

We notified readers of the website last week of the upcoming bond issue for housing association **Places for People**. Since then full details of the bond issue have been released and the offer is now open for subscription through a number of stockbrokers and wealth managers.

Places for People is one of the larger of the housing associations, a sector that is a fairly frequent borrower in the wholesale bond markets. For those readers unfamiliar with the sector, the associations provide social housing, typically utilising a combination of ex-council and new build housing stock (typically funded by government grants). In the case of Places for People (PFP), the scale of the operation is substantial. Established in 1965, PFP has 60,000 homes on its books, assets of £2.9 billion and a turnover of over £300 million per annum. The company's activities range across England, Scotland and Wales and encompass the development and construction of new homes, the provision of affordable rental property, shared equity schemes and assisted living. Full details of the company's activities and its accounts can be found on the PFP website [here](#).

The bond is senior issue, and is coming with a 5% coupon and a maturity of December 2016 – just over five years. PFP's rating is a respectable Aa3, fairly well in the middle of the investment grade band and superior to the bulk of sterling corporate bonds. On a relative value basis, this looks cheap. Gilts of an equivalent maturity yield a paltry 2.2% whilst the average yield for corporate bonds in the maturity band is 3.4%.

Relative value aside, it is worth considering that not-for-profit housing associations offer a useful diversification away from some of the financial and other corporate borrowers in the bond market. The sector is perhaps best viewed as akin to a utility, and like such industries, PFP operates in a highly regulated environment, a factor that typically reduces risk.

The full details of the bond are as follows:

- Issuer – Places For People Capital Markets PLC. Senior, unsecured and unsubordinated
- Coupon = 5% Semi annual in arrear (27 June ; 27 December)
- Issue Price = 100
- Redeeming 27th Dec 2016 at 100
- ISA and SIPP Eligible
- Currency = GBP
- Ratings = Expected Aa3
- Denoms = GBP100
- Minimum Subscription = GBP2,000
- Books Open 1 June 2011 to 17 June 2011 (or earlier)
- Settlement Date 27 June 2011
- ISIN Number XS0635014177
- Listing London Stock Exchange
- Settlement: Euroclear, CREST, Clearstream
- Lead Manager Evolution Securities

My view: The PFB is the first of the housing associations to tap the developing sterling retail bond market. As such, they and their advisors are mindful that the issue needs to be a success. Accordingly, the issue is paying a 5% coupon on the bond, this being the “trigger point” of value for most private investors. At this level, the bond looks very good value. I suspect that this new issue will find ready buyers; slotting in well to a conservative ISA or SIPP bond portfolio. Given the social agenda of PFP, the bond may also find a ready home with ethically-focused investors.