



Temporary Accommodation acquisitions Briefing Note

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Subject: Temporary Accommodation acquisitions market analysis
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1. Methodology

Savills have now conducted most of the market analysis of the available properties that may be suitable to WCC for acquisition as TA. This analysis has focused on areas that are within either a 30 minute train journey from Paddington or Victoria stations or a 60 minute bus journey from the WCC boundary. They are submitting their final analysis of shorter bus journeys (30 and 15 minutes) next week.

To calculate the search area Savills have used travel-time mapping data from Travelttime.com that allowed them to select starting points, the type of transport and how long the journey could be. The following criteria was applied:

1. Traveling on Monday morning at 7.30 am;
2. For Paddington and Victoria, mainline or underground train travel for 30 minutes;
3. For buses, for reasons of practicality, Savills selected 6 points around the WCC boundary.

By using these criteria Savills have created a combined travel time area that has been used as a boundary for where WCC could look for potential temporary accommodation. When considering purchase, we will give priority to homes within Westminster or near to Westminster subject to availability as outlined below.

2. Current Status

The current programme is being enhanced to deliver more and faster. A series of workshops have brought all stages and colleagues of the process together This provided visibility for stakeholders and allowed the reduction of inefficiencies and identification of potential process improvements.

A Senior Asset Investment Manager has joined the team and a Cabinet Member Report is being written setting out the market analysis, updated processes and approvals arrangements, new management information regime and resource requirements.

TA Acquisitions Programme	Financial Year	IB	OOB
		Units	
Actual Units Completed	2021-22	26	0
	2022-23	44	5
Total		70	5
Current Pipeline			
With legal to be completed		30	
Internal review and approvals process (Before legal stage)		8	
In negotiation (Before internal review and approvals stage)		16	
Total		54	

3. Forecast

Before market analysis had been completed, the team generated the following forecast for the acquisitions programme. The original TA capital allocation was £92.6m. An additional £85.7m was added in the most recent capital strategy. This brings the total allocation for TA acquisitions to £178.3m.

This has been roughly profiled and aligned to estimated unit sizes as follows:

		2021/22 - 2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	Proportion
TOTAL ALLOCATION (Unit Numbers)	1 bed	0	43	31	26	24	124	37%
	2 bed	44	18	28	33	30	153	45%
	3 bed	32	3	6	7	6	53	16%
	4 bed	8	0	0	0	0	8	2%
	TOTAL	84	64	65	65	60	338	

		2021/22 - 2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	Proportion	Avg. per Unit
TOTAL ALLOCATION (Budgets - £m)	1 bed	£0.000	£21.067	£13.912	£10.585	£9.771	£55.334	31%	£0.445
	2 bed	£21.449	£12.448	£16.475	£18.179	£16.780	£85.332	48%	£0.559
	3 bed	£18.930	£2.251	£3.476	£4.005	£3.697	£32.359	18%	£0.608
	4 bed	£5.221	£0.000	£0.000	£0.000	£0.000	£5.221	3%	£0.653
	TOTAL	£45.600	£35.767	£33.863	£32.769	£30.248	£178.246		

This is a very indicative unit size profile. Budgets will need to be flexed according to market availability (and the impact that this has on average purchase prices).

4. Potential available properties

The extract from the report in the below appendix section highlights the projected available properties in Westminster within the current price points are 292 over 5 years. We will produce the figures for neighbouring boroughs within the 15 minute and 30-minute timeframe next week.

5. Our acquisition assessment in Westminster

Whilst the data from Savills suggests a buoyant market, based on the programme challenges to date, this is likely to be overly optimistic. There are a number of variables that have not and could not be taken into account in the data exercise:

- Tenanted homes being sold by landlords have not been purchased in the past, and are not proposed to be purchased;
- 48% of the potential market properties available within Westminster are one beds, and whilst we will purchase this sized property, this is an oversupply figure;
- The higher band (£701k-£750k) properties are up to £50k above our highest property type breakeven point are not included. We will work with finance colleagues to look at this aspect and consider whether the management costs are applicable;
- For non-WCC freehold properties issues such as the freehold status (big landlord vs small private sellers).
- Suitability and meeting the specific demand, service charge and ongoing management costs, lease lengths and EPC standard have been accounted for in the assessment below.

	Westminster	Neighbouring boroughs	Rest of travel time area	15 min bus journey	30 min bus journey
1 Bed Flat	139	2,354	9,330	651	4172
2 Bed Flat	102	2,350	3,405	187	1379
3 Bed Flat	34	2,065	3685	267	1724
4 Bed Flat	13	121	69	8	41
1 Bed House	0	21	133	0	27
2 Bed House	0	37	347	3	48
3 Bed House	3	783	2,714	12	589
4 Bed House	1	69	170	7	54
Total	292	7800	19853	1135	8034
WCC Assessment					
Removed 25% of 1 bed units (as these are not in demand)	257	7211	17520	851	6026
Reduction due to issues (Variables as set out in point 5 above) (reduced by 25% in borough and 90% out of borough)	193	721	1752	85	603
Competition (reduced by 25%)	145	541	1314	64	452

6. Next steps

- The primary target properties are our own or RP stock in Westminster, next priority adjacent boroughs (further analysis to follow on 15 and 30 minute journey)
- We have discussed with Camden their acquisitions programme, and whilst smaller than ours, has similar broad objectives. They work closely with local estate agents and this is proving to be a successful approach which we are going to mirror. Pipeline is growing and the processes in place are becoming even more efficient.
- We are preparing a comms campaign to target leasehold sales on our estates
- A CMR will outline the proposed changes to processes, approval processes, staffing and resources incorporating endorsement from legal, finance and audit teams.

7. Monitoring and tracking

Work is underway to transition the management information to align more closely to that used with the capital programme and Development colleagues (Power BI dashboards will be deployed).

High level dashboard information will be provided to the Director of Housing on a monthly basis to provide information relating to volume, unit type and status (in negotiation, legal, void etc.). In-depth reviews of the programme and general market analysis will be undertaken on a quarterly basis to evaluate delivery against our objectives and adjust forecasting based on market changes.

8. Appendix

Executive Summary



WCC Price Band	Price Range	All second-hand sales over next 5 years that meet WCC's EPC requirements				Second-hand sales over the next 5 years that meet WCC's EPC requirements and are below the relevant break-even price point			
		Westminster	Neighbouring boroughs	Rest of travel time area	Total travel time area	Westminster	Neighbouring boroughs	Rest of travel time area	Total travel time area
Band 1	Up to 200K	9	916	3,196	4,121	9	916	2,331	3,256
Band 2	£201-300K	48	2,469	8,272	10,789	48	2,469	6,284	8,801
Band 3	£301-£400K	77	6,773	21,179	28,029	77	2,234	5,686	7,997
Band 4	£401-£450K	57	4,347	13,526	17,930	37	653	1,662	2,352
Band 5	£451-£500k	62	4,645	13,484	18,191	19	1,050	2,673	3,742
Band 6	£501-£550k	102	4,635	12,556	17,293	35	478	1,217	1,730
Band 7	£551-£600K	114	4,102	11,058	15,274	38	0	0	38
Band 8	£601K-£650K	122	3,814	9,760	13,696	29	0	0	29
Band 9	£651-£700K	130	3,178	7,957	11,265	0	0	0	0
Band 10*	£701-£750K	108	-	-	108	0	0	0	0
Total	-	829	34,879	100,988	136,696	292	7,800	19,853	27,945

The table on the left, breaks down the potential number of sales over the next 5 years into 10 price bands in Westminster and 9 price bands in outer boroughs. Just looking at EPC level and price there will be an estimated 136,696 transactions over the next five years that fall into one of those price bands (up to £750,000 in Westminster and up to £700,000 out of borough). Particularly in Westminster, many of these properties are in the higher bands.

However, WCC are planning to let the properties acquired out at LHA levels to those in need of temporary accommodation. Therefore, we have applied a further filter looking at the break-even price point, shown in the table below. The break-even price has been provided to us by WCC and draws upon LHA rates and the total delivery cost of a home, including purchase price, Stamp Duty, works and management costs and is the 'maximum stretch point'. Ideally, WCC will be purchasing properties below these levels where possible.

We have applied these break-even price points to the expected sales over the next years that meet EPC levels to filter down the potential target market further. These price points act as caps on what WCC can acquire, and these caps are much lower than many of the price bands. Outside Westminster for example, no property of 1 or 2 beds can be acquired for more than £400,000. This significantly reduces the number of transactions which will be available to WCC.

When these break-even price points are accounted for, WCC have a total addressable market of 27,944 transactions over the next five years across the travel time area. Just 290 of these transactions will be in Westminster. Again these represent the total market opportunity, however, WCC will be in competition from other potential purchasers that mean the realistic proportion they could acquire is much lower.

	Break-even price points for properties to be lettable on LHA	
	In Westminster	Other boroughs
1 Bed	£426,303	£300,480
2 Bed	£629,652	£391,988
3 Bed	£638,548	£517,810

Executive Summary



The table on the right breaks down the number of transactions which we expect to take place by property type over the next 5. These numbers take into account WCC's break-even price points and EPC requirements – but not market distortion.

In Westminster, almost half of the properties which we expect will be available will be 1 bed flats, at 139 sales, with just 4 houses available over the five years.

Across the neighbouring boroughs, 31% of sales which meet WCC's criteria will be 1 bed flats. This increases to 42% of expected sales for the whole travel time area.

Across the neighbouring boroughs 56% of sales will be for 2 and 3 bed flats, this falls to 42% of potential sales across the whole travel time area.

There will be fewer opportunities to purchase houses, with just 914 house transactions expected over the five years which meet the criteria in the neighbouring boroughs, 53% of which will be in Brent. Across the total travel time area, 15% (c.4,300 sales) are expected to be houses.

	Westminster	Neighbouring boroughs	Rest of the travel time area	Total travel time area
1 Bed Flat	139	2,354	9,330	11,823
2 Bed Flat	102	2,350	3,405	5,855
3 Bed Flat	34	2,065	3,685	5,784
4 Bed Flat	13	121	69	203
1 Bed House	0	21	133	154
2 Bed House	0	37	347	384
3 Bed House	3	783	2,714	3,500
4 Bed House	1	69	170	240

Executive Summary



WCC Price Band	Price Range	All second-hand sales over next 5 years that meet WCC's EPC requirements				Second-hand sales over the next 5 years that meet WCC's EPC requirements and are below the relevant break-even price point			
		Westminster	15-min bus journey	30-min bus journey	Total travel time area	Westminster	15-min bus journey	30-min bus journey	Total travel time area
Band 1	Up to 200K	9	318	1,855	2,182	9	275	1,625	1,909
Band 2	£201-300K	48	600	4,011	4,659	48	519	3,513	4,080
Band 3	£301-£400K	77	1,798	10,433	12,308	77	154	1,191	1,422
Band 4	£401-£450K	57	1,484	7,303	8,844	37	53	485	575
Band 5	£451-£500k	62	1,796	7,847	9,705	19	96	834	949
Band 6	£501-£550k	102	1,936	7,749	9,787	35	46	377	458
Band 7	£551-£600K	114	1,953	7,110	9,177	38	0	0	38
Band 8	£601K-£650K	122	1,941	6,648	8,711	29	0	0	29
Band 9	£651-£700K	130	1,794	5,459	7,383	0	0	0	0
Band 10*	£701-£750K	108	-	-	108	0	0	0	0
Total	-	829	13,620	58,415	72,864	292	1,143	8,025	9,460

The table on the left, breaks down the potential number of sales over the next 5 years into 10 price bands in Westminster and 9 price bands in outer boroughs. Just looking at EPC level and price there will be an estimated 72,864 transactions over the next five years that fall into one of those price bands (up to £750,000 in Westminster and up to £700,000 out of borough). Particularly in Westminster, many of these properties are in the higher bands.

However, WCC are planning to let the properties acquired out at LHA levels to those in need of temporary accommodation. Therefore, we have applied a further filter looking at the break-even price point, shown in the table below. The break-even price has been provided to us by WCC and draws upon LHA rates and the total delivery cost of a home, including purchase price, Stamp Duty, works and management costs and is the 'maximum stretch point'. Ideally, WCC will be purchasing properties below these levels where possible.

We have applied these break-even price points to the expected sales over the next years that meet EPC levels to filter down the potential target market further. These price points act as caps on what WCC can acquire, and these caps are much lower than many of the price bands. Outside Westminster for example, no property of 1 or 2 beds can be acquired for more than £400,000. This significantly reduces the number of transactions which will be available to WCC.

When these break-even price points are accounted for, WCC have a total addressable market of 9,459 transactions over the next five years across the travel time area. Just 290 of these transactions will be in Westminster. Again these represent the total market opportunity, however, WCC will be in competition from other potential purchasers that mean the realistic proportion they could acquire is much lower.

	Break-even price points for properties to be lettable on LHA	
	In Westminster	Other boroughs
1 Bed	£426,303	£300,480
2 Bed	£629,652	£391,988
3 Bed	£638,548	£517,810

Source: Savills Research, HMRC, EPCs | *Westminster only

Executive Summary



The table on the right breaks down the number of transactions which we expect to take place by property type over the next 5. These numbers take into account WCC's break-even price points and EPC requirements – but not market distortion.

In Westminster, almost half of the properties which we expect will be available will be 1 bed flats, at 139 sales, with just 4 houses available over the five years.

Across the 15-minute bus journey (ex WCC), 56% of sales which meet WCC's criteria will be 1 bed flats. This decreases marginally to 52% of expected sales for the whole travel time area.

Across the 15-minute bus journey 40% of sales will be for 2 and 3 bed flats, this falls to 39% of potential sales across the whole travel time area.

There will be fewer opportunities to purchase houses, with just 740 house transactions expected over the five years which meet the criteria outside Westminster, 80% of which will be in the 30-minute journey time.

	Westminster	15-minute (ex WCC)	30-minute (ex 15-minute)	Total travel time area
1 Bed Flat	139	651	4,172	4,962
2 Bed Flat	102	187	1,379	1,668
3 Bed Flat	34	267	1,724	2,025
4 Bed Flat	13	8	41	62
1 Bed House	0	0	27	27
2 Bed House	0	3	48	51
3 Bed House	3	12	589	604
4 Bed House	1	7	54	62