Housing21

Trading update

for the half year ended
30 September 2024

Housing 21 is today issuing a trading update for the half year ended 30 September 2024 which includes various financial and operational information. The financial information is unaudited and provided for information purposes only.

Housing 21 is a leading, not-for-profit, provider of Retirement Living and Extra Care; our core purpose and commitment is to provide high-quality housing with care or support, enabling older people of modest means to live well with dignity and autonomy.

Highlights

- Housing 21 owns/ manages 23,886 properties, a net increase of 428 properties (31 March 2024: 23,458)
- We have acquired 1,567 Extra Care properties from Midland Heart and a further 42 properties from Rooftop Housing. Offsetting this is the disposal of a portfolio of 1,141 leaseholder properties
- Turnover increased by 4.1 percent to £143.8 million (September 2023: £138.1 million)
- Operating surplus increased by 66.0 percent to £26.4 million (September 2023: £15.9 million) In the comparator was a £3.7m donation to our residents; excluding this operating surplus has increased by 34.7 percent
- EBITDA-MRI interest cover was 201.1 percent (September 2023: 163 percent) (1)
- Gearing as at 30 September 2024 was 38.1 percent (31 March 2024: 38.3 percent) (2)
- Two new revolving credit facilities have been agreed with Lloyds Bank (£100m) and HSBC (£50m), totalling £150m (3)
- We have sufficient liquidity to October 2027
- S&P re-affirmed our credit rating of A- with a stable outlook in August 2024

Notes:
(1) EBITDA-MRI interest cover is in respect of the 12 months ended 31 March.
(2) Gearing calculated using the Regulator of Social Housing's gearing metric; adjusting for the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited, gearing was 34.4 percent (31 March 2023: 35.1 percent)
(3) £50m revolving facilities with HSBC was agreed on 8 October 2024.

Operating review

(Pictured: St Crispin's Retirement Village, Northamptonshire)

Following the completion of acquiring 1,567 properties from Midland Heart (23 schemes) at the end of September, we now have more than 10,000 Extra Care properties.

This has been the biggest acquisition in our 60-year history. This acquisition and others mean we are helping to retain and improve properties and services for older people, ensuring they receive the safe, quality, and affordable homes they deserve.

(Pictured: Lime Gardens in Dudley)

Our half year results show a positive direction of travel with improved operating surplus and a higher operating margin. Some of this is timing of spend and may reduce in the second half of the year.

We continue to maintain strong interest cover, both with our banks and the regulated metric and despite increases in our finance costs, we have sufficient headroom in these metrics demonstrating our continued strong financial viability.

Turnover, costs, and surpluses

A summary of financial performance for the six months ended 30 September 2024 compared to the same period in the prior financial year is set out below.

Six months ended 30 September	2023 £m	2024 £m	Change %
Turnover	138.1	143.8	4.1
Social housing lettings	99.8	107.6	7.8
Shared ownership first tranche sales	4.7	3.2	(31.9)
Outright sales	2.3	0.6	(73.9)
Other social housing activities	3.6	3.4	(5.6)
Care services	26.0	27.8	6.9
Other non-social housing activities	1.7	1.2	(29.4)
Operating costs and costs of sale	**(118.7)**	**(120.7)**	**1.7**
Gain on disposal of other assets	**0.2**	**3.3**	**1,550.0**
Operation surplus (pre charitable donation	**19.6**	**26.4**	**34.7**
Charitable donation	**(3.7)**	**-**	**100.0**
Operating surplus	**15.9**	**26.4**	**66.0**

Turnover increased 4.1 percent to £143.8 million (2024: £138.1 million) primarily reflecting the 7.7 percent annual inflationary rent increase and a reduction in voids to 2.2 percent (2.5 percent at March 2024). Our care income has grown as we have negotiated rate increases with our local authority partners and we are delivering more care hours.

We have sold 25 properties (43 properties by September 2023) with an average equity sold of 59 percent, hence the reduction in turnover. We have 44 properties available for sale, of which eight have been reserved. A further 35 shared ownership properties are under development and will be available for sale in the next financial year.

Overall costs excluding the charitable donation increased by 1.7 percent to £120.7 million (2024: £118.7 million), largely driven by employee-related costs increasing by £3.7 million and maintenance costs of £0.7 million. There is a reduction of £2.6 million due to fewer first tranche and outright sales occurring in these six months compared to the prior year.

Management costs have increased as we have grown as an organisation, but we want to ensure we retain and attract the best employees and awarded a five percent pay increase in April 2024.

The gains on disposal on other assets has been generated through the disposal of our leasehold portfolio, which was announced in March 2024 and completed in July, the continued disposal of our non-social rented portfolio and staircasing sales.

Growth and investment

Development

(Pictured: The groundbreaking ceremony at the new Extra Care scheme, St Christopher's Drive, in Oundle)

In the current half year, development spend amounted to £32.9 million and we continue to benefit from grant funding from Homes England under their Continuous Market Engagement and have received £9.5 million this year to date. We are pleased that work is underway for a total of 994 properties across 19 sites and we continue to pursue the development of at least 400 properties per annum and have an active pipeline of over 1,000 properties across 22 locations.

We have not completed on any new schemes in the half year up to September but we are forecast to complete 285 properties by year end across seven schemes

Acquisitions

(Pictured: Broadmeadow, one of the 23 schemes acquired from Midland Heart)

Over the past 12 months, we have seen an increase in acquisition opportunities as general needs providers look to dispose of non-core activities. By the end of September, we had acquired 42 properties from Rooftop Housing and a further 1,567 properties from Midland Heart.

Investment and compliance

Alongside growing our estate, we continue to invest in our existing properties to ensure they remain attractive to live in and exceed regulatory compliance. We have invested £16.4m year to date in replacing major components, improving the energy performance, and enhancing our schemes with a further £2.5m in communal makeovers. Our property standards go beyond Decent Homes, with strong performance against our key metrics.

	H21	Acquisitions	Combined [1]	Comments
Decent Homes	100%	100%	100%	All schemes complaint
Kitchens	100%	90.0%	99.6%	2 schemes outstanding
Bathrooms	100%	90.0%	99.6%	2 schemes outstanding
Makeover	100%	5.0%	96.1%	19 schemes outstanding
EPC C	99.8%	95.0%	99.6%	2 schemes outstanding
Digital Call	88.6%	40.0%	86.6%	66 properties outstanding

Notes:
(1) Housing rented stock excluding Kent and Oldham PFIs and non-social rent portfolio.

Our focus continues to be on compliance first and we demonstrate strong performance across our key compliance metrics. Where we do not achieve 100 percent, we ensure the property is temporarily made unavailable and/ or appliance is not in useand other protections are in place so no resident is ever at risk.

100% Fire risk assessments

100% Gas safety

99.7% Asbestos re-inspection

99.8% Water hygiene

100% Fire alarms

99.3% LOLER lift inspection

99.6% Hardwire testing

100% Emergency lighting

Compliance performance at 30 September 2024

Buy backs

We have maintained our discretionary buy back policy where we will offer to buy back a resident property at 80 percent of its original purchase price. At the end of September, we have bought back nine properties, with a total investment of £0.7m. These properties have subsequently converted to social rent properties.

Treasury and financing

	31 March 2024	30 September 2024
Gross debt	£666.8m	£732.0m
Cash including short term investments	£108.3m	£70.7m
Net debt	£558.5m	£661.3m
Housing property value	£1,505m	£1,641m
Gearing	38.3%	40.3%
Cash and undrawn committed facilities (1)	£191.8m	£183.6m
Liquidity horizon (2)	October 2025	October 2027

Notes:
(1) Cash for these purposes includes only unrestricted cash
(2) Date at which point additional facilities will be required to maintain 18 months of liquidity

At 30 September 2024 we had £70.7 million in cash and cash equivalents, of which £25.7 million is unrestricted. This is further supported by our £50m retained bond which is unsold and fully secured and £180m of secured revolving credit facilities. To date we have drawn £72.2m from these facilities.

Our liquidity at 30 September 2024 was sufficient to meet all forecast financing needs until October 2027, taking into account projected operating cash flows, forecast investment in new and existing properties, potential acquisitions, debt service costs and maturities and forecast grant receipts. However, we recognise to achieve our growth ambitions and realise the acquisition opportunities, further facilities will be required. We are in advanced negotiations on a further £30 million worth of revolvers. This will increase our RCF portfolio across four banks.

At 30 September 2024, Housing 21 had net debt of £661.3 million (31 March 2024: £558.5 million) and gearing, as measured using the Regulator of Social Housing's (RSH) value for money gearing metric, of 40.3 percent (31 March 2024: 38.3 percent). However, including short term investments but adjusting for the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited (debt associated with these projects is included in the RSH gearing calculation), gearing was 37.9 percent (31 March 2024: 34.4 percent).

Standard & Poor’s credit rating

On 5 August 2024, Standards & Poor’s reaffirmed the long-term issuer rating of Housing 21 as ‘A-’ with a stable outlook. They commented that Housing 21 will continue to see strong and increasing demand for its services in Retirement Living and Extra Care, which will drive stable and predictable rental revenue and support financial performance.

Disclaimer

Housing 21 is a Community Benefit Society (registration number 16791R) with exempt charitable status. As a Registered Provider of Social Housing, Housing 21 provides care and housing with associated amenities. It is registered with the Financial Conduct Authority (FCA), (registration number 16791R), its housing activities are regulated by the Regulator of Social Housing (registration number L0055) and its care activities are regulated by the Care Quality Commission (CQC).

These materials have been prepared by Housing 21 solely for use in publishing and presenting its results for the 6 months ending 30 September 2024.

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These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Housing 21 that are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are several factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Housing 21’s control.

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