AHF delivers a series of transactions at tight spreads

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For Immediate Release

This week has seen a series of three transactions for the Government guaranteed aggregator, Affordable Housing Finance (AHF). Each has priced significantly inside spreads being achieved on HA standalone bonds. The company has agreed further competitive lending for two housing associations under its £1bn EIB II facility and has today priced a £92m AHF bond tap (including £7m of retained bonds).

Last Thursday Bracknell Forest Housing Association (BFHA) agreed £25,000,000 of AHF EIB funding on a floating rate basis, at a price of 6 month Libor +0.201%. This funding was used to develop over 300 homes, across Berkshire, Oxfordshire and Hampshire. In total, BFHA have borrowed £40,0000,0000 under the AHF scheme.

The second HA, Paradigm, borrowed £35,000,000 of long term EIB funding, which was priced on Monday at a fixed rate of 1.939% (1bp below the cost of Gilts- the UK cost of Government borrowing). Paradigm have borrowed a total of £125,000,000 under the AHF scheme and have developed over 800 units across the South East of England.

On Tuesday, AHF priced a £92m transaction (including £7m of retained bonds) at Gilts +0.28%. This equals the tightest spread AHF have achieved since the inception of the AHF programme. The bond tap was at a reoffered cost of 2.14%, with five HAs taking part, including: Adactus, Merlin, Stonewater, Golding and Flagship. This funding will finance the development of over 1,500 badly needed homes across the country.

Albeit for slightly shorter maturities, AHF's pricing compares very favourably with very recent own name bonds for both Notting Hill Housing and WM Housing. Both of these bonds came at a reoffered cost of 3.3%.

Piers Williamson, Chief Executive of THFC, AHF's parent commented: "With these two transactions priced since Moody's sovereign downgrade, and a further transaction announced for Catalyst Housing, there is early evidence of own name bond credit spreads widening. However, it's difficult to single out how much of the widening is down to perceived increased sales risk for individual HAs and how much is down to more general sector and economic concerns".

AHF also report that £321.5m remains to be drawn of their much-desired EIB II facility funding. This will be allocated by the end of 2017. AHF also still has £50m of retained bonds to on lend by the time of the scheme's conclusion.

Affordable Housing Finance Plc

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