

THE  
GOOD  
ECONOMY

# RESIDENTIAL SECURE INCOME PLC

## IMPACT UPDATE 2023

NOVEMBER 2023



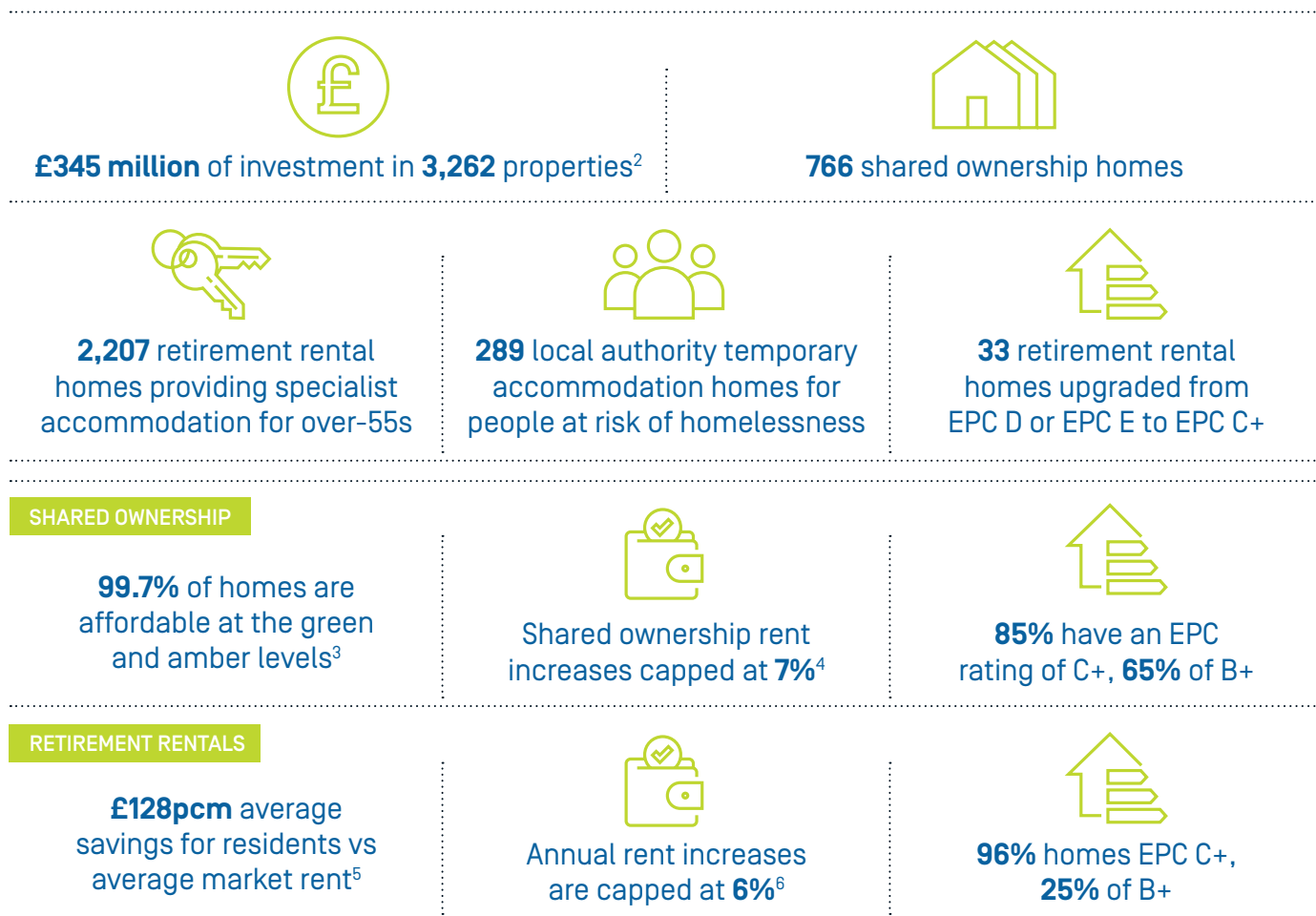
# INTRODUCTION

Residential Secure Income plc (ReSI) is a real estate investment trust that aims to deliver secure, inflation-linked returns by investing in residential properties that help address the affordable housing crisis in the UK. This Impact Update has been compiled by The Good Economy (TGE), a specialist social impact advisory company.

As ReSI's portfolio remained largely unchanged in the 12-month period to 30 September 2023, the Impact Update focuses on updating delivery performance against ReSI's Impact Objectives, building on the in-depth review conducted by TGE in 2022.<sup>1</sup> The update also forms ReSI's disclosure against the Equity Impact Project (EIP) (see Appendix 1).

## ► HEADLINE RESULTS

In the past 12 months ReSI's portfolio of homes has not meaningfully expanded. However, its existing homes continue to contribute to meeting the need for affordable shared-home ownership solutions and purpose-built housing for retirees.



1. This is a light touch impact update on ReSI's delivery against its impact objectives. TGE conducted phone interviews with residents rather than site visits, as well as interviews with housing partners, stakeholders and fund managers, analysis of ReSI's portfolio data, and analysis of 510 survey responses from retirement rental residents and 195 survey responses from shared ownership residents. For further information about ReSI's Impact Framework, as well as an in-depth performance assessment – including outcome performance and risk – refer to [ReSI plc Impact Report 2022](#).

2. This does not include the 33 retirement properties where ReSI own freehold and let to residents on a long leasehold.

3. TGE's person-centred affordability tool measures the households with sufficient income to buy a lower quartile property in the local authority. 87% of ReSI SO homes are considered to have 'Green' affordability and would spend less than 33% of their income on housing costs. 13% are considered to have 'Amber' affordability and would be spending 33%–40% of their income on housing costs. This tool assumes a 25% equity stake.

4. Shared ownership rent caps were capped below their contractual level of 13.1% (RPI + 0.5%)

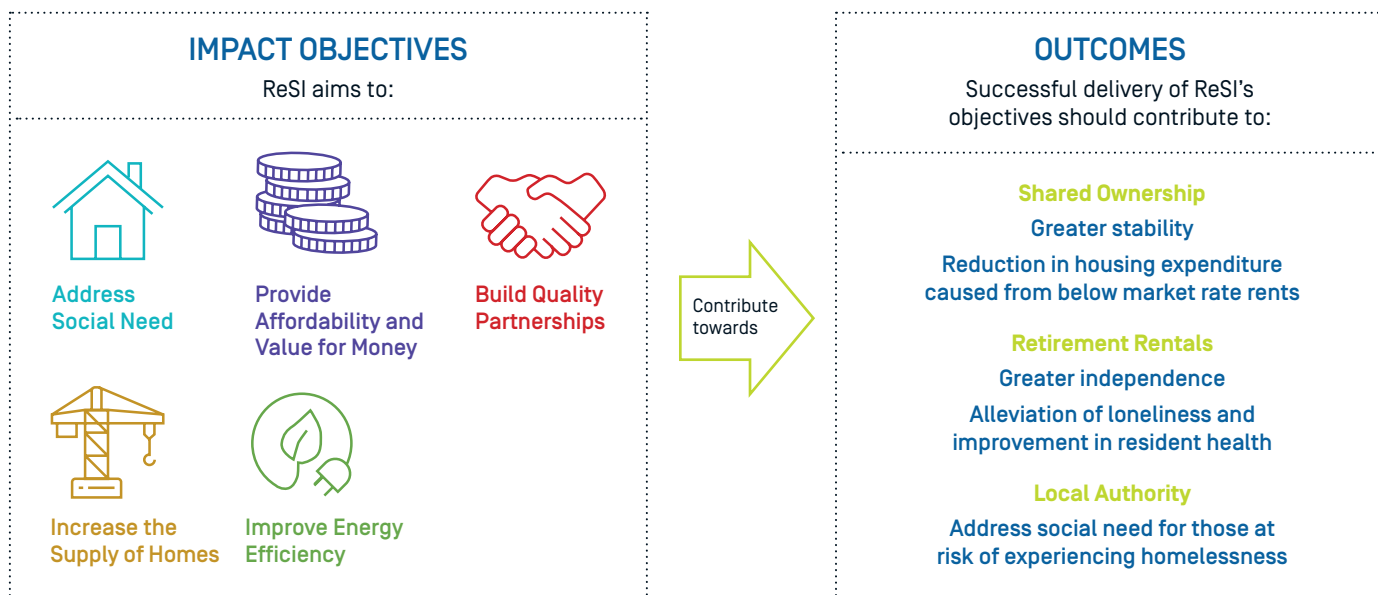
5. This figure represents savings over renting privately. For each local authority we compared the housing costs (excluding the service charge included in residents rents) of residents to lower, median, and upper quartiles PRS rents for similar sized properties.

6. Retirement rentals rent were capped below their contractual level of RPI.



# IMPACT UPDATE

This report provides an update of ReSI's delivery against its impact objectives.



## ► RESIDENT SURVEY RESULTS

ReSI's in house property manager, RPML, operates under the brand name of My Future Living for the retirement property management and Your ReSI Home for Shared Ownership property management.

Both My Future Living (MFL) and Your ReSI Home conducted annual resident satisfaction surveys for the retirement rental portfolio and shared ownership portfolio respectively. No major changes can be seen in resident satisfaction levels compared to last year.

### RETIREMENT RENTALS – SINCE MOVING IN, RESIDENTS REPORTED THAT:<sup>7</sup>

IN 2022:

SATISFACTION WITH PROPERTY MANAGEMENT	89%	90%
IMPROVEMENT TO MENTAL HEALTH SINCE MOVING IN	60%	54%
IMPROVEMENT TO PHYSICAL HEALTH SINCE MOVING IN	49%	45%

### SHARED OWNERSHIP – SINCE MOVING IN, RESIDENTS REPORTED THAT:<sup>8</sup>


IN 2022:

THEY BELIEVE THAT THEIR HOME IS THE SAME OR BETTER VALUE FOR MONEY THAN THEIR PREVIOUS RESIDENCE	73%	80%
THE PROPERTY IS AS OR MORE ENERGY EFFICIENT THAN THEIR PREVIOUS RESIDENCE	85%	86%
THEY ARE NEUTRAL OR SATISFIED WITH THE SERVICE PROVIDED BY YOUR RESI HOME	77%	87%

7. 510 responses from retirement rental residents in 2023, and 251 responses from retirement rental residents in 2022.

8. 195 responses from shared ownership residents in 2023, and 110 responses from shared ownership residents in 2022.

## ► IMPACT OBJECTIVE 1: PROVIDE HOMES TO MEET A SOCIAL NEED

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS 2021	RESULTS 2022	RESULTS 2023
<p>Is ReSI targeting developments which will address social needs?</p> 	Number of properties	Overall: 3,005 Shared ownership: 498 Retirement rentals: 2,218 Local authority: 289	Overall: 3,298 Shared ownership: 794 Retirement rentals: 2,215 Local authority: 289	Overall: 3,265 Shared ownership: 766 Retirement rentals: 2,207 Local authority: 289
	Shared ownership: Affordability ratio (average house price to average earnings in local area)	70% of properties in the least affordable local authorities	68% of properties in the least affordable local authorities	72% of properties in the least affordable local authorities
	Retirement rentals: Resident survey analysis	67% were attracted by an assured lifetime tenancy <sup>9</sup>	98% valued the assured lifetime tenancy as important <sup>10</sup>	95% valued the assured lifetime tenancy as important <sup>11</sup>
	Local authority temporary accommodation: Number of households on local authority waiting list	Luton: 13,215 on waiting list out of 78,900 households or 16.7% (compared to national average of 5.1%)	Luton: 12,077 on waiting list out of 77,600 households or 15.56% (compared to national average of 5.1%)	Luton: 8,800 on waiting list out of 78,940 households or 11.15% (compared to national average of 5.1%)




**Shared ownership:** Shared ownership is an affordable home ownership product. 72% of properties are in local authorities with a worse than average affordability,<sup>12</sup> and 100% of properties are in areas with a house price to earnings ratio of more than 5 – the level at which the average property becomes unaffordable to the average worker.



**Retirement rentals:** ReSI's portfolio of retirement rental accommodation aims to meet the needs of older residents who want the safety and security provided by ReSI's retirement homes and who also appreciate the sense of community and social activities provided. Retirement residents also value the security provided by Assured Tenancies, and appreciate not having to worry about maintenance or upkeep. While rents are set in line with market rates and therefore not within the definition of Affordable Housing, they are intended to be affordable for lower income groups and with a low 4% void rate there continues to be demand for the retirement rental properties.

## ► IMPACT OBJECTIVE 2: PROVIDE AFFORDABILITY AND VALUE FOR MONEY

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS 2021	RESULTS 2022	RESULTS 2023
<p>Is ReSI ensuring that accommodation is affordable or provides value for money within the local market context?</p> 	Shared ownership: TGE affordability calculation	Affordable to 65% of local households	96% of homes are affordable at the green and amber levels	99.7% of homes are affordable at the green and amber levels <sup>13 14</sup>
	Retirement rentals: Low-income residents in market rate homes	Approximately 22% of residents in receipt of Housing Benefit	Approximately 27% of residents in receipt of Housing Benefit	Approximately 23% of residents in receipt of Housing Benefit

9. Based on 281 respondents, approx. 13% of the portfolio. Survey carried out by My Future Living.

10. Based on 251 respondents, approx. 11% of the portfolio. Survey carried out by MY Future Living.

11. Based on 421 respondents, approx. 19% of the portfolio. Survey carried out by My Future Living.

12. Using the house price to earnings ratio (ONS 2022, ratio of median house price to median gross annual residence-based earnings), 555 of ReSI shared ownership properties lie in local authorities that have a worse than average affordability ratio [8.98].

13. The 2 properties considered 'red' affordability rating, alongside the 13% [101 properties] considered 'amber' affordability, are all in Lambeth or Barnet Local Authorities, where house prices are typically substantially higher than the UK average.

14. The affordability assumptions used in the shared ownership TGE affordability tool have been updated to reflect the standards seen across mortgage buying. ReSI reported that the average 5 year fixed term mortgage rate [90% LTV] for recent purchases in 2023 is 5.29% and the average length of mortgage term is 30 years (previous calculations used 25 years).



**Shared ownership:** On average, residents save £44 per month when compared with renting an equivalent home locally on the open market.<sup>15</sup> Rent increases have been below inflation at 7%. The government mandated this cap for Affordable Rent homes, and ReSI voluntarily undertook the cap for its Shared Ownership portfolio to protect its residents – in line with many other shared ownership providers.



**Retirement rentals:** The rent increases on ReSI's retirement rental properties are capped below inflation at 6% and provides a hardship fund for tenants facing difficulties and lenient measures to minimise evictions.<sup>16</sup> The average rent for ReSI one bed flats is £854pcm and £817pcm for two bed flats, placing them above the upper quartile of rents compared to PRS properties in the local authority. Figure 1 shows that when excluding the service charge which ReSI pays for the properties, rents of ReSI's retirement portfolio are below the lower quartile of rents on PRS properties in the local authority. When compared to the average cost of UK retirement housing, a one bed ReSI property is 50% of the national average. 23% of residents use housing benefit to cover rent indicating some properties are affordable to those on the lowest incomes who receive public support for housing costs.

Figure 1: Average difference in monthly rents between ReSI's retirement rental homes and PRS rates, by quartile, for equivalent size properties in the same local authority

	UPPER QUARTILE		MEDIAN		LOWER QUARTILE
Overall rent	£31.64	◀	£113.21	▶	£184.65
Rent minus service charge	-£209.23	◀	-£127.79	▶	-£56.25

## ► IMPACT OBJECTIVE 3: BUILD QUALITY PARTNERSHIPS

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS 2021	RESULTS 2022	RESULTS 2023
<p>Is ReSI working with partners to ensure that quality services and outcomes are delivered for the residents?</p>	Shared ownership: Stakeholder interview assessment	Strong partnership; are now working together more holistically across activities	Strong partnership: with advantages of having an in-house property manager being felt	Room for improvement: with some residents dissatisfied with maintenance of communal areas and rise in service charges
	Retirement rentals: Stakeholder interview assessment	Since ReSI brought the retirement rentals management team in-house, communication and quality of services have improved	Residents were positive about the quality of housing management. 78% of residents satisfied with the property management services	Interviewees positive about quality of housing management. 78.5% of residents satisfied with property management services
	Retirement rentals: % of residents that would recommend ReSI to a friend	93%*	79%**	85%**
	Retirement rental's management: Trustpilot rating	My Future Living: No reviews as of 30 September 2021***	My Future Living: 4.5/5 FirstPort: 3.7/5 as of 30 September 2022	My Future Living: 4.3/5 as of 12 October 2023

\*Percentage of surveyed residents responding 'yes' or 'maybe' on whether they would recommend ReSI to a friend.

\*\*Percentage of surveyed residents rating the likelihood of recommending ReSI to a friend as six or higher (with 10 being the highest).

\*\*\*My Future Living was a new entity launched July 2021, and had not received any reviews on Trustpilot.



**Shared ownership:** Your ReSI Home manages 67% of shared ownership properties and takes steps to proactively address underperforming areas. Where ReSI does not own the freehold, it is unable to appoint either the property manager or the managing agent [which controls the service charge rate and is responsible for the maintenance of the communal areas] so ReSI's scope to improve the management of these properties is limited. As a result, they have outlined a plan to work proactively with the external property manager to continue to improve the experience for residents going forward. ReSI have also committed to only investing in properties where they or the shared owner can own the freehold in the future and are pursuing acquiring the freehold of their existing buildings where possible.

15. To understand savings over renting privately, for each local authority we compared the housing costs (rents, mortgage, and service charge) of residents to lower, median, and upper quartiles PRS rents for similar sized properties. To keep comparability between properties, rents and mortgages were calculated assuming a 25% equity stake.

16. TGE spoke to Your ReSI Home to understand their support for those struggling with rent payments. They confirmed that ReSI rarely resorts to eviction for affordability reasons, typically only doing so after over 18 months of non-payment.



**Retirement rentals:** My Future Living, a Gresham House owner provider, manages most properties and received positive feedback from resident interviewed for this Impact Update. Residents highlighted the benefits of living in a secure and safe environment that the ReSI retirement rentals offer, and also appreciate knowing that support and assistance is available and on hand should they need.

## ► IMPACT OBJECTIVE 4: INCREASE THE SUPPLY OF SOCIAL AND AFFORDABLE HOUSING

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS 2021	RESULTS 2022	RESULTS 2023
<p>Is ReSI driving delivery of affordable housing that would otherwise not take place?</p>	Number and percentage of new build homes	<p>Overall: 230 of the 3,005 homes in ReSI's portfolio (8%) are new builds</p> <p>Percentage of 2020–2021 spend on new build homes: 46%</p>	<p>Overall: 295 of the 3,296 homes in ReSI's portfolio (9%) are new builds</p> <p>Percentage of 2021–2022 spend on new build homes: 34%</p>	<p>Overall: 326 of the 3,262 homes in ReSI's portfolio (10%) are new builds</p> <p>No new acquisitions completed during the year</p>
	TGE additionality scale	<p>Overall: Medium</p> <p>Shared ownership: Medium</p> <p>Retirement rentals: Low</p>	<p>Overall: Medium</p> <p>Shared ownership: Medium</p> <p>Retirement rentals: Low</p>	<p>Overall: Low</p> <p>Shared ownership: Low</p> <p>Retirement rentals: Low</p>

### Summary:

There have been no significant changes to either the shared ownership or retirement rental portfolio over that last year due to ReSI having deployed all of its capital into housing solutions and being unable to raise new capital due to its share price trading at a discount to Net Asset Values. If ReSI raised capital and invested this into new build shared ownership properties that would not otherwise be built/ released at affordable tenure, the TGE additionality scale would be rated high.

## ► IMPACT OBJECTIVE 5: IMPROVE ENERGY EFFICIENCY OF HOMES AND REDUCING ENERGY USAGE

IMPACT OBJECTIVE	IMPACT METRICS	RESULTS 2021	RESULTS 2022	RESULTS 2023
<p>Is ReSI improving the energy efficiency of homes?</p>	Percentage of homes/ units with EPC rating C+ <sup>17</sup>	<p>All homes/units: 81%</p> <p>Shared ownership: 90%</p> <p>Retirement rentals: 87%</p> <p>Local authority temporary accommodation: 18%</p>	<p>All homes/units: 85%</p> <p>Shared ownership: 85%</p> <p>Retirement rentals: 93%</p> <p>Local authority temporary accommodation: 18%</p>	<p>All homes/units: 86%</p> <p>Shared ownership: 85%</p> <p>Retirement rentals: 96%</p> <p>Local authority temporary accommodation: 18%</p>
	Percentage of homes/ units with EPC rating E+	<p>All homes/units: 99.9%</p> <p>Shared ownership: 99.9%</p> <p>Retirement rentals: 99.95%</p> <p>Local authority temporary accommodation: 100%</p>	<p>All homes/units: 99.9%</p> <p>Shared ownership: 99.7%</p> <p>Retirement rentals: 100%</p> <p>Local authority temporary accommodation: 100%</p>	<p>All homes/units: 99.9%</p> <p>Shared ownership: 99.8%</p> <p>Retirement rentals: 100%</p> <p>Local authority temporary accommodation: 100%</p>



**Shared ownership:** 85% of ReSI's shared ownership properties have an EPC rating of 'C' or higher, and 65% of properties have an EPC of B+.



**Retirement rentals:** 96% of ReSI's portfolio of retirement rentals have an EPC rating of 'C' or higher, of which 25% are EPC 'B'. 33 properties have been upgraded from EPC D to EPC C+ in the last 12 months. This reflects the improvements ReSI have made towards meeting their net zero strategy and commitment to upgrade all directly rented homes with an EPC of 'D' or below to a minimum EPC 'C' by 2025, despite the recent government cancellation of plans to introduce minimum energy efficiency standards of rental properties.<sup>18</sup>

17. EPC numbers are accurate at the reporting date.

18. The median energy efficiency rating in England and Wales is EPC 'D'. [ONS, Energy efficiency of housing in England and Wales: 2022].

## ► RESIDENT CASE STUDIES



### RETIREMENT RENTALS

#### ■ Barbara\* – Homelees House, Brighton

Barbara moved into a ReSI retirement rental home four years ago to be closer to her son and two young grandchildren. Since moving in, she has also been able to build solid connections with other retirement residents through coffee mornings and scrabble and enjoys this companionship. She feels very secure in her property. It has enabled her to live a more independent life as it is in good condition and very easy to maintain. It has therefore had a positive impact on her mental health.

Barbara found the rent increases a struggle financially, having cut down on all essentials and is using a lot of her savings to pay her housing costs. She may look for support with local housing allowance.

#### ■ Margaret\* – Orchard Drive, Great Holland

Margaret moved into a ReSI retirement rental with her late husband to as they wanted an easier property to live in and maintain. After her husband passed away, Margaret found the home helped her social life. There are regular activities available and the nearby area also has a great sense of community spirit. She can get to shops easily and take the bus to the beach in Holland on Sea and other nearby areas. Margaret also feels extremely safe and knows there is someone nearby to help if she needs assistance. Whilst she has found the rent increases difficult to manage, she would like to stay in this home for all it has to offer.



### SHARED OWNERSHIP

#### ■ Paul\* – Swindon

Paul bought his shared ownership property five years ago, after looking for a place to own with his wife and daughter. Had it not been for shared ownership, he feels he would not have been able to own a home. The availability of the property in his local area also allowed him to keep his daughter in the same primary school.

Whilst Paul has been happy with the capped rent increases, he has told us that is often difficult to get in contact with the manager due to confusion around the numerous organisations involved. ReSI will be taking steps to make it more clear to residents who they need to contact for what. Paul is overall pleased with the quality of the property and would recommend shared ownership as a way to get on the housing ladder.

#### ■ Emily\* – Croydon

Emily bought her shared ownership property two years ago. After looking for a place to live in by herself, she realised she would not have been able to own her own home without the option of shared ownership. She would have continued to rent in the private sector or moved back with her parents. After moving into the property Emily told us that her life satisfaction has definitely improved, and she has enjoyed discovering how she likes to run her own home and the benefits of not living with others.


Additionally, Emily takes security from the rent cap applied by ReSI during the year and being able to plan her finances accordingly. Whilst she has not been able to save as much money as she hoped, she feels it is more cost-effective than renting privately.


\*All names have been changed.


## ANNEX 1: EQUITY IMPACT REPORTING FRAMEWORK

The [EIP Reporting Framework](#) is a common framework that enables investors to measure, manage and report on the impact of equity-based investments in social and affordable housing. ReSI aligns to the EIP Home Ownership theme, the EIP Social Care (Transitional Supported Housing) theme, and the Environmental Sustainability theme. The main report covers most required reporting points, with additional information detailed below to cover remaining requirements.

STATEMENT OF PRACTICE ON FUND STRUCTURE AND IMPACT GOVERNANCE	
Statement on Fund Additionality	None of the Fund's portfolio has meaningfully increased over the past 12 months.
Statement on Approach to Impact at Exit	ReSI plc is a long-term holder of real estate, modelling a hold period of 50 years in its financial models. There are no plans to exit the retirement or shared ownership homes.
Statement on Impact Risk Management	<p>ReSI follows Gresham House's Shared Ownership Charter which describes risks associated with the shared ownership model and mitigating actions. In addition, a large proportion of the shared ownership and retirement rental stock is managed by ReSI's in house property manager, RPML – which enables the fund to have a greater influence over how the properties are managed. It is also increasing the proportion of its stock where it has the freehold, giving more control over impact risk management.</p> <p>For the temporary accommodation ReSI rents directly to the local authority or to Mears, with no requirement to report resident outcomes; therefore, the Fund is limited in the actions it can take to minimise these risks. However, they do maintain a good relationship with the lessees of these properties.</p>

 HOUSING AFFORDABILITY QUALITATIVE STATEMENTS	
Managing repairs and renovations for leasehold properties	<p><b>Shared ownership:</b> ReSI's new-build shared ownership homes adhere to the government's new shared ownership lease guidelines – 10 year covered cost of repairs and maintenance. For homes completed pre-2021 (approximately 80%), residents are liable for repair and maintenance costs after two years.</p> <p>For properties where ReSI owns the freehold, Your ReSI Home are the property managers, and external property managers manage properties where ReSI does not own the freehold. Most residents generally approve of the property management, but some find service charges unclear and communication responsiveness slow.</p> <p><b>Retirement rentals:</b> My Future Living manages the properties and subcontracts third parties to oversee repairs. My Future Living is actively renovating heating and bathrooms across its portfolio in line with residents' expressed needs.</p>


 SOCIAL CARE (SUPPORTED HOUSING) QUALITATIVE STATEMENTS	
Asset Management Approach	ReSI is the freeholder of all its Local Authority Housing properties. ReSI handles building insurance, repairs, and maintenance of communal services like lifts, common areas, and smoke detectors and conducts monthly visits to ensure proper upkeep.
Rent Setting and Value for Money	ReSI has aligned the Local Authority lease payments with relevant private sector rent levels.
Target Need	People experiencing or at risk of homelessness.


 ENVIRONMENTAL QUALITATIVE STATEMENTS	
Mitigate Climate Risks	<p><b>Shared ownership:</b> ReSI follows Gresham House's Environmental Charter, requiring new acquisitions to have a minimum EPC rating of B and meet Future Homes Standard. They avoid investing in homes in flood-prone areas. They assess insulation to prevent overheating.</p> <p><b>Retirement rentals:</b> ReSI is upgrading all directly rented D-rated properties to at least C by 2025 (33 improved in last 12 months).</p> <p><b>Temporary accommodation:</b> Leaseholders are responsible for improving efficiency. No requests have been received.</p>
Reach Net Zero	ReSI's is working on a net zero strategy that will involve working with industry partners to achieve complete net-zero (including embodied carbon) by 2050 at the latest, in line with Government targets.






## ► METRIC REPORTING

SOCIETAL IMPACT AREA 1:  HOUSING AFFORDABILITY	
Increase Supply	No additional properties have been acquired in the past 12 months.
Target Need	<div> <div></div> 72% of properties are in the least affordable local authorities </div>
Deepen Affordability	See ReSI plc Impact Objective: 'Providing affordability and value for money'.
Improve Home and Place	<ul style="list-style-type: none"> <li><b>Shared ownership:</b> 99% of homes meet the Nationally Described Space Standard.</li> <li><b>Retirement rentals:</b> The average one bed flat is 82% of NDSS and the average two bed flat is 97% of NDSS. ReSI also have slightly larger one bed flats which are 117% of NDSS. Whilst flats are smaller than NDSS, the residents have access to shared lounges, laundry rooms and gardens.</li> </ul>

SOCIETAL IMPACT AREA 2:  SOCIAL CARE (SUPPORTED HOUSING)	
Temporary Accommodation	
Increase Supply	289 temporary accommodation units funded for those experiencing or at risk of homelessness.
Deepen Affordability	100% of properties rented at above LHA rates to the leaseholder.

SOCIETAL IMPACT AREA 3:  ENVIRONMENTAL SUSTAINABILITY	
EPC ratings	See ReSI plc Impact Objective: 'Improving energy efficiency of homes and reducing energy usage'.
Total capacity of renewable energy production	Focus is currently improving EPC ratings of the stock, which ReSI's climate advisors calculated to be the most impactful use of resources.
Scopes 1, 2, and 3 Greenhouse gas emissions	Tonnes CO <sub>2</sub> Emissions Scope 1: 12 Scope 2: 51 Scope 3: 3,481.

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