

bLEND adds three new borrowers in new £125m bond issue

26th April 2022

bLEND has today returned to market with the issue of a new bond series to raise funds for three new borrowers.

The new thirty-five year series is the fifth in bLEND and has a maturity date of 2057. £125m was issued at an all-in rate of 3.5%. Proceeds will go to three housing associations new to bLEND: ForHousing, Taff and Worthing Homes in a mixture of spot and deferred drawdown loans.

This new series takes advantage of the 2057 Gilt yield being 14bps lower than that of the 2047, with this transaction being priced at a spread of +170bps over Gilts.

The Sterling bond market has continued to be choppy although a number of transactions have come to market in the last few weeks. The invasion of Ukraine has shaken investor confidence and uncertainty over the impact of inflation and supply chain issues persists. While funding costs are higher than had been seen during the pandemic, driven by rising Gilt yields and widening credit spreads, 3.5% represents excellent value for thirty-five year paper, particularly in the current inflationary environment. The transaction cost of 3.5% compares with a weighted average cost of funding of 2.53% for the £390m of bLEND issuance in 2021/22.

According to Piers Williamson, bLEND's CEO, "The 1% shift in long term rates from our 2021/22 issuance is an indication of the shift in inflationary and interest rate expectations. The Sterling market is factoring a further 1.25% of interest rate rises this year, with CPI forecasts of 8-9% by 2022 year end."

Despite this two-month period of volatility, however, THFC has raised £261.5m of funding for housing associations: £232m in bLEND and £29.5m in THFC Funding No.3. Today's transaction brings total issuance in bLEND to £1.47bn in under four years, lent to twenty-nine housing associations across all four nations of the UK.

bLEND's CEO, Piers Williamson, added: "Today's transaction reaffirms that, while the market has changed considerably in the space of a few months, there continues to be strong appetite for social housing credits among investors. The shift is evidenced by the fact that this is our largest single transaction since 2020, bringing the bLEND portfolio to almost £1.5bn.

"Our new borrowers reflect the diversity of both the sector and bLEND, including the addition of our smallest borrower so far, Taff. bLEND's success is testament to the work of its borrowers in building much needed affordable homes."

ForHousing owns and manages 24,000 homes across Greater Manchester, Knowsley and Cheshire West & Chester, and will use the proceeds of today's £60m loan to continue its investment in new and existing homes.

Taff is a 1,500 unit community provider operating in Cardiff and the surrounding area. The £25m borrowed today from bLEND includes a deferred drawdown tranche and will go toward funding a development programme targeting 325 new general needs homes by 2025/26. All of these will be built to EPC A, with PVs and no gas connection.

A further £40m will go to Worthing Homes, based on the south coast of England, to fund the development of 100 homes a year as part of its strategy to grow its existing stock of over 3,700 units.

Mark Bradshaw, Finance Director at ForHousing, said “Our purpose is improving lives for our customers by providing affordable homes within sustainable communities. Today’s funding through bLEND will support the delivery of ForHousing’s Corporate Plan and support the development of new and much-needed affordable housing within the areas in which we operate.”

Sarah Cole, Director of Business & Finance at Taff, said “Taff are delighted to have received an additional £25million in long-term funding. This will underpin our ambitious development programme, which is building new homes to EPC A and delivering much needed good quality housing in and around Cardiff. During a period of rising rates, this funding package through bLEND gives us more certainty in our business planning. To achieve this deal, we have been dependant on our partners at THFC to move quickly and also to welcome us, at Taff, as the smallest borrower in bLEND to date.”

Worthing Homes’ Resource Director, Julian Pitcher, said “Working with bLEND has given Worthing Homes smooth access to low cost and long term funding which will underpin our corporate strategy to develop hundreds of new affordable homes over the next few years. This is part of our commitment to putting people first to create a legacy of sustainable homes and communities.”

