



**Housing LIN**

*Connecting people, ideas and resources*

## **Investing in your local housing association?**

*Written by David Bogle, Chief Executive, Hightown Housing Association*

Hightown housing association builds around 300 new affordable homes each year mainly in Hertfordshire and Buckinghamshire. To finance that development programme we need to borrow about an additional £30 million each year. Housing associations like Hightown tend to borrow either from the major banks or by issuing a bond on the capital markets.

Recently, however, Hightown raised £27 million through a Retail Charity Bond. A Retail Charity Bond is a means by which retail investors can receive a fixed income over (in this case) ten years from investing in a charity that creates social benefit. The 'Hightown' bond is listed on the London Stock Exchange and pays 4.4 % interest per annum.

One of the attractions for Hightown of seeking finance through this route was that it offered smaller investors the opportunity to invest as little as £500 at a time. Hightown operates in a relatively wealthy part of the country where there are many retired people living off savings that are currently earning very low rates of interest. A recent report, suggests that older homeowners have mortgage-free assets valued at over £873 billion.

Our thought was that maybe these people – living in Harpenden, St. Albans and Berkhamsted - might want to invest in their local housing association – a housing association that had been operating in the area for almost 50 years, employing local people and providing local housing and services.

Maybe if they invested in their local housing association they might also become more interested in the housing association's activities and, maybe, more supportive of plans to build new affordable homes in the area to help homeless and other vulnerable people. In other words, they might not always be on the side of the NIMBYs when planning applications were made for additional affordable housing!

Maybe in time a Retail Charity Bond might create funds to invest in developing new and attractive purpose-built retirement housing for older people in Hertfordshire and Buckinghamshire.

The homeless night shelter that Hightown operates in St. Albans, Open Door, is very well supported by the local community through charitable giving/donations and volunteering. The donations help the night shelter to provide extra day services, such

as training and employment advice, and volunteers run a daily lunch service for homeless people from the Open Door building.

So there is evidence that local people want to support projects that provide housing and support for people who are homeless. We hoped, therefore, that the 'ethical' or 'charity' aspect of the Retail Charity Bond would also appeal to small investors.

In the event, it proved difficult to market the bond specifically to local investors. The local newspapers were not interested in the story and the publicity that was generated for the bond was invariably through national media and investment outlets.

A sizeable proportion of the £27 million raised (£8 - £10 million) did come through stockbrokers operating on behalf of small investors but it was not possible to find out how many of those investors came from the area that Hightown operates within.

But if more housing associations choose this route for funding and those housing associations commit to doing it on a regular basis then local investors and their advisers will become more familiar with this way of raising funds and might actively look out for future Retail Charity Bond issues from their local housing association.

In terms of the bigger picture, this kind of initiative links to the Localism agenda and many of the points raised by Dr. Nicholas Falk in his viewpoint for the Housing LIN on 'Lifelong Neighbourhoods: How Older People Can Add Value'<sup>1</sup>. Many years ago, local authorities used to issue bonds to raise funds from local people for local projects and there was a time when many towns and cities had a local building society which provided a way of raising funds from local investors to fund the provision and purchase of housing.

Hightown may well want to revisit this source of finance in the next few years. In the meantime, and on the eve of the Budget, it will be interesting to see who else enters the Retail Charity Bond market and whether other ways are tried to incentivise interest from local older investors in local projects.

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