Commitment: £875m Barclays / £125m Homes England
 - Up to 80% LTC in one package – 60% LTC Senior, 20% Mezzanine
 - Managed by Barclays for existing and new customers. Loans of £5m to £100m.
- Housing Growth Partnership:
 - JV between Lloyds Banking Group and Homes England
 - £120m equity fund for SMEs

Case Studies

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The Wine Rack, Ipswich Wharf Developments Ltd



- 149 units (all OM) across 4 towers in Ipswich Marina
- Stalled development, which stopped in 2008. No further equity other than existing site (4%)
- Holding back further development of Marina
- £15.166m senior facility, pari passus with £5m from New Anglia LEP
- 96% LTC

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Apex Airspace – Multi site loan facility



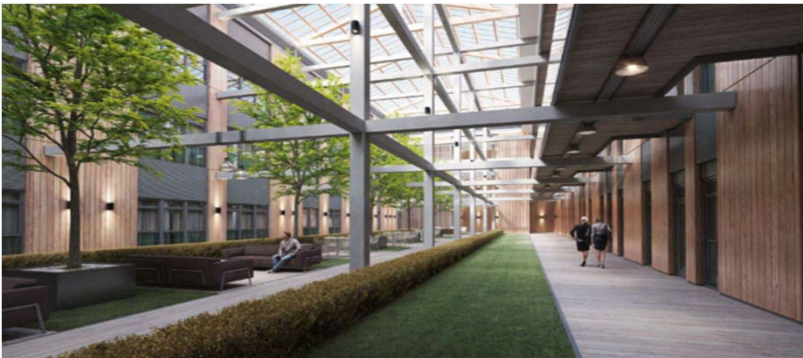
- Innovative SME developer of rooftop homes in London.
- Fully volumetric units craned onto roof space of existing buildings.
- Structured funding package agreed in January 2019 to finance five sites across the capital, ranging from 4 – 42 units.
- £9m of senior debt (plus recycling) available to fund up to 75% LTC on each site.

Stowford Mill, Ivybridge



- Former Paper Mill site in Ivybridge, Devon
- 95 OM units over 3 phases, including commercial element
- £7.15m senior facility for phase 1 (31 units)
- Valuation eradicated developer's equity input
- LTC 54%, but LTC + recycled income 94%
- Project has strong fit with HBF objectives and will not proceed without HCA support

Conversion – West Midlands



- 1950's Department store-steel frame/concrete floors building, c100k sq ft, over 5 floors.
- Basement & ground floor will be used for retail/restaurant purposes, with secure parking also on the ground floor.
- The upper 3 floors converted to include **63 open market units, (flats: 1 & 2 beds).**
- £9m of senior development finance.
- HBF Facility equates to **c90%** LTC & **70%** LTGDV.
- **No recycling – single phase.**
- **Strong developer reputation.**
- Project would **not** have been able to be funded **without HBF** due to inability to phase & recycle.
- **Place making** project has set a precedent for location & potentially influence future residential, retail and commercial use.
- PC – Apr-19. Legal sales completions to date **43%** inline with GDV. Costs inline with budget –no overrun.

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Family run, new SME entrant – East Midlands



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- Brownfield site-derelict farm- disused buildings.
- New SME entrant developer linked to established construction company. Timber frame construction.
- **30** new family homes - **Mix 2, 3 & 4 bed houses.**
- **£2.5m** of senior development finance.
- HBF Facility equates to **c75% LTC** & **40% LTGDV**. **Recycling equates to c37% of costs.**
- Access issues required Easement had an impact on timescales. **29** planning conditions of which **14** were pre-commencement, which took time to discharge.
- **One** loan facility spans **2** phases. Appropriate & transparent control mechanism to demonstrate success of **phase 1** before **phase 2** construction commences.
- Increase in cost (mainly boundary walls/ footings)- **£380k** of which borrower funded via extra equity **60%** with Homes England providing the rest.
- Milestones being met – recycled sales now being utilised. **c33%** sales completions to date inline with GDV.

Stalled Site / New SME – West Midlands



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- A partially cleared site with some fire damaged **Listed** buildings that had been vacant for several years with the buildings deteriorating rapidly.
- Set in a lower socio-economic area of limited appeal to volume builders.
- A new SME having completed **2** schemes but nothing of this scale.
- Sufficient equity to acquire site but required development finance for the build and for the conversion.
- **178** homes facilitated with funding agreed for **Phase 1** of **102** homes with potential for **2nd phase** to be completed via profits.
- A loan of **£7.85m** was provided. HBF Facility equates to **75%** LTC & **65%** LTGDV.
- The scheme proved very successful with the apartments selling during construction as well as the majority of the houses and the developer has achieved prices in excess of expectations. Now fully repaid.

Contact our Enquiry Team

- Telephone: 0300 1234 500
- Web: Gov.uk/homebuildingfund
- email: homebuildingfund@homesengland.gov.uk

Unlocking Land

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“We plan to be bold, creative and think big. We hope the whole of the housing sector – big and small, up and down the country – will join us for the next five years and beyond.”

Sir Edward Lister
Chairman, Homes England

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Our expertise: working to unlock land

The Development team at Homes England support the agency to achieve its Strategic Objectives



Our Business Plan forecasts the delivery of c60,000 new homes over the next 5 years



We identify land suitable for housing that is unattractive or commercially unviable for the market to develop



We use our investment to enable the site for housebuilding, accelerating the supply of homes whilst achieving our policy objectives (pace, MMC, design quality, supporting SMEs)



We generate value for communities through the provision of quality homes, amenities and infrastructure
We generate a financial return for future re-investment)

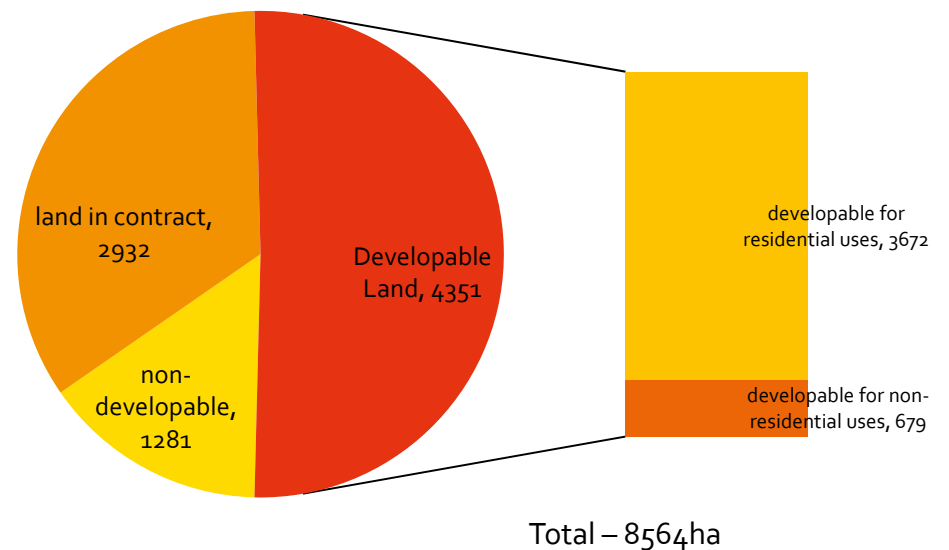
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Homes England Current Landholdings

We are one of the Government's largest landowners

- c600 projects/ sites at all stage of the development cycle
- Around a dozen large strategic sites
- Growing portfolio of high quality sites such as Upton Lodge, Hardingstone and Spencer's Park
- We still have value to realise in undeveloped former new town land
- Some legacy projects from previous agencies
- C70 sites transferred from other Government Departments since 2015

Homes England Land Holdings (hectares)



How the Land Business will deliver the mission

Since the launch of Homes England we have an expanded remit to be much more active in the land market as a master developer and to drive delivery of 300,000 homes a year:

- Increased resources via the Land Assembly Fund to **ramp up our direct acquisition, de-risking and disposal of land**
- Creating **partnerships and other delivery solutions** with other government departments/public sector bodies to increase delivery
- Delivering revenue and capital grant funding programmes to unlock land owned by others
- Supporting **cross-cutting policy objectives** – increased pace of build-out, MMC, diversification of housebuilders, affordable housing and design quality

Our Key Policy Objectives

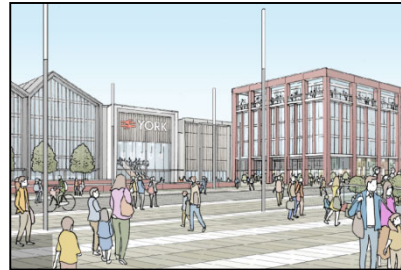
- **Pace:** Accelerating delivery of homes without eroding value
- **Modern Methods of Construction (MMC):** Encouraging the industry to use innovation as a way of increasing productivity
- **Diversification:** Expanding the range of development companies who are active in developing on Homes England land
- **Affordable housing:** Delivering affordable housing to meet local needs
- **Design:** Encouraging developers to be more ambitious with design & measuring this against Building for Life 12 performance principles



18/19 Key Project Achievements



King's School, Macclesfield complex acquisition. Good progress with new school construction & site marketing



York Central - Planning Application submitted, HIF grant progressing, partnership and team progressed



Burgess Hill – Site allocated, planning submitted, 1st phase marketing underway, Business Case for infrastructure submitted



Northstowe – £49m infrastructure contract delivering, 400 units marketing progress, MMC office in construction

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Lea Castle, Kidderminster – planning and site enabling success, 650 units marketing progress. Greenlet release of c1200



Blood Centre, Brentwood – Negotiated uplift from 22 to 55 units with planning, Disposal receipt secured £7.02m against c£2.5m investment

Questions ?