Lincolnshire housing association secures significant premium on retained bonds sale during coronavirus outbreak

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Despite operational constraints following the outbreak of COVID-19, the funding was negotiated and executed at an accelerated rate, due to agile decision making and a strong, re-affirmed credit rating.

The sale drew significant interest and LHP successfully sold the bond, which matures in 2059, in a spot sale and a deferred tranche, securing a blended all-in interest rate of below 2.5%, with an attractive spread below the cost of government borrowing.

Due to social distancing guidelines, the sale was secured via a different method than usual. All communications and investor presentations were carried out remotely, using secure digital platforms, and the turnaround time from Boardroom decision to sale was just five weeks and two days.

LHP said that the new bond would help support its long-term Treasury Strategy and its aim to provide more social rented homes across Lincolnshire, together with refinancing current borrowing at a much-reduced rate.

Remaining funds will be invested, ahead of funding regeneration and additional improvements for some of the housing association's current stock portfolio.

LHP was supported in the process by Centrus as treasury advisors, Savills as Valuers and Trowers as Legal Advisors.

Julie Kennealy, Executive Director of Resources at LHP said: "This is a great outcome for LHP and transformational in our financial position.

"Without doubt our credit rating success was key to the bid we secured and provided a solid platform for us to act swiftly to take advantage of current market opportunities for low risk, long-term investments. We were able to take and execute decision quickly – despite the constraints placed on us during lockdown.

"Our team had been carefully monitoring market conditions with our advisors and had identified a window of opportunity in the marketplace. Because of the high level of demand, we were able to apply some pressure in terms of pricing and achieve the excellent rate we did."

LHP's credit rating was affirmed at A+ with a stable outlook by S&P Global in April 2020.

David Smith, Associate Director, Housing Investment Consultancy - Valuations at Savills noted: "The provisional accurate and full information we received from Lincolnshire Housing Partnership was of an extremely high standard and helped us greatly during the process.

"This enabled us to provide a reliable valuation on the housing stock and confirm that it is worth more than the bond security requirement, analyse this against the market and produce a portfolio report."

Sarah Gooden, Partner at Trowers said: "We are delighted to have been able to support LHP in securing this additional funding, which will enable it to invest additional funds in homes for existing and future residents.

"This is one of a number of successful transactions we have been involved in since March of this year, showing yet again that there is significant demand for housing association bonds at the current time."

Maria Goroh, Director at Centrus said: "It was an absolute pleasure to work with the LHP team and to complete the project in the short timeline. LHP did a great job presenting their credit story to investors and capitalising on the clarity of their strategy since the merger.

"They achieved a great result of a very long-dated 39-year funding, sub 2.5% combining spot and forward tranches to suit their business plan. LHP used a good window of opportunity to access the market at the back of anticipated post COVID-19 recovery."

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Julie continued: “This capital will allow an opportunity LHP to extend the growth commitments of its 2019 Strategic Plan, which included 240 additional homes in communities across Lincolnshire by 2023 and maintain strong liquidity and financial resilience to meet future challenges presented post-pandemic.”

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