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Albani Limited Investigation Report V3

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Our understanding is that Albani intend to provide interest-free non-recourse finance (unlike a mortgage the homeowner has no legal commitment to repay the finance. Non-recourse means Albani can only recover its finance from the sale of the homeowners house) to owners of freehold houses in England and Wales. The finance (LTV) will be between 80%-90% of the automated valuation model (AVM) value for each specific property. Further, Albani suspect that its core market will be properties within England and Wales that are valued at between £250,000 and £500,000 and between £500,000 and £700,000.

As a result, it is critical that Albani and their insurance providers understand the potential risks that they will be exposing themselves to in the UK marketplace.

To this end, TwentyCi propose undertaking a consultancy exercise to undertake the following actions:
1. The current state of the UK property market and its brief history
   a. How will this affect Albani's business models?
2. An assessment of how susceptible the market is to external shocks.
   a. For example, what type of house price fall scenarios constitute systemic risk?
   b. What will be the impact of this on Albani's business models:
      i. When the homeowner has taken the LTV and Albani is selling their house to recover the LTV (150 days On Market to Completion of Sale Contracts) will the sale be below LTV?
      ii. On an example portfolio within the core market of properties within England and Wales that are valued between £250,000 and £500,000 and between £500,000 and £700,000 (to see how a Real-Life portfolio would perform)?

It is likely that this work will involve exploring several metrics, both today and historically, which are as follows:
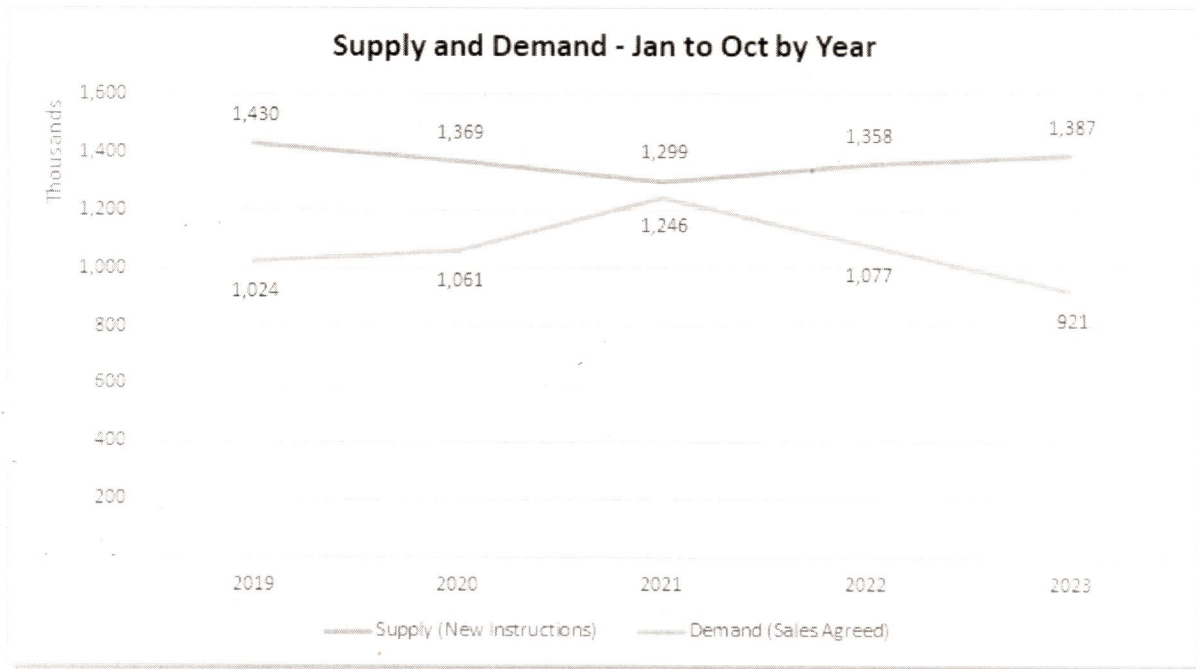
Supply
The supply of properties for sale where current volumes of new instructions in 2023 (year to October) are 2.1% higher than 2022, but 3% lower than the pre-pandemic year of 2019.

Demand
The demand for the purchase of properties for sale, where current volumes of sales agreed in 2023 (year to October) are 14.5% lower than 2022, and 10% lower than the

pre-pandemic year of 2019. Both supply and demand metrics are shown in the following chart.

Supply and Demand - Jan to Oct by Year

Year	Supply (New Instructions)	Demand (Sales Agreed)
2019	1,430	1,024
2020	1,369	1,061
2021	1,299	1,246
2022	1,358	1,077
2023	1,387	921

Transactions Volumes
Of actual property transfers as well as an up-to-date view of our Exchanged proxy triggers (methodology used to infer properties that have exchanged).

Transactions Prices
The price paid for each transferred property for transfers carried out at or near "full market value" (This is what HMLR records in their price paid data – they only include data where the buyer pays money for a property for value – this is called standard price paid data. We recommend only using this and not additional price paid data, which could be shared ownership transfers for example – they effectively skew prices).

How likely is a property to be sold below it's AVM value and how much below?

Other Triggers
Which will include reporting on the volume of fallen throughs, price reductions to advertised prices and withdrawals from the market.

The Likelihood to Sell
The percentage likelihood that a property will complete versus withdrawal from the market. In 2023 to October, over 52% of all properties that come to the market sell, but this is comparatively low compared to prior years.

The Risk of Transactions Falling Through

The percentage of transactions that do fall through at least once and the percentage of these that do not sell and end up withdrawing from the marketplace. As at October 2023, Fallen Throughs are currently running at 25%, but many of these properties have a replacement sale agreed in a short period of time. Fall Through rates are shown in the following graph.

Fallen Through Rates of Concluded Listings - Jan 2019 to Oct 2023
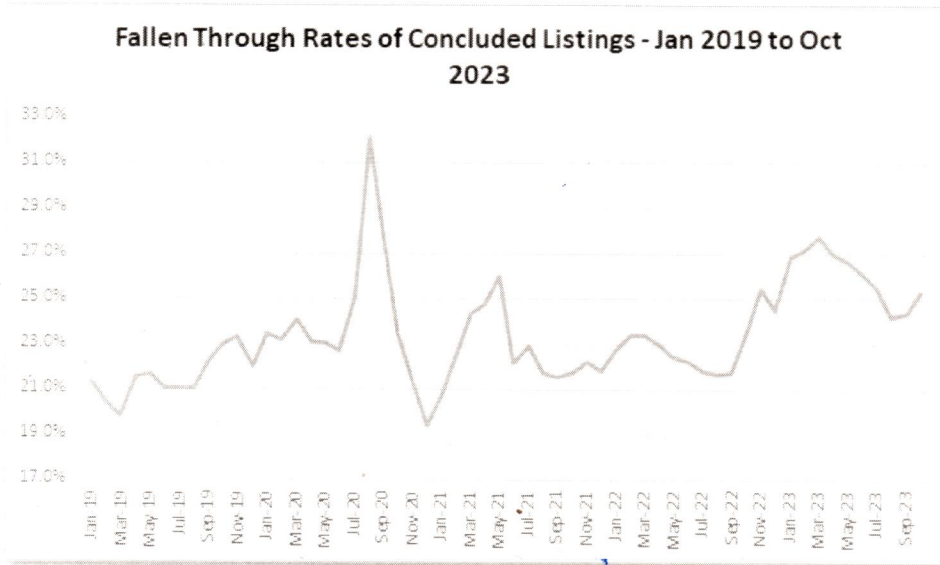
Time to Sell

Measuring the time from On Market to Offer Accepted.

Time to Progress

Measuring the time taken from Offer Accepted to Completion of Sale Contracts.

TwentyCi will also provide a 2024 forecast for supply, demand (Sales Agreed) and transaction volumes.

It will be key to understand these metrics for the target audience. This will involve first sizing the target audience. How many transfers of properties are…

- Between £250,000 and £500,000 and between £500,000 and £700,000 in England and Wales
- Freehold legal tenure

Finally, provide an indication of how vulnerable each of the important metrics are to market shocks. How likely are property prices to drop by 20%, and if they did how

many houses would sell at a percentage below the AVM and how far below? How likely is it that fallen through transactions will rise by 5%?