

Merger talks for housing associations: Genesis 'fighting for survival' as sector struggles

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UPDATED: 22:01, 3 January 2009

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Two of Britain's leading housing associations are holding urgent merger talks as charitable housing becomes the latest sector to suffer from the credit crunch.

Genesis Housing Group, based in London's East End, is in negotiations with Notting Hill Housing Association over a possible merger in what one source described as 'a necessity' for Genesis.

A deal is expected within three to four weeks and will create the UK's biggest housing association, with about 58,000 properties on its books.



Warning: Berkeley Group boss Tony Pidgley expects more bail-outs

Like commercial property businesses, housing associations have seen credit from traditional lenders dry up, leaving them unable to renew loans.

Combined with the falling values of their property stock, the squeeze has left associations struggling to finance their operations.

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It is understood that Genesis accepted an emergency loan of up to £100 million from London Quadrant Group housing association two months ago to keep its two-year plan on track.

This includes building 3,000 homes and buying land on which to build a further 1,500. Genesis is just one example among Britain's 2,000 housing associations thought to be facing difficulties as credit proves harder to get and the value of property assets plunges.

Tony Pidgley, chairman of Berkeley Group, one of the UK's biggest housebuilders, said the problems among the associations were widespread. 'I know of 22 associations that are in dire straits,' he said.

Pidgley predicted that the Genesis deal would be the first of many. 'We will witness a large amount of mergers and bail-outs this year,' he said.

Another housing association, Presentation Group, which has 6,000 houses in London, Bedfordshire and Northamptonshire, is also in merger talks with two unknown partners.

Steve Coleman, Genesis group development director, declined to comment on details, but he admitted that the association was 'open to a merger'.

He added that there would be major benefits from a tie-up with Notting Hill.

Housing associations are independent not-for-profit organisations that aim to provide low-cost social housing.

The associations have become the major providers of new homes for rent, while several also run shared ownership schemes to help people who cannot afford to buy a house.

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