Hidden Homes

The challenge of unlocking the hidden value

John Rowan and Partners

www.jrp.co.uk

BENEFITS

- New homes at **zero cost** (or likely surplus/profit).
- Reduced planned preventative maintenance and reactive maintenance costs.
- Improved asset performance.
- On completion, increased customer satisfaction (i.e. as reduced service charge costs as additional homes).

In addition to the obvious benefit of delivering new homes and receiving associated revenue, linking the works to the Planned Preventative Maintenance (PPM) programme can significantly reduce the PPM expenditure. For example, a rooftop development coordinated with window replacement would save on the scaffold costs.

Issues around asset performance including social economic performance, Net Present Values (NPV) and 30 years predicted spend can be “overlaid” on the hidden homes potential to prioritise projects.

We have developed a process for the review of sites, taking account of planning restrictions, costs and values which feed into a model and provides individual site appraisal. The model enables the tenure mix to be varied, and the financial model updated, depending on the funding available and objectives of the RP or LA.

CHALLENGES

We are finding that achieving the benefits can be challenging as the structure of LAs and RPs leaves the provision of new units on existing sites between Departments.

For Asset Management, their objective is the efficient management of the stock and achieving high levels of resident satisfaction. Any change, be it regeneration, rooftop development or infill schemes can cause residents satisfaction to drop.

Development Teams exist to deliver new homes. The nature of Hidden homes, tending to be smaller, management intensive projects, could lead to a stretching of the Development teams resource.

OPPORTUNITIES

Identification of the opportunity by reviewing the RP or LA’s stock, either across the whole portfolio or by Ward if an LA or Borough if an RP’s stock is across several Boroughs.

Incorporate General Fund, non-Housing and smaller sites, which will often give the opportunity to improve the community facility and increase the number of units for just the review of the HRA sites.

As a funding model, having identified the site where development can be undertaken, prioritising those with high values, and the RP either selling with planning permission, building out for private sale, or building out for Shared Ownership should generate returns which can be used to progress more sites, with the end objective of delivering more affordable housing at zero cost. The savings from the Temporary Housing budget would also be significant.

THE SOLUTION

Undertake a review of the RPs stock to enable the questions to be answered:

- *How many additional Homes can we create on our existing sites?*
- *What would the return be?*

Prepare a strategy to deliver the various types of hidden homes

Simple infill or back land projects grouped and delivered by the existing Development team; Rooftops – use a specialist consultant to package and manage the programme; Regeneration or partial regeneration – use the existing regeneration teams.

RP management can be minimised using a consultant who has the skill and experience of working with existing residents and new build development. Knowledge of the existing stock will also simplify the process.

WHAT COULD YOU ACHIEVE?

1. Your total stock numbers (say 10,000 units) x 7.5% = additional units of 750 houses.

2. Additional units at £500/sqft value returns **£15,000** x 750 additional units = **£11.25m.**

3. Additional units at £750/sqft value returns **£120,000** x 750 additional units = **£90m.**

4. Additional units at £1000/sqft value returns **£150,000** x 750 additional units = **£112.5m.**

Note: The number of developable units achievable will depend on the stock profile.

We would be please to provide an indication and quote to undertake a review.

With an appropriate tenure mix, the delivery of the additional homes can be self-funding.

Whilst there are challenges on delivering small schemes, with appropriate planning and Project Management, building new homes on "free" land at zero cost should be a no brainer.

Tim Young
Equity Partner and Head of Innovation

Delivering Additional Homes with Positive Returns and a Cash Surplus


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East London Borough
Review of Garage Sites - 700 units from 200 sites

At John Rowan and Partners, we identified the potential to develop 700 units from approximately 200 sites containing 3,000 garage units.

This would generate a **surplus of £11m** based on average sales values of £500/ sq ft and the following tenure mix:

- 50% Private Sale
- 35% Shared Equity (assuming 50% purchase)
- 15% Affordable Rent (at 80% of market rent)

If the sales values are £750/sqft, which is not unusual in large parts of London, the return on 700 units as above could be **£93m**.

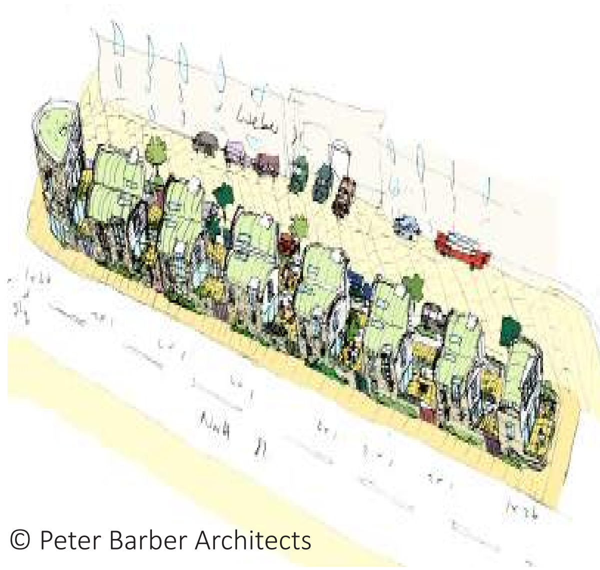
Outer East London Borough
Review of Housing Revenue Account stock

From our review of the complete HRA stock, we identified 400 units which could be developed at a net cost of **£24m** or **£120,000 per affordable unit**, based on a tenure mix of:

- 50% Private Sale
- 15% Shared Equity (assuming 50% purchase)
- 35% Social Rented

However, we identified a potential cost reduction to **£14m** or **£70,000 per affordable unit** if the tenure mix was adjusted to:

- 50% Private Sale
- 35% Shared Equity (assuming 50% purchase)
- 15% Affordable Rent (at 80% of market rent)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North London Borough
Rooftop Development

Our assessment of a North London Boroughs' rooftop development potential identified 300 units, which if all sold as long leasehold would generate a **surplus of £30m**.

With a tenure split of:

- 50% Private Sale
- 35% Shared Equity (assuming 50% purchase)
- 15% Affordable Rent (at 80% of market rent)

The return would be **£14m.**

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+44 (0)20 8567 6995 jrp@jrp.co.uk www.jrp.co.uk