

Investing in Ordinary Lives

Innovations in housing for people with learning disabilities



Q *How can wealthy individuals invest in housing for people with learning disabilities?*

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About this briefing

The Housing & Support Alliance wants to significantly increase the range and type of housing available to people with learning disabilities (PLD) in the UK.

This briefing sets out the options for wealthy individuals, High Net Worth Individuals (HNWIs), to invest in property/

housing that can be used by PLD.

In 2010 there were 619,000 millionaires in the UK, and 85,000 had more than £5m. The number of UK millionaires is set to grow by a third by 2020, according to Ledbury's forecasts – meaning there will then be 826,000 millionaires in the UK¹.

Why would HNWIs invest in housing for people with learning disabilities?

Most PLD, their carers and local authorities (that fund care and support) want a significantly increased range of housing options. The population of PLD needing housing is projected to increase over the next 10-20 years as the population grows due to increasing life expectancy and increasing numbers of children being born with learning disabilities.

PLD are very attractive as potential tenants:

- ❖ The majority of this population is likely to have a permanent need for housing to rent;
- ❖ They need housing in all locations in the UK;
- ❖ A mix of types of housing is required;
- ❖ They tend to move infrequently;
- ❖ They usually receive care and support to live independent lives;
- ❖ There are a number of specialist housing and support provider organisations that are highly successful at managing property used by PLD; many PLD remain eligible for state funded welfare including meeting rent and service charge costs.

Property is a significant source and store of wealth for HNWIs and a major destination for their capital. It is a long-term investment that offers the potential for income, capital gains and a hedge against inflation.

The case for investment in housing/property that will be occupied by PLD is in part underpinned by the more generic reasons for investing in property. Although the outlook for the property market as a

whole remains highly uncertain, HNWIs investors continue to see the asset class as an important part of their investment portfolio. Among 2,000 HNWIs surveyed by Economist Intelligence Unit² the average proportion of their investment portfolio allocated to property is 28 per cent, not including their main residence. In the UK this percentage is projected to rise to 31%.

This suggests continuing uncertainty about the trajectory of other financial assets and a desire for more tangible, 'straightforward' investments (i.e. housing/property) after the turmoil of the financial crisis, which many people perceive to have been caused by complex financial instruments.

The key components of prudent investment in property, location, quality of building, and reasonable financing, apply equally to property that will be used by PLD.

The top three advantages often cited for investing in residential property all apply to property for PLD:

- ❖ Providing rental income;
- ❖ Potential for capital growth;
- ❖ A view that property provides good long term performance as an asset class.

Investment in property for PLD represents an opportunity to deliver the key advantages of investment in residential property and the appropriate diversification of property type, market and locations.

The disadvantages of holding residential property are typically cost of upkeep as well as other factors including high

transaction costs and volatility of demand from tenants. Investment in property that will be used by PLD can avoid these disadvantages, i.e. property for PLD, particularly where managed through a specialist housing/property organisation, means the upkeep costs can be transferred to the housing provider/property manager, transaction costs can be reduced and there is the prospect of stable and long term demand from PLD as tenants.

Returns of between 4% and 5.5% are possible depending on the rent level charged and the extent of the rent charged that is recoverable by the tenant typically through housing benefit and the costs of managing the property.



FOOTNOTES

1. Barclays Wealth, 2011 UK Wealth Map
2. Barclays Wealth Insight: Prospects for Property (2010)

Options for HNWIs investing in housing for people with learning disabilities

There are a number of options for wealthy individuals to invest in housing/property that would be for use by PLD. Options for investment in housing for PLD include:

	Options	Direct Approach	Indirect Approach
1	Through a charity or trust	Establishing a charity or trust directly	Making use of an established charity/trust or becoming a trustee and investor of a new charity/trust formed by others
2	Buy to let (BtL)	Directly establishing or using an existing a BtL portfolio that includes housing for use by PLD	Investment into a BtL portfolio held by another investor/s including housing for use by PLD
3	Through a specialist housing organisation/consortium	N/a	Investment in property that is purchased, managed and maintained by a specialist housing organisation/consortium with track record of housing PLD (e.g. some H&SA members)
4	Through a property agent or management company	N/a	Investment in property that is managed and let by a non specialist property management company but includes housing for use by PLD

Case study – The Cameron Trust

Through the Cameron Trust a HNWI has invested more than £2m in property specifically for PLD in the south west of England. The Cameron Trust manages the properties which consist of one block of nine 1 bedroom flats and one block of seven 1 bedroom and two 2 bedroom flats.

The approach involves a partnership with a small local support provider that provides the support services that the tenants require to live independently. All the tenants are eligible for housing benefit to meet the cost of the rent and service charges. The investment of £2.6m provides an annual return of 4.43 per cent as well as high quality housing for PLD.

Summary

Although the outlook for the property market as a whole remains highly uncertain, HNWI investors continue to see the asset class as an important part of their investment portfolio

Among 2,000 HNWIs surveyed by Economist Intelligence Unit (2009) the average proportion of their investment portfolio allocated to property is 28 per cent, not including their main residence. In the UK this percentage is projected to rise to 31%.

There is the potential to attract investment from wealthy individuals to fund and provide housing for PLD. The most likely prospects for investment from this group are:

- ❖ HNWIs with £1m or above to invest;
- ❖ Women HNWI investors;
- ❖ HNWIs who have peers that have invested in property that is used by PLD;
- ❖ HNWIs with an interest in or track record in investments with financial and social objectives (including individuals with a track record of philanthropy).

The approach that is most likely to be attractive to HNWIs considering investing in property/housing for PLD is an investment proposition that is based on a specialist housing organisation/management company undertaking the purchasing, management and maintenance of property to be used by PLD and that is able to deliver a property investment package based on a range of types of residential property investment delivering attractive and stable medium to long term returns.



www.housingandsupport.org.uk/investing-in-ordinary-lives

Contact details

Tel. 0845 4561497

enquiries@housingandsupport.org.uk

www.housingandsupport.org.uk/contact

More information on briefing 1

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