

# Investing in Ordinary Lives

Innovations in housing for people with learning disabilities



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*How corporate investors and lenders can invest in housing for people with learning disabilities*

# Why should corporate investors and lenders invest in housing for people with learning disabilities and how can they do it?

## 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.

The majority of PLD live in the family home or in residential care. Many people live in the family home because they have little choice; living in a care home is not an

option most people would choose. However, the majority of private sector corporate investment in accommodation for PLD has historically been into residential care rather than in residential property to rent to PLD.

This briefing sets out the options for corporate investors and lenders to invest in housing for PLD.

## Why would corporate investors invest in housing?

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 a market that is projected to increase over the next 5-10 years; recent research by the charity Mencap<sup>1</sup> identified that:**

- ❖ The majority of PLD known to local authorities live in one of three types of accommodation: with family and friends (38%), in a registered care home (22%) or in supported accommodation (16%). 12% live as tenants in accommodation provided by a local authority or housing association and 3% in privately rented accommodation.
- ❖ In 2011, an estimated 8,578 PLD were newly referred to local authorities for housing. Alongside this, nearly 10,000 people were on local authority housing 'waiting lists'.
- ❖ The demand for services is set to rise steeply. In 2011, there was a 3% increase in the number of PLD known to local authorities who needed housing with support. A further 5.7% increase is expected over the next two years. Mencap's research identified that to meet demand from the growing number of people with a learning disability, there would have to be an additional 941 housing 'places' created every year until 2026. It also suggests that there will be an extra 2,257 people with a learning disability known to local authorities living with family and friends each year until 2026.

**The profile and characteristics of many PLD means that investment in housing for use by PLD can be an attractive investment proposition.**

- ❖ The majority of this population is likely to have a permanent need for housing to rent;
- ❖ Options for home ownership for PLD have been highly constrained;
- ❖ There is a need for housing in all locations in the UK;
- ❖ PLD are a very stable group of potential tenants; 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.

**A mix of types of housing is required:**

- ❖ Some people will require housing that might be shared with a small number of other people, for example a three bedroom property that might be shared by 3 people, each with their own room but sharing the communal facilities;
- ❖ Alternatively some people might share a property but with a room available for support staff to 'sleep in' overnight where individuals need this type of support;

- ❖ Some people will need self contained housing, for example a 1 bedroom flat;
- ❖ Some people will prefer to have a self contained flat but possibly within a small group of flats in the same building where other tenants are also PLD and possibly with on-site support staff.

This diversity of housing requirements means that investors have a wide range of types of property that will be potentially suitable and attractive to PLD, their families and supporters.

**The main 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.

Investment in housing/property for use by PLD needs to be viewed as a medium to long term investment, perhaps with a minimum timeframe of 10 years. This provides a realistic period for investors to meet their investment objectives, including the potential for capital growth, as well as providing a reasonable degree of stability and security for PLD and their carers.

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

**FOOTNOTE** 1. Housing for people with a learning disability, (2012). Mencap

## Case Study: Mortgage lending to people with learning disabilities

MySafeHome ([www.mysafehome.info](http://www.mysafehome.info)) is a specialist mortgage broker that provides of help and support for disabled people who want to buy their own home. MSH uses shared ownership models where the homeowner buys a share of the property – anything from 25% to 75% – and pays rent on the remainder. It is targeted at people with long term disabilities, including PLD, who do not work. It works with people who are:

- ❖ 18-80 years old with clean credit history and no outstanding debts
- ❖ In receipt of Disability Living Allowance High or Middle Rate Care (under 60s) or Attendance Allowance (over 60s) together with other qualifying benefits
- ❖ In the ESA Support Group or Care Plan (under 60s only)
- ❖ In possession of a suitable Care & Support package confirmed by their local authority
- ❖ Able to put down a deposit and pay fees associated with buying their new home

PLD can commonly be helped to buy their on home through a scheme known as HOLD – Home Ownership for people with Long-term Disabilities. It's a scheme that is funded by the Government through Housing Associations. The buyer is able to choose a property from the open market, just like everyone else.

MySafeHome currently arranges interest only mortgages up to a £100,000 maximum per client. MSH currently has three lenders that it works with to provide mortgages for people with long term disabilities.

Interest is charged to the client at 4.63% (this is 1% above the Support for Mortgage Interest benefit rate which is currently 3.63%). The client is responsible for making up the difference from their income.

They have assisted hundreds of disabled people to become home owners in this way.

## Mortgage lending to people with learning disabilities

Whilst much of this market is for housing to rent, there is also a market for mortgage lending. Typically, this is where an individual buys a property on a shared equity basis (part rent, part buy) using an interest only mortgage to fund part of the property acquisition.

Many people are entitled to help to pay

the mortgage interest on mortgages up to £200,000 at 3.63% with payments made directly to lenders from the Department of Work and Pensions.

This is currently a small market but has potential to grow as it is an option suited to many PLD who may need to live alone. *(see case study on the previous page)*

## How would you do it?

**There are a number of options for corporate investors and lenders to invest in housing/property that would be for use by PLD. These are summarised in the table below.**

	Options	Description	Considerations
1	Direct investment	Direct investment into property to be used by PLD	Involves actively locating investment opportunities in this market Not likely to be of sufficient scale in terms of investment opportunities Unlikely to be attractive option for corporate investors
2	Indirect investment	Investment through a specialist finance company	Investment 'packaged' through company that specialises in financing housing for PLD (e.g. Henley Healthcare Homes) Investment opportunities identified and arranged by specialist company/ies Simpler for investors to identify and understand the risks and returns
3	Mortgage Lending	Lending directly or via a specialist mortgage broker	Can be a process managed through a mortgage broker that specialises in mortgages for people with long term disabilities (e.g. MySafeHome (see below)). Broker will need to be able to identify clients, manage client suitability, liaise with local authority referrers and care funders, and provide any necessary guarantors. Lending can also be made directly to individuals through developing a bespoke scheme for disabled people.

[www.housingandsupport.org.uk/investing-in-ordinary-lives](http://www.housingandsupport.org.uk/investing-in-ordinary-lives)

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### More information on briefing 4

[www.bit.ly/4-corp-invest](http://www.bit.ly/4-corp-invest)

### More information about the project

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