

Octopus QSH – extract from Inside housing

A giant private investor is targeting “market transformation” of the affordable housing sector, as it throws its £5bn weight into building cheap rented housing without grant.

Octopus Investments has formed a partnership with commercial affordable housing developer QSH to deliver thousands of grant-free units over the coming years, Inside Housing can reveal.

The fund, which already has multibillion pound investments in healthcare, sustainability and property, will provide debt and equity finance to a new company, Octopus QSH, which is a joint venture between the two groups.

It will build and own the homes, which will be for affordable rent and a pioneering rent-to-buy product, while seeking housing associations to take on management contracts for the properties. The fund has a total investment capacity of £5bn spread across a variety of markets. It says it hopes to achieve a “market transformation” in affordable housing but would not be drawn on how much specifically it will invest into the affordable housing sector.

Octopus joins merchant bank Salamanca Group and equity investor Cheyne Capital in making significant moves into the affordable housing sector this year, as the growth of equity-funded affordable housing gathers pace.

The company is not registered as a housing association, meaning it will not be subject to recent government changes such as Right to Buy, the rent cut and Pay to Stay.

Work has already started on its first development – a 102-home scheme in Doncaster, where the builder will be Wates Living Space, a strategic partner of Octopus QSH.

The homes will be offered as rent-to-buy units, where half of tenants’ rent goes towards saving for a deposit for the home. The homes will be managed by St Leger – Doncaster Council’s arm’s-length management organisation. Ten further schemes are currently in the pipeline.

Mario Berti, head of the specialist finance team at Octopus, said: “There is a chronic shortage of affordable housing in the UK, which presents a huge opportunity for Octopus QSH.”

Octopus QSH's management team all have social housing backgrounds, with founder and chief executive Paul Hardisty a former director at Birmingham City Council.

QSH has already developed schemes across the UK under a grant-free model, but the backing of Octopus will allow it to vastly expand its operation.

Steve Douglas, director of consultancy Altair, said: "I think this is the future – where social housing will be delivered without grant... and housing associations have to reimagine their role."