

For Immediate Release

26 August 2015

Guaranteed debt continues to outperform

Having completed a new £208m bond at the beginning of August, the Government guaranteed aggregator Affordable Housing Finance (AHF) has followed this up with the issue of £15m of retained bonds from its previous long term bond and a further £33m EIB drawdown, both at near record low rates. This against a picture of perceived widening credit spreads for Housing Association own-name bonds.

The £15m retained bond transaction was for Riverside Housing and at a credit spread of Gilts + 0.385% and an all in cost of 2.795% narrowly beat AHF's recent new bond pricing (Gilts plus 0.40% and 2.89% respectively); although the retained bonds have a one year shorter term and are part of a significantly larger transaction.

The £33m EIB drawdown, for Paradigm Housing at 2.26% for a 20 year average life again represented a near record low rate and the rate was only one basis point (0.01%) away from the UK Government's own cost of funding (Gilts) for a like maturity at the time of pricing.

"General market sentiment towards Housing Associations is cautious in the short term" said Piers Williamson, Chief Executive of AHF. "With secondary spreads for even the most credit-worthy Housing Associations being marked out at Gilts plus 1.4%, this shows the value of the Affordable Homes Guarantee Scheme. We anticipate there will be a heightened requirement for HAs to demonstrate value for money in the coming months, and locking in borrowing costs at these low levels represents a relative no-brainer".

Investment Banks and Advisers are now quoting credit spreads of between Gilts + 1.4 - 1.5% p.a. for public HA deals and Gilts + 1.6% p.a. of private placements: over one percent p.a. above AHF's current funding costs.

Access to the Affordable Homes Guarantee Scheme currently runs until March 2016.

Contacts:

	Contact	Job Title	Email	Phone Number
AHF	Piers Williamson	Chief Executive	Piers.williamson@thfcorp.com	020 7337 9930
Riverside	Andy Gladwin	Financial Controller	Andy.Gladwin@riverside.org.uk	0151 295 6134
Paradigm	Andy Nichol	Group Finance Director	andy.nicol@paradigmhousing.co.uk	01628 811 791