Regulator of Social Housing

Quarterly survey for Q3

October to December 2024

February 2025

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Introduction

1. This quarterly survey report is based on regulatory returns from 203 private registered providers (PRPs) and PRP groups who own or manage more than 1,000 homes.

2. The survey provides a regular source of information regarding the financial health of PRPs, in particular with regard to their liquidity position. The quarterly survey returns summarised in this report cover the period from 1 October 2024 to 31 December 2024.

3. From 1 April 2024 the remit of the regulator was extended to allow an integrated approach to social housing regulation, with stronger, proactive regulation of consumer standards. Boards must continue to ensure that economic standards are met as they work towards implementing the new consumer standards, and that they maintain strong and effective control over financial performance.

4. The regulator reviews each PRP’s quarterly survey. It considers a range of indicators and follows up with the PRP where a risk to 12-month liquidity is identified, or where there is a risk to loan covenant compliance. Further assurance is sought where there is increasing exposure to risks from activities carried out within non-registered entities. Findings will be reflected in regulatory judgements where appropriate.

5. Providers continue to face pressure to improve stock quality and energy efficiency, which is increasingly resulting in boards having to make difficult decisions as to how to use cash resources most effectively, as well as limiting their ability to further manage additional costs. In general, we have assurance that PRPs are taking action to manage their position, which for a number of providers includes the deferral of uncommitted development and/or the arrangement of loan covenant waivers.

6. Figures have been rounded to the nearest £billion to one decimal place. This can result in rounding differences in totals and percentages as the individual returns are denominated in £000s.

Summary

Liquidity

Investment in the sector remains robust - new finance of £2.6 billion arranged in the quarter. However, a high level of debt drawdowns resulted in a decrease in undrawn available facilities - Cash balances also remain at historically low levels.

- New facilities of £2.6 billion were exceeded by loan drawdowns and repayments in the quarter, giving an overall reduction in available cash and undrawn facilities to £33.4 billion (September: £34.5 billion).
- 35 providers arranged new finance during the quarter, with bank lending accounting for 65% of new facilities.
- Loan repayments were £0.9 billion in the quarter, consistent with the average over the last three years.
- Available cash balances reduced by £0.1 billion during the quarter to £3.9 billion; the second lowest amount in eleven years. Balances are expected to reduce to £2.8 billion by December 2025.
- Total cash and undrawn facilities are still sufficient to cover forecast expenditure on net interest costs (£4.5 billion), loan repayments (£3.4 billion) and net development (£12.6 billion) for the next year.
- Gross mark-to-market (MTM) exposure on derivatives decreased to £0.2 billion at the end of the quarter (September: £0.3 billion).

Performance in the quarter

12-month outturn cash interest cover to December was 82%, a reduction on the 85% reported for the year to September. Performance varies across the sector; median 12-month interest cover was 102% and upper quartile was 140%.

Forecast interest cover over the next 12 months remains low, with a projected sector total of 68% and over half of providers forecasting interest cover below 100%.

- Following a temporary increase in Q2, quarterly cash interest cover (excluding sales) fell back below 100%.
- This followed record repairs and maintenance spend in the quarter, giving interest cover (excluding all sales) of 70% (September: 110%); however, this was above the forecast of 52%.
- Although interest cover is supressed, providers continue to manage their individual loan covenant positions, including through the use of covenant carve-outs or waivers.
- Revenue repairs spend was £1.3 billion; 5% higher than the previous quarter and slightly above forecast.
- Capitalised repairs and maintenance spend exceeded £1.0 billion for the first time since cashflow data was first collected in 2015; a 20% increase on the previous quarter.
- Higher repairs and maintenance costs have resulted in net operating cashflows alone being insufficient to fund increasing net interest payments, with an average cash shortfall of £191 million per quarter experienced in the year to December 2024.

Investment in new and existing stock

Capital works to existing stock continue at record levels, with further increase in both 12-month actual spend and 12-month forecasts.

AHO pipeline uncommitted units remains at one of the lowest levels on record.

12-month projected development spend is £14.8 billion – a 5% reduction from the previous quarter and the lowest level in almost five years since the pandemic.

- Total repairs and maintenance (capital + revenue) spend stood at £2.3 billion in the quarter. In the year to December a total of £8.7 billion was spent, with a further £9.8 billion forecast for the next 12 months.
- Record levels reported for both the 12-month expenditure on capitalised repairs of £3.6 billion, and a further £4.5 billion worth of investment forecast over the next 12 months.
- Although forecast development spend has decreased, outturn spend for the quarter increased to £3.9 billion; well above the three-year quarterly average of £3.4 billion.
- AHO completions in the quarter increased by over 25% and are above average, with annual completions rising year-on-year. In contrast, market sale completions have reduced in the quarter remaining at historically low levels and are below average, which have fallen year-on year.
- Total pipeline AHO units have reduced slightly by 2%. The uncommitted pipeline remains one of the lowest amounts recorded since data was first collected in 2015.
- Pipeline market sale units have decreased by 7% and remain at historically low levels, although if achieved they would be 20% higher than actual completions recorded over the previous 18 months.

Sales

Both market completions and sales have decreased from the previous quarter and remain at historically low levels. AHO first tranche sale performance remains robust.

Total fixed asset sale receipts in the quarter remained broadly in line with previous quarter at £0.8 billion, giving an annual total of £3.0 billion. For the next 12 months, a further £4.3 billion worth of fixed asset sales have been forecast.

- Of the £4.3 billion fixed asset sales forecast, £2.0 billion relates to sales of housing properties to tenants or other individuals, and £2.3 billion relates to other sales including bulk disposals of housing assets.
- Market sales of 573 units are substantially below the three-year average of 953 units.
- AHO sales of 4,714 units increased in the quarter and were above the three-year average of 4,273 units.
- An 8% increase in total unsold AHO units was recorded in the quarter. Unsold market sale units increased by 4% in the quarter.
- Market sale units unsold for over six months have increased by 13% and are at the highest level in four years.
- We will continue to engage with PRPs where they are reliant on sales to maintain viability and liquidity positions.

Operating environment

7. The quarter to December 2024 saw the UK inflation rate rise to its highest level for eight months, with prices rising at their fastest pace since March[1]. 12-month Consumer Price Index (CPI) inflation in the UK stood at 2.5% in the 12 months to December 2024[2]. Post quarter end, inflation continued to rise to a 10-month high and stood at 3% in the 12 months to January 2025[3]. The Bank of England expects inflation to rise to around 3.7% in the third quarter of 2025, before returning to a target trajectory of 2% in the fourth quarter of 2027[4].

8. The existing 5-year social housing rent settlement, which allows for a maximum permissible rent increase of CPI + 1%, has been extended for a further year[5]. This will link rent increases for the 2025/26 financial year to the 1.7% CPI rate as at September 2024, resulting in a maximum increase of 2.7%. This applies to general needs Social Rent, Affordable Rent and supported housing, with the exception of certain specialised supported housing categories.

9. The Bank of England (BoE) base rate was maintained at 4.75% on 18 December[6]. Post quarter-end, the BoE announced a reduction in the Bank rate to 4.5%, the lowest level since June 2023[7].

10. The average interest rate for a typical 5-year mortgage stood at 4.38% at the end of December 2024[8], up from 4.09% at the end of September. Net mortgage approvals for house purchases increased to 66,500; higher than the 6-month average of 64,800[9].

11. Following the Autumn Budget announcement, it was confirmed that an additional £500 million top up to the Affordable Homes Programme would be granted and on 12 February 2025, a further £300 million of investment was confirmed[10], to support development of new homes in the sector.

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[1] Consumer price inflation, UK - Office for National Statistics
[2] Consumer price inflation, UK - Office for National Statistics
[3] Consumer price inflation, UK - Office for National Statistics
[4] The February 2025 Monetary Policy Report — and my vote - speech by Catherine L. Mann | Bank of England
[5] Limit on annual rent increases 2025-26 from April 2025
[6] Bank Rate maintained at 4.75% - December 2024 | Bank of England
[7] Bank Rate reduced to 4.5% - February 2025 | Bank of England
[8] Quoted household interest rates - a visual summary of our data | Bank of England
[9] Money and Credit - December 2024 | Bank of England
[10] Thousands to benefit from the security of a safe home - GOV.UK

12. Overall construction output increased by 0.5% in the quarter to December 2024 when compared to the previous quarter. The increase related solely to new works (1.2%), as repair and maintenance fell by 0.4%[11].

13. Annual price growth in the construction industry over the quarter stood at 3.0% in the year to December 2024[12], compared to a growth of 2.6% in the 12 months to December 2023.

14. House prices in England increased by an estimated 4.3% in the 12 months to December 2024[13]. The largest annual growth was experienced in the North East, where prices increased by 6.7% over the year. The lowest growth was in London, where prices increased by 0.0% over the same period.

15. The UK unemployment rate for the quarter to December 2024 increased to 4.4%[14] compared to 4.3% in the previous quarter. The number of job vacancies fell by 24,000 to reach 812,000[15], decreasing for the 30th consecutive period. The total number of people claiming Universal Credit in England was around 6.4 million in December 2024[16] compared to 5.5 million a year earlier, as the managed migration from legacy benefits continues.

16. The measures announced in the Autumn Budget statement will bring both challenges and opportunities for the housing sector, and providers must ensure that they understand and manage any additional risks. The consultation on future social housing rent policy closed in December 2024 and remains a future area of uncertainty[17]. Interest rates are likely to remain elevated compared to historically low levels, and expectations around stock decency, decarbonisation and provision of new homes will continue to evolve. Providers must be able to identify areas where covenant headroom or liquidity may be restricted and ensure that contingency plans and mitigations remain robust.

[11] Construction output in Great Britain - Office for National Statistics
[12] Construction output in Great Britain - Office for National Statistics
[13] UK House Price Index summary: December 2024 - GOV.UK
[14] Labour market overview, UK - Office for National Statistics
[15] Labour market overview, UK - Office for National Statistics
[16] Total number of people on Universal Credit in England | LG Inform
[17] Consultation on future social housing rent policy - GOV.UK

Private finance

17. The sector's total agreed borrowing facilities increased by £1.2 billion over the quarter, to reach £133.2 billion at the end of December (September: £131.9 billion).

Figure 1: Total facilities (£ billions)

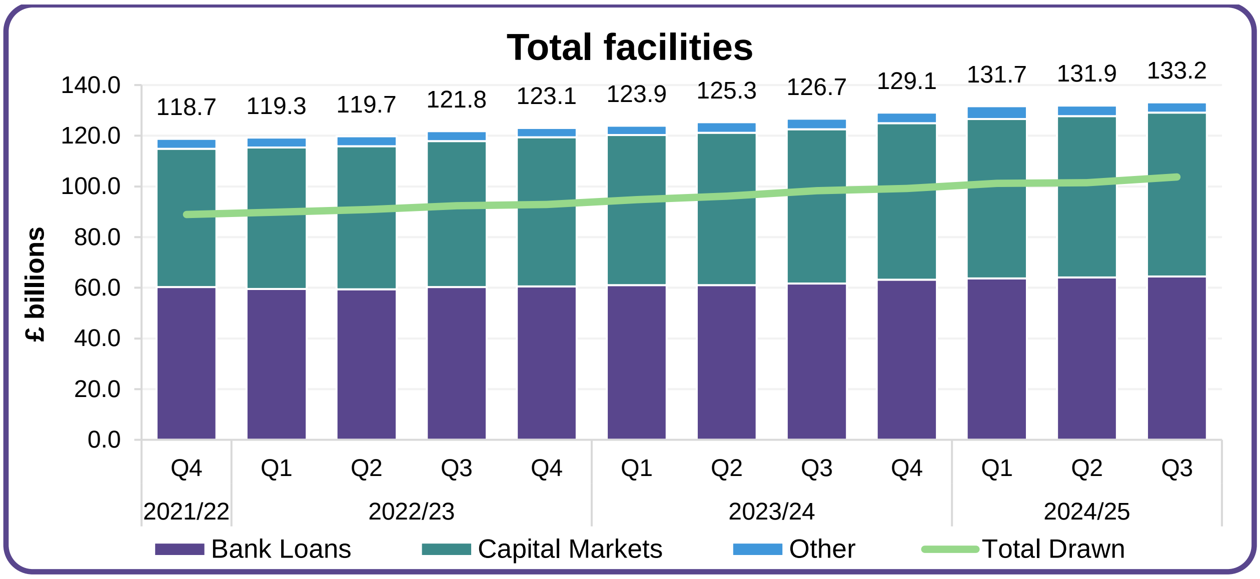


Table 1: Total facilities – drawn and secured

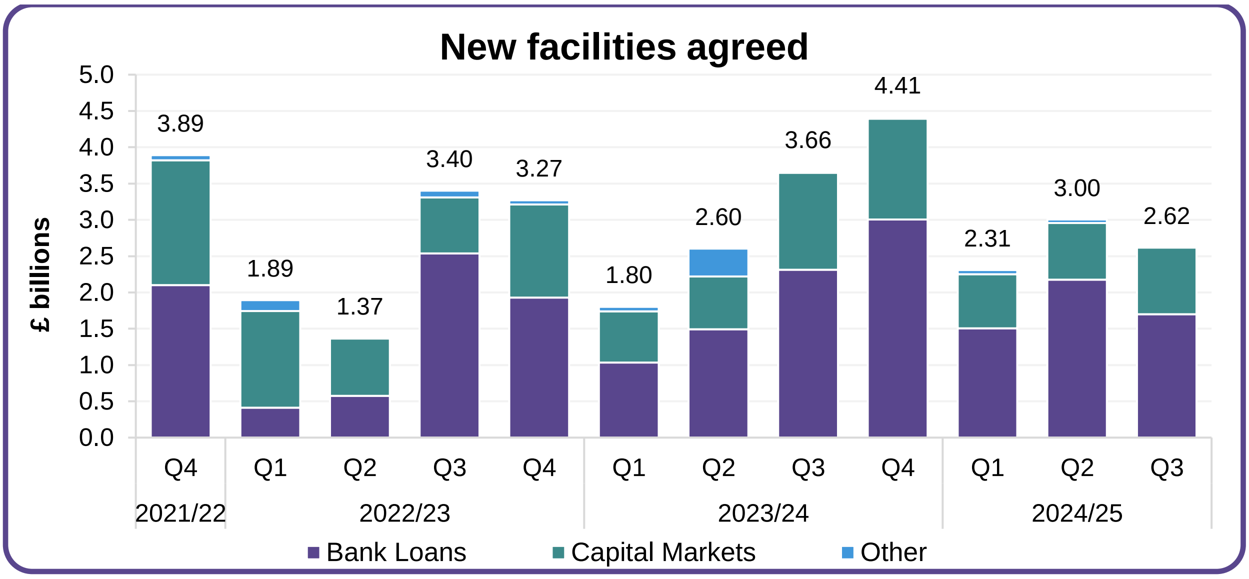
£billions	*Previous quarter*	*Current quarter*	*% change*
Drawn	101.4	103.7	2.3%
Undrawn	30.5	29.5	(3.5%)
Secured	119.4	120.2	0.7%
Security required	2.9	3.1	8.3%
Security not required	9.7	9.8	1.7%

18. At the end of December, 98% of providers (September: 96%) were forecasting that debt facilities would be sufficient for 12 months or more. A total of 35 providers arranged new finance during the quarter (September: 34), with 10 of these arranging facilities worth £100 million or more. The total agreed, including refinancing, amounted to £2.6 billion, compared to an average of £2.9 billion per quarter over the last three years.

19. Bank lending accounted for 65% of new funding in the quarter, with 27 providers arranging facilities worth an average of £63 million each. Capital market funding, including private placements and aggregated bond finance, accounted for the remaining 35% (£0.9 billion) of the total. This included around £0.4 billion worth of funding through the Affordable Homes Guarantee Scheme[18].

[18] Affordable Homes Guarantee Scheme 2020 - GOV.UK

Figure 2: New facilities agreed (£ billion)



20. Although new facilities of £2.6 billion were agreed during the quarter, this amount was exceeded by loan drawdowns and the repayment or cancellation of existing facilities during the same period. This led to an overall reduction in available cash and undrawn facilities to £33.4 billion (September: £34.5 billion).

21. However, this level of cash and undrawn facilities would be sufficient to cover the sector's forecast expenditure on net interest costs (£4.5 billion), loan repayments (£3.4 billion) and net development for the next year (£12.6 billion), even if no new debt facilities were arranged and no sales income were to be received.

Table 2: 12-month forecasts

£billions	*Previous quarter*	*Current quarter*	*% change*
Drawdown from facilities agreed	6.3	6.3	0.7%
Drawdown from facilities not yet agreed	2.6	1.9	(28.5%)
Loan repayments	3.8	3.4	(12.5%)

22. Drawdowns from facilities not yet agreed have been forecast by 16 providers that are either increasing borrowing capacity, typically to fund uncommitted development programmes, or are refinancing existing facilities. The latter can be either to replace expiring facilities, or to secure more favourable terms.

23. Loan repayments of £0.9 billion were made during the quarter, consistent with the quarterly average reported over the last three years. For the next twelve months, a further £3.4 billion worth of loan repayments are forecast to be made. Seven providers have each forecast over £100 million worth of loan repayments, together accounting for 57% of the sector total.

Cashflows

24. It is essential that providers have access to sufficient funds at all times. The regulator engages with PRPs that have low liquidity indicators.

25. Table 3 below shows the actual performance for the quarter compared to forecast, and the 12-month cashflow forecasts to December 2025.

Table 3: Summary cashflow forecast[19]

£billions[20]	3 months to 31 Dec 2024 (forecast)	3 months to 31 Dec 2024 (actual)	12 months to 31 Dec 2025 (forecast)	12 months to 31 Dec 2024 (actual)
Operating cashflows excluding sales	3.1	3.1	12.9	12.2
Repairs & maintenance (capital & revenue)	(2.5)	(2.3)	(9.8)	(8.7)
Net operating cashflows excluding sales	**0.6**	**0.8**	**3.1**	**3.5**
Interest cashflows	(1.2)	(1.1)	(4.6)	(4.3)
Payments to acquire and develop housing	(4.3)	(3.9)	(14.8)	(13.7)
Current assets sales receipts	0.9	0.7	3.7	3.1
Disposals of housing fixed assets	0.8	0.8	4.3	3.0
Other cashflows	(0.2)	(0.2)	0.0	(0.2)
Cashflows before resources and funding	**(3.4)**	**(2.9)**	**(8.3)**	**(8.5)**
Financed by:				
Net grants received	0.7	0.6	2.2	2.5
Net increase in debt	1.8	2.3	4.8	5.6
Use of cash reserves	0.9	0.0	1.2	0.4
Total funding cashflows	**3.4**	**2.9**	**8.3**	**8.5**

26. Cash interest cover[21], based on net operating cashflows excluding sales, stood at 70% in the quarter to December 2024 (September: 110%). Quarterly interest cover figures are subject to a degree of volatility. Current quarter performance was above the forecast of 52%, due to a £0.1 billion underspend on capitalised major repairs,

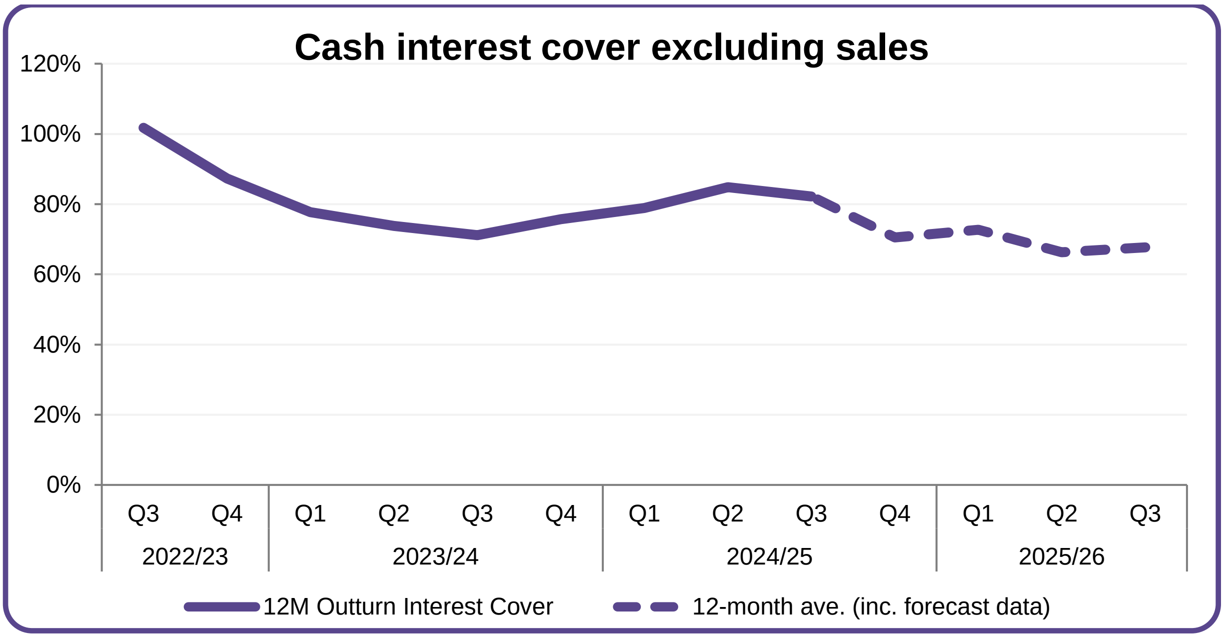
[19] Operating cashflow excludes current asset sales receipts and costs of sales. ‘Payments to acquire and develop housing’ include payments in respect of both current and fixed assets.

[20] There are rounding differences in the calculated totals; figures are reported by providers in £000.

[21] The calculation of cash interest cover prudently excludes operating surpluses from properties developed for sale (either 1st tranche shared ownership sales or outright market sales). Calculations include all interest and repairs costs, without the deduction of capitalised interest or grant funding.

combined with a £0.1 billion favourable variance on net cashflows from operating activities. In addition to general working capital movements, providers have attributed favourable variances on net cashflows to factors including the timing of supplier payments and Housing Benefit receipts over the Christmas period and holding a high level of vacant posts.

Figure 3: Interest cover from operating cashflows (excluding sales)



27. 12-month rolling interest cover stood at 82% in the year to December 2024 (September: 85%). Cash interest cover is expected to remain restricted, with forecasts for the year to December 2025 giving an estimate of 68% interest cover for the coming year, and with over half of providers forecasting interest cover to be below 100% in this period.

28. Interest cover varies between different types of providers. Median 12-month outturn interest cover excluding sales was 102%, lower quartile performance was 55% and upper quartile performance was 140%. Levels of interest cover are constrained in some of the largest providers in the sector. This is particularly true in respect of those active in the London area with high levels of investment in existing stock.

29. Annual interest cover last exceeded 100% in December 2022, when it stood at 102%. Since then, net interest payable has increased by £0.8 billion (24%), and capitalised major repairs costs have increased by £1.0 billion (41%). In contrast, net operating cashflows (net of revenue repair costs) have increased by £1.1 billion over the same period (18%). These increasing costs result in net operating cashflows alone being insufficient to fund net interest payments, with an average cash shortfall of £191 million per quarter being experienced in the year to December 2024. In comparison, in the year to December 2022 surplus cash of £15 million per quarter was generated.

30. The measures of interest cover and net operating cashflows referenced above exclude all surpluses from current asset sales, which reduce the shortfall to a more sustainable level. However, the remaining shortfall in operating cash is increasingly being managed by way of fixed asset sales receipts, with more providers relying on this form of income, and is reflected by the growing number of providers with a V2 viability rating in the last two years.

31. The impact of lower interest cover on loan covenants is also being managed by way of covenant carve-outs or waivers. A total of 40 providers reported having one or more loan covenant carve-outs or waivers in place at the end of December (September: 42). The agreements include carve-outs to exclude energy efficiency works from loan covenant calculations, reported by 21 providers, and carve-outs of fire or building safety works, reported by 16 providers. Other agreements include the removal of pension exit costs, loan breakage fees, and specific regeneration or remediation project costs.

32. Both capital and revenue repairs expenditure reached record amounts during the quarter. The aggregate repairs and maintenance spend amounted to £2.3 billion, 11% higher than in the previous quarter. This was comprised of £1.3 billion worth of revenue works, and £1.0 billion worth of capital works. In the 12 months to December 2024 total repairs and maintenance spend was £8.7 billion, and for the 12 months to December 2025 the sector has forecast expenditure of £9.8 billion; a 2% increase on the 12-month forecast made in September.

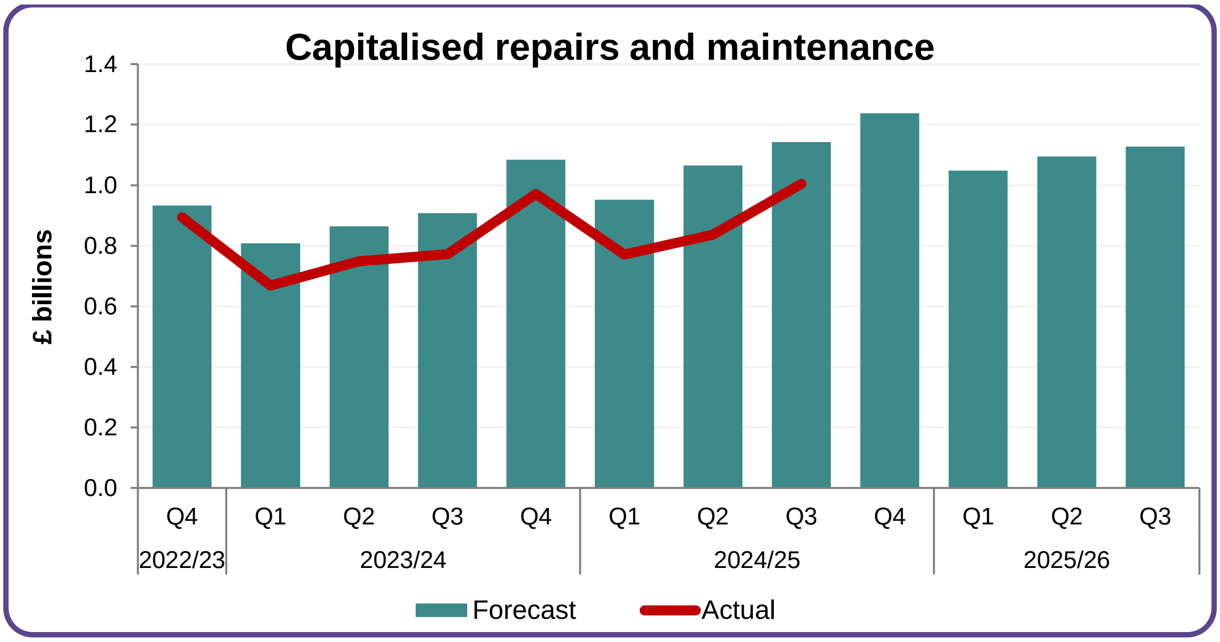
33. Revenue repairs were 5% higher than in the previous quarter, and 2% above the amount previously forecast. Providers continue to report a high level of demand for responsive repairs, including for damp and mould works, in addition to proactively identifying additional works through stock condition surveys or routine property inspections. In the 12 months to December 2024 a total of £5.1 billion was spent on revenue repairs and maintenance, and a further £5.3 billion is forecast to be incurred in the year to December 2025.

34. Quarterly expenditure on the capitalised element of repairs and maintenance exceeded £1.0 billion for the first time since cashflow data was first collected in 2015. Expenditure was 20% higher than in the quarter to September, although 12% below the amount previously forecast. Six providers, four of which are large providers with a significant proportion of stock in London, each incurred in excess of £30 million worth of capitalised repairs expenditure during the quarter. Together they accounted for 23% of the sector total.

35. In the year to December 2024 capitalised expenditure on repairs and maintenance was £3.6 billion, compared to a total of £3.1 billion in the year to December 2023. For the 12 months to December 2025, a further £4.5 billion worth of expenditure has been

forecast (September forecast: £4.4 billion). Eight large providers have each forecast capitalised expenditure of £100 million or more over the next 12 months, together accounting for 28% of the sector total. Both the 12-month actual and 12-month forecast expenditure continue to be the highest ever recorded.

Figure 4: Capitalised repairs and maintenance expenditure (£ billions)



36. Although repairs expenditure is regularly reaching new records, providers continue to experience delays to programmes or have re-prioritised works to meet evolving operational requirements. The proportion of providers reporting delays or changes to repairs and maintenance programmes during the quarter stood at 48% (September: 47%). Recruitment of staff and procurement of sub-contractors continue to be reported as issues, as do delays in agreeing the specification for works and obtaining the necessary regulatory approval. Weather-related issues during the autumn and winter months have also been reported, either where additional works have been required as a result of storm damage, or where planned work programmes have been delayed.

37. Current asset sales of £3.1 billion were achieved in the 12 months to December 2024; compared to £3.3 billion in the year to December 2023 and £4.2 billion in the year to December 2022. For the 12 months to December 2025 the sector has forecast a further £3.7 billion worth of current asset sales (September: £3.9 billion), of which £3.4 billion relates to properties for which development is contractually committed (September: £3.5 billion). Nine providers have each forecast current asset sales of £100 million or more over the next twelve months, together accounting for 44% of the sector total.

38. In the 12 months to December 2024 fixed asset sales totalled £3.0 billion. For the 12 months to December 2025 the sector has forecast a further £4.3 billion worth of fixed asset sales (September 12-month forecast: £4.7 billion). Of the total forecast, £2.0

billion relates to sales to tenants or other open market sales (including mainly staircasing, RTB/RTA and sale of void properties). The other £2.3 billion has been forecast by 29 providers and relates to other fixed asset sales, including bulk sales to other registered providers. Almost two-thirds of total forecast fixed asset sales have been reported by seven large providers, most of which hold stock in London. Each of these is forecasting sales in excess of £150 million.

39. Available cash, excluding amounts held in secured accounts, reduced by £0.1 billion during the quarter to reach £3.9 billion (September: £4.0 billion); the second lowest amount in eleven years. Available cash is forecast to reduce to £2.8 billion by the end of December 2025. Although forecasts for development have declined in recent quarters, at sector level it continues to be the greatest demand on cash reserves. However, repairs and maintenance expenditure is now almost as significant a factor, with forecasts for the next 12 months amounting to almost 80% of the forecast net development spend.

40. Cash held in secured accounts or otherwise unavailable for use by providers totalled £1.0 billion, an 8% increase on the previous quarter. Typically, these amounts relate to amounts in escrow, leaseholder sinking funds, debt servicing reserve accounts, and cash held on long-term deposit.

41. In aggregate, liquidity within the sector remains robust, and the sector continues to attract high levels of new financing from lenders and investors. The regulator will continue to monitor the financial viability of providers that are forecasting low liquidity levels or restricted interest cover and will engage with providers as necessary, especially if there is reliance on fixed asset sales to support cashflows or to meet loan covenants. Findings will be reflected in regulatory judgements where appropriate.

Development

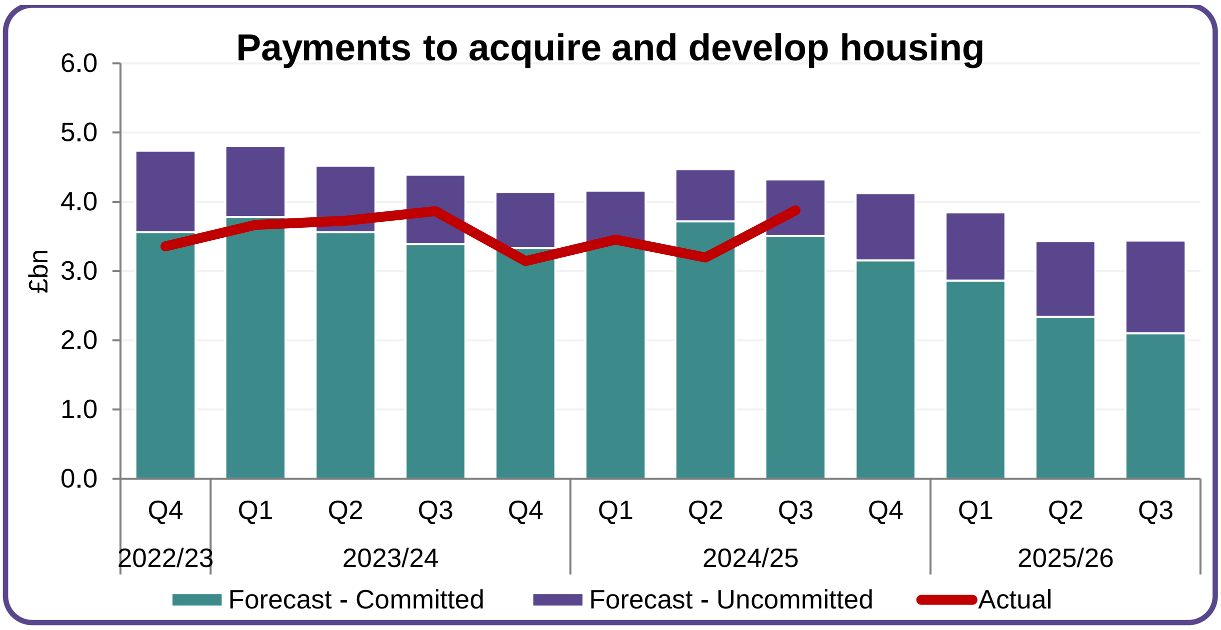
42. In the 12 months to December 2024, £13.7 billion was invested in the acquisition and development of housing properties. This compares to £14.6 billion in the year to December 2023, and £12.6 billion in the year to December 2022.

43. Although 95% of PRPs undertake some form of development activity, expenditure continues to be concentrated in a small number of providers. A total of 20 providers each reported expenditure in excess of £200 million over the year, together accounting for over 50% of the sector total.

44. Actual expenditure in the three months to December 2024 stood at £3.9 billion; 21% above the £3.2 billion reported in the previous quarter and above the average expenditure of £3.4 billion per quarter over the last three years. This is the highest expenditure recorded, nine providers each recorded expenditure in excess of £100 million during the quarter, together accounting for 35% of the sector total. Expenditure was 10% above the forecast for contractually committed schemes but below the projected level including uncommitted forecasts.

45. The majority of providers have reported scheme delays relating to contractor availability, planning issues and legal contract hold ups, resulting in development spend reprofiled into future quarters. A minority have mentioned the abortion of schemes and a general decrease in development plans in comparison to previous quarters, as some uncommitted schemes are being deferred to provide headroom to manage increasing spend pressures on repairs and maintenance. In addition, uncertainty around the availability of grant funding has impacted development pipelines.

Figure 5: Payments to acquire and develop housing

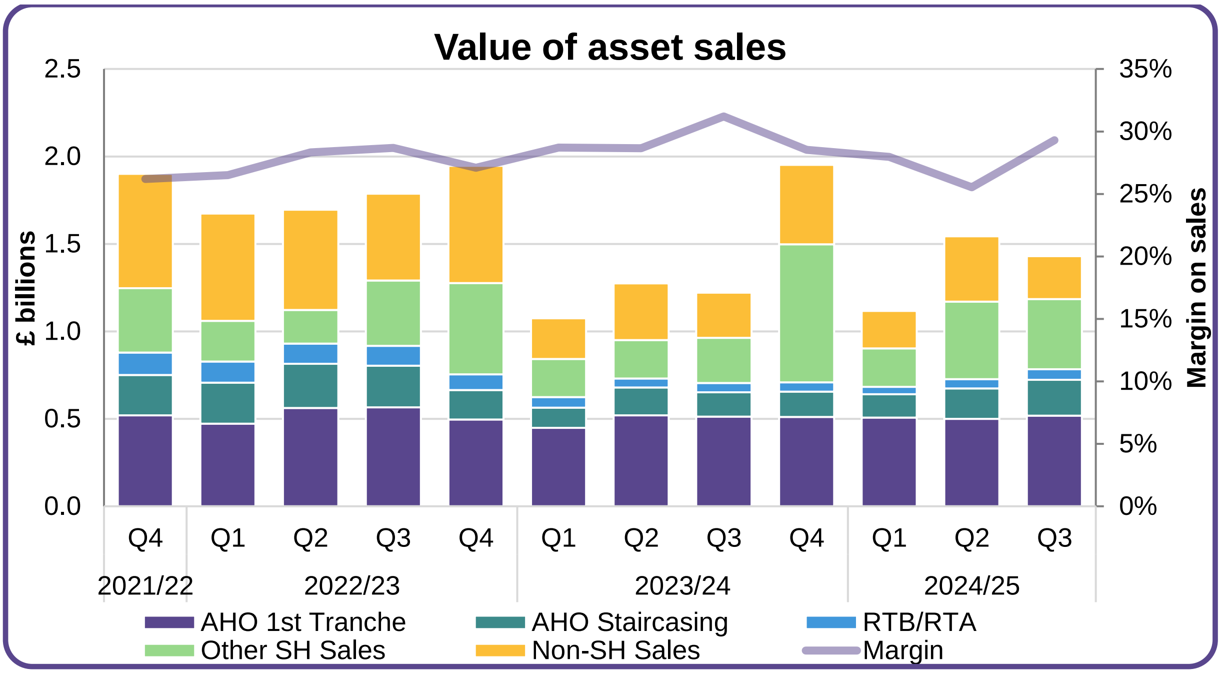


46. For the next 12 months a further £14.8 billion (September: £15.6 billion) worth of investment has been forecast, of which £10.5 billion (September: £10.9 billion) is contractually committed. Forecasts have reduced by 5% since the previous quarter and is now the lowest amount in almost five years since the start of the pandemic when 12-month forecasts dropped to £13.1 billion. Over half of providers have reduced forecasts since the previous quarter. The pipeline decrease is most prevalent amongst the largest providers active in the sector. Of the 17 providers with more than 40,000 social homes, 12 have scaled back their forecast expenditure over the next year, accounting for 65% of the overall reduction. Of the £14.8 billion projected spend, 23% is attributable to six providers, each of which is forecasting over £400m expenditure over the next 12 months. For-profit providers account for £0.8 billion of the overall forecast; equivalent to 5% of the total.

Housing market

47. Total asset sales, including staircasing, RTB/RTA and voluntary sales, as well as Affordable Home Ownership (AHO) first tranche sales and market sales, amounted to £1.4 billion in the quarter to December (September: £1.5 billion).

Figure 6: Value of asset sales



48. The overall surplus from asset sales stood at £419 million for the quarter (September: £394 million), giving a combined margin of 29% (September: 26%); slightly higher than the average margin of 28% achieved over the last three years. This is the first time in the past 12 months that margins have increased.

49. Total fixed asset sales amounted to £0.8 billion (September: £0.8 billion), broadly in line with the amount previously forecast and with the average per quarter reported over the last three years, giving an annual total of £3.0 billion. Fixed asset sales are categorised as either sales to tenants/open market sales, or other sales (bulk disposals to other organisations, including stock transfers and rationalisation).

- Sales to tenants and other open market sales (including staircasing, RTB/RTA and voluntary sales) amounted to £502 million (September: £457 million), 10% higher than the amount previously forecast. Ten providers each recorded sales of over £10 million each, together accounting for almost half of the sector total. A margin of 38% was achieved on staircasing sales, compared to an average of 41% over the last three years. For RTB/RTA sales the margin amounted to 51%; below the three-year average of 56%, and the lowest level in three years. The accounting surplus on RTB sales in particular is typically much higher than on other types of housing fixed asset disposals, as housing properties were often historically acquired through Local Authority stock transfers at a low nominal value to reflect the high levels of additional investment required to maintain them.

- Bulk fixed asset sales to other organisations amounted to £297 million (September: £309 million), 21% lower than the amount previously forecast. In the current quarter, a total of 24 providers reported sales of this type, with one provider accounting for over a third of the sector total. Providers have reported delays with sales now pushed into the following quarter, with the greatest variance due to a large sale not going ahead.

50. Total cash receipts in respect of current asset sales (market sales and first tranche AHO sales) amounted to £0.7 billion in the quarter; a slight decrease in comparison to the previous quarter, and 19% below the amount previously forecast. Adverse variances continue to be attributed mainly to delays in development handovers, with future forecasts being updated accordingly.

Table 4: AHO units

AHO units	*Previous quarter*	*Current quarter*	*% change*
Completed	3,917	4,942	26.2%
Sold	4,285	4,714	10.0%
Margin on first tranche sales	17.5%	18.5%	1.0%
Unsold	6,769	7,288	7.7%
Unsold for more than 6 months	2,854	2,812	(1.5%)
18-month pipeline	32,048	32,579	1.7%

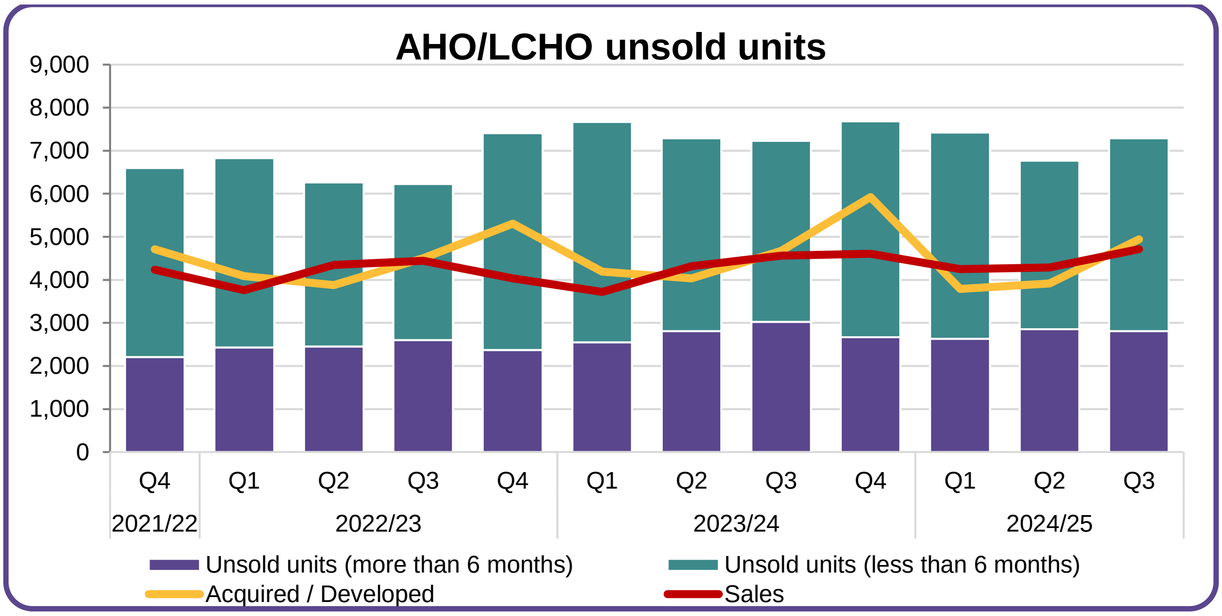
51. AHO completions have increased in comparison to the previous quarter, with 4,942 units acquired; a 26% increase from last quarter and above the average of 4,496 units

per quarter achieved over the last three years. This was driven by four providers who increased their completions by over 100 units accounting for 90% of the total increase. Annual completions have increased year-on-year, with a total of 18,572 units completed in the last 12 months, compared to 18,201 units in the year to December 2023, and 17,183 units in the year to December 2022.

52. AHO sales also increased in the quarter with 10% higher sales and was above the three-year average of 4,273 per quarter. Ten providers each reported sales of 100 AHO units or more in the quarter, together accounting for almost 40% of the sector total. A total of 17,857 AHO sales were recorded in the year to December, compared to 16,631 in the year to December 2023 and 16,785 in the year to December 2022.

53. As AHO sales were below the number of handovers in the quarter, the overall number of unsold units has increased to 7,288 (September: 6,769). The number of units unsold for over six months has decreased slightly to 2,812 units, although still remains at elevated levels. Five providers each held over 100 units that were unsold for over six months, together accounting for over a third of the sector total. Where sales income has been delayed, the regulator will monitor the provider's liquidity and test business plans to ensure they are robust enough to cope with a range of adverse scenarios.

Figure 7: AHO/LCHO units



54. Sales proceeds from 1st tranche AHO sales amounted to £517 million during the quarter (September: £499 million), with an overall surplus of £96 million being reported (September: £87 million). This resulted in an average margin of 18.5% (September: 17.5%), compared to an average margin of 19.1% over the last three years.

55. The pipeline of AHO completions expected in the next 18 months has increased slightly by 2% to 32,579 units (September: 32,048), of which 29,431 units are

contractually committed (September: 29,308). Nevertheless, committed pipeline remains below the average quarterly committed pipeline over the last three years of 30,232 units. The pipeline of uncommitted units remains at one of the lowest amounts recorded since data was first collected in 2015.

Table 5: Market sale units

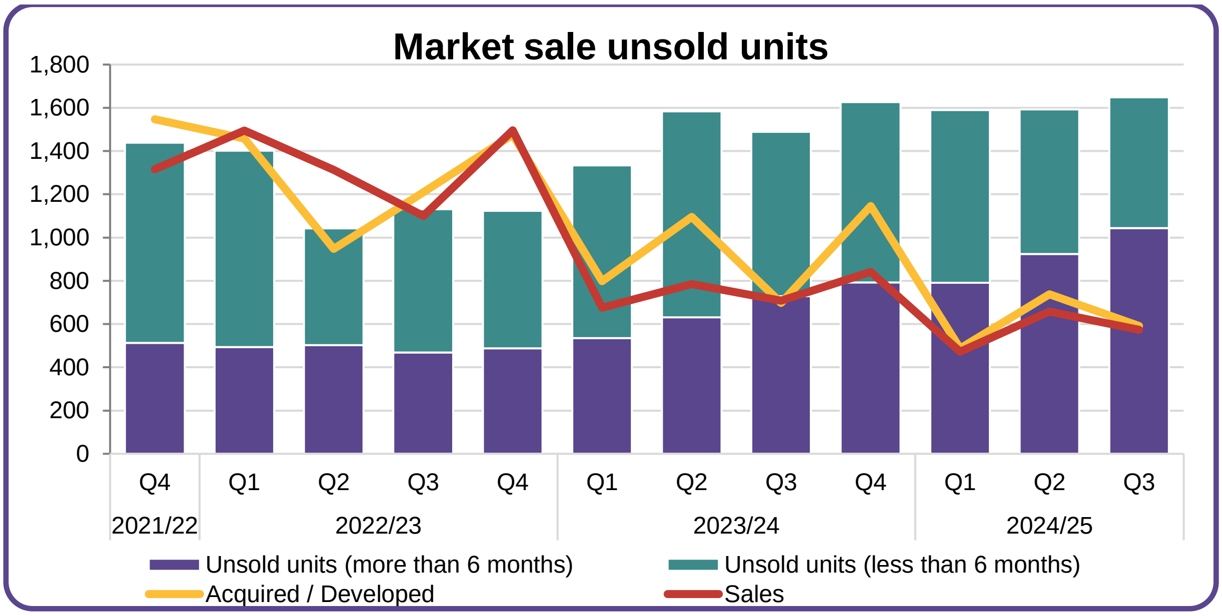
Market sale units	*Previous quarter*	*Current quarter*	*% change*
Completed	738	591	(19.9%)
Sold	658	573	(12.9%)
Unsold	1,592	1,648	3.5%
Unsold for more than 6 months	924	1,044	13.0%
18-month pipeline	6,118	5,701	(6.8%)

56. Market sale completions have reduced by 20% during the current quarter, remaining at historically low levels and substantially below the average of 1,016 units per quarter over the last three years. In contrast to AHO unit completions, the development of market sale units has steadily declined over recent years; a total of 2,962 units were completed in the year to December 2024, compared to 4,067 units in the year to December 2023, and 5,162 units in the year to December 2022.

57. Similar to unit completions, market sales have also reduced by 13% during the quarter remaining at historically low levels. This is substantially below the average of 953 unit sales per quarter achieved over the last three years. Market sale activity continues to be concentrated in a small number of providers, with only 27% of providers recording market sale handovers over the last 12 months. Eight providers each developed over 100 market sale units in this period, together accounting for 60% of the sector total.

58. The total number of unsold market sale units increased slightly compared to the previous quarter, whilst the number of units unsold for over six months increased to the highest level in four years. At the end of the quarter, three providers each held over 100 market sale units that had been unsold for over six months; together accounting for 60% of the sector total.

Figure 8: Market sale units



59. The pipeline of market sale completions expected over the next 18 months has decreased by 7% and now stands at 5,701 units (September: 6,118), of which 5,496 units are contractually committed (September: 5,786). Although total pipeline figures remain at historically low levels, if achieved, this would represent an increase of 20% compared to actual completions recorded over the previous 18 months. In total, 47 providers have reported an active pipeline for market sale units, however over half of the sector total is reported by just five providers.

Derivatives

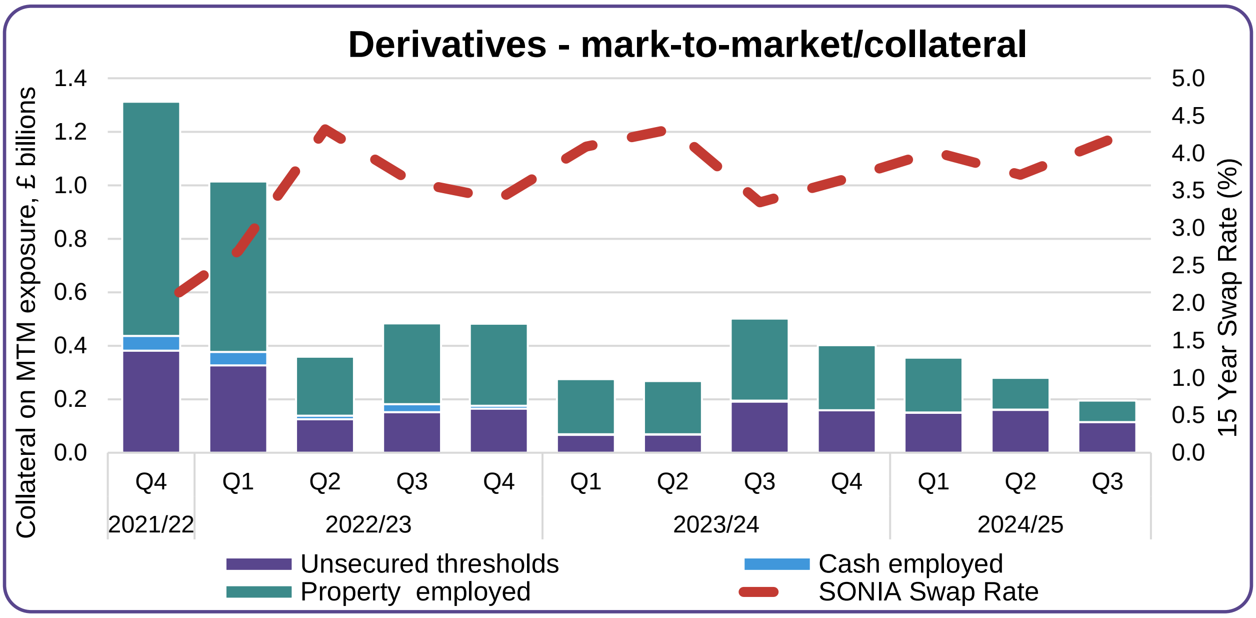
60. At the end of December 52 providers (September: 50) reported making use of free-standing derivatives. The notional value of standalone derivatives increased from £9.8 billion to £10.2 billion over the quarter, as two providers reported derivatives for the first time and a further four providers entered into additional agreements.

61. The 15-year swap rate increased from 3.71% at the end of September to 4.17% at the end of December. This resulted in an overall decrease in MTM exposure, which stood at £0.2 billion at the end of December (September: £0.3 billion). As the majority of derivative instruments utilised by the sector are floating-to-fixed interest rate swaps, MTM exposure will decrease as swap rates rise.

62. Of the 52 providers that were making use of free-standing derivatives, 49 had collateral pledged that exceeded or equalled their level of gross exposure, and the remaining three providers were not required to provide security to cover their position. At sector

level, unsecured thresholds and available security pledged to swap counterparties stood at £2.4 billion at the end of December (September: £2.3 billion).

Figure 9: Derivatives – Mark-to-market/collateral



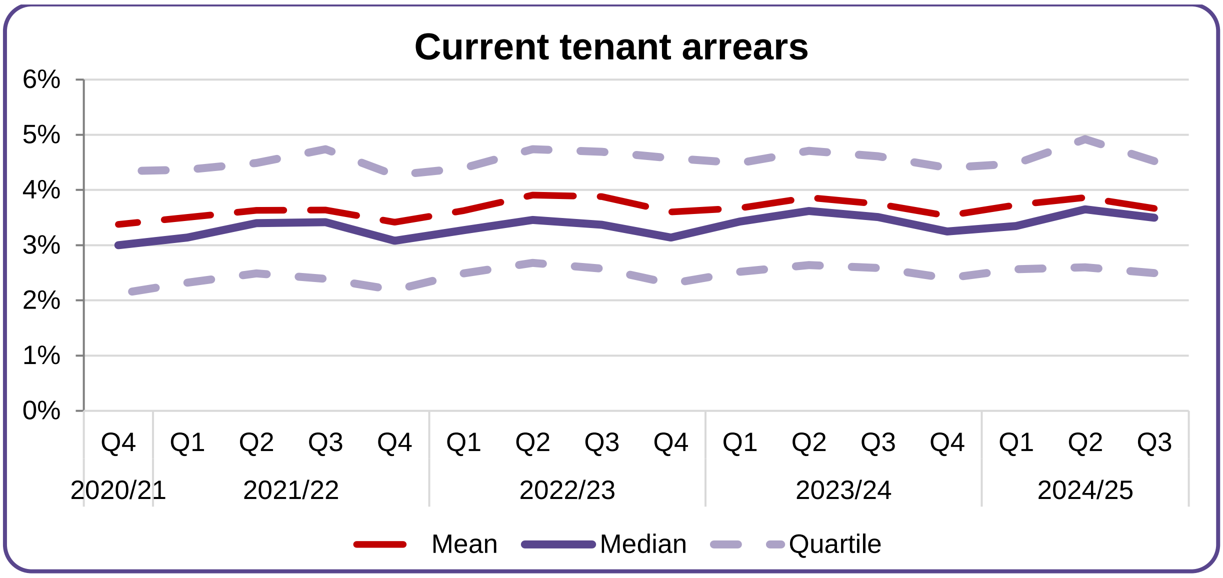
63. The above graph shows MTM exposure excluding excess collateral. Collateral pledged continues to be well above the sector's exposure levels, and at the end of December, the total headroom of collateral and unsecured thresholds available over MTM exposure was £2.2 billion (September: £2.0 billion).

64. With swap rates continuing to fluctuate, providers must ensure they have sufficient collateral available to cover potential increases in exposure and that they understand the sensitivity to changes in underlying rates.

Income collection

65. At the end of December, 67% of providers reported that their levels of arrears, rent collection and voids were all within, or outperforming, their business plan assumptions (September: 66%).

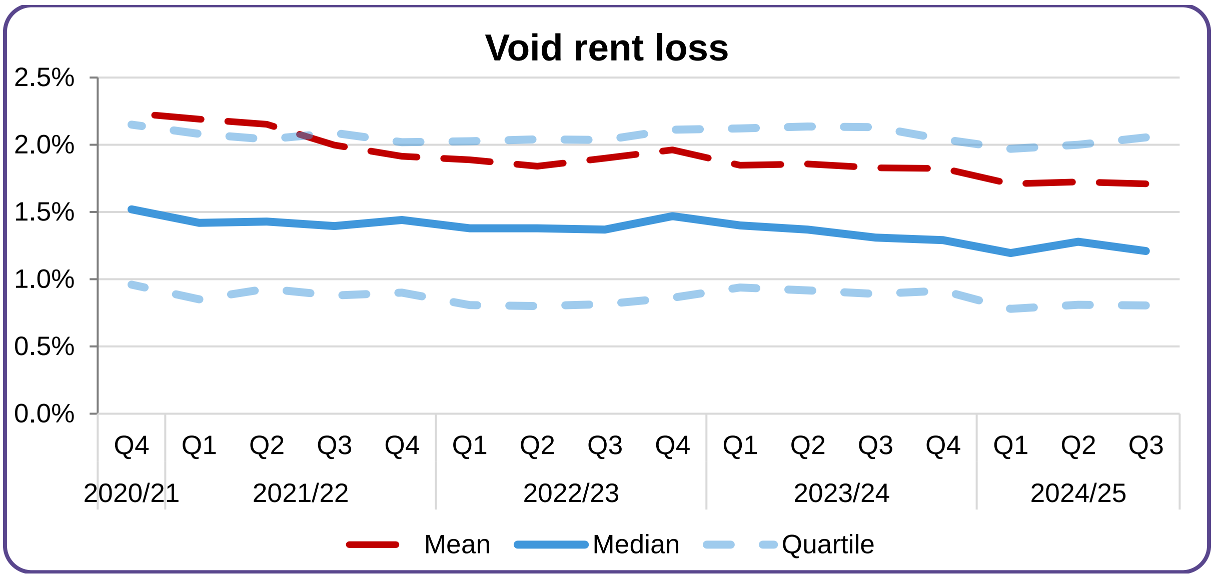
Figure 10: Current tenant arrears



66. Both median and mean current tenant arrears reduced during the quarter, to stand at 3.5% and 3.7% respectively (September: 3.7% and 3.9%). Both averages were consistent with the amounts reported in the corresponding quarter of the previous year.

67. Mean average arrears relating to social housing lettings stood at 3.7% at the end of December, consistent with the overall sector average. For the 59% of providers reporting non-social housing arrears, such as those relating to student accommodation and market rent tenures, the average stood at 6.1%, a slight reduction on the 6.4% reported at the end of September. Non-social housing arrears can also include leaseholder charges or commercial rents, which are often applied as an annual charge and then paid monthly over the course of the year.

Figure 11: Void losses



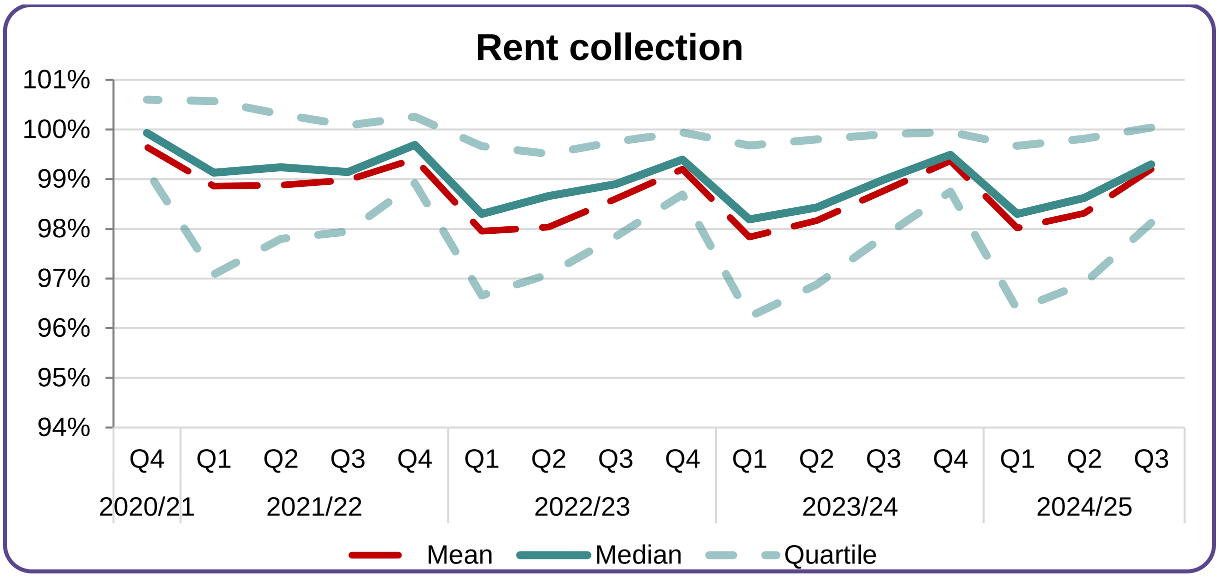
68. Median void losses reduced to 1.2% at the end of December (September: 1.3%), and the mean remained at 1.7%. At sector level, void rent loss has now returned to a level

more consistent with that experienced prior to the Coronavirus pandemic, which for the 2019/20 financial year equated to a median of 1.1% and mean of 1.6%.

69. Providers with a large proportion of supported housing units, care home units or Housing for Older People will typically experience the highest levels of void losses. A total of 10 providers reported void losses of 5% or more (September: 10), and of these, eight hold over 50% of their stock within these specialist categories.

70. Although void performance has improved in recent quarters, around 20% of providers have reported being outside of their business plan assumptions for void rent loss. A small number of providers have reported void re-let times being affected by major works, including building safety works and damp and mould remediation. Delays in referrals from partner agencies have also been reported.

Figure 12: Rent collection



71. Rent collection rates have increased over the quarter, in line with seasonal trends; and both the mean and median are higher than the figures reported in the corresponding period of the previous year. Mean average rent collection rates stood at 99.2%, compared to 98.3% at the end of September and 98.8% in the quarter to December 2023. The median rent collection rate stood at 99.3% (September 2024: 98.6%, December 2023: 99.0%).

72. The number of providers reporting rent collection rates of less than 95% stood at five at the end of December (September: 19). Income collection rates typically increase over the course of a financial year as the impact of any outstanding Housing Benefit or Universal Credit receipts becomes proportionately less significant.

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