



Affordable Housing as an Investment

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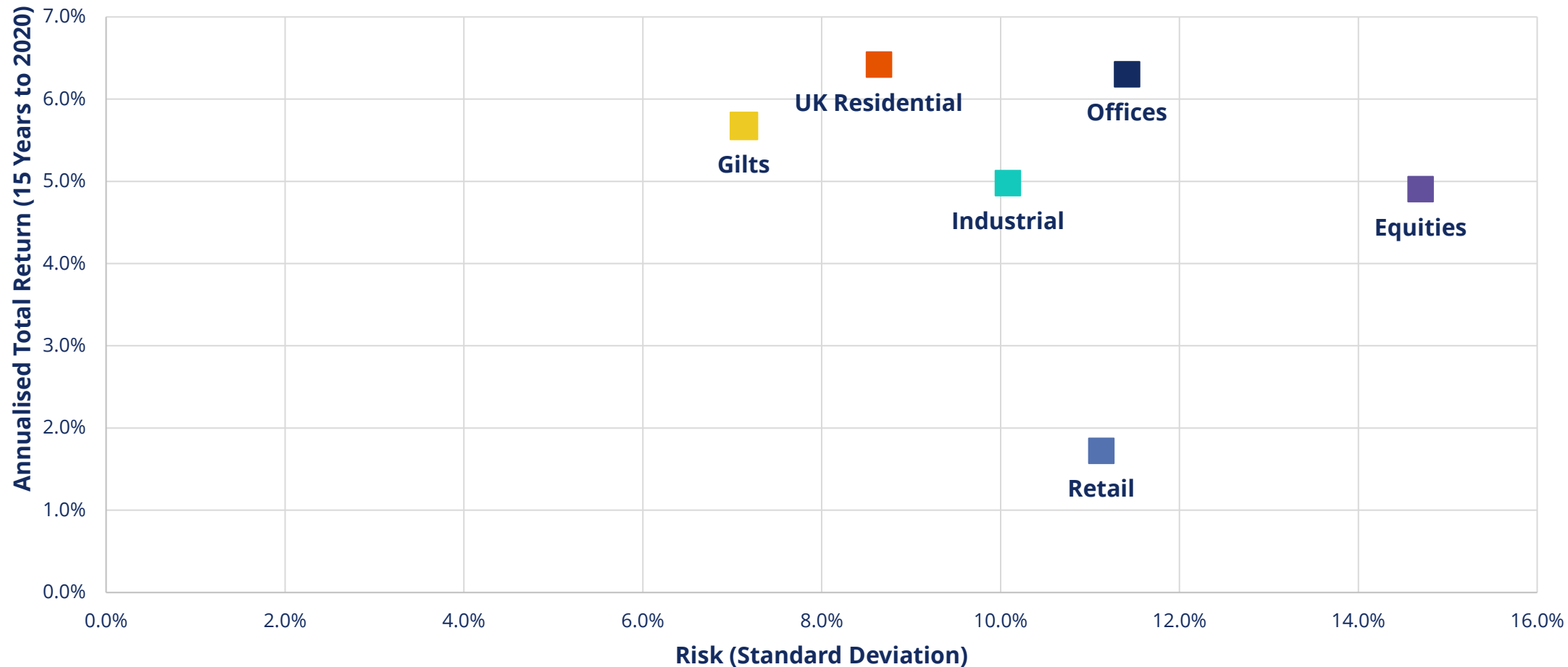
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UK Residential has Generated Higher Returns with Lower Volatility



Source: Savills, MSCI, Thomson Reuters

Regulatory risk warning: past performance is not a reliable indicator of future results. Investment strategies may not succeed

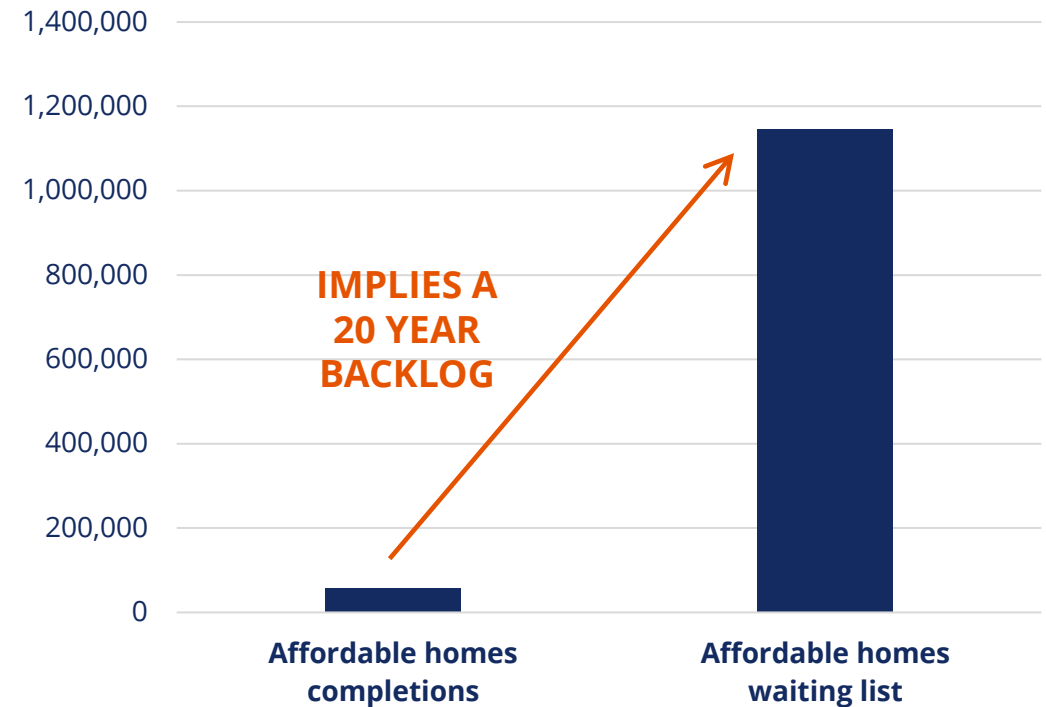
Affordable Housing: Key Considerations

The Investable “S” of ESG

- Attractive inflation-linked returns
- Low economic exposure
- Chronic undersupply
- Long waiting lists
- Government support payments
- Statutory obligations to provide housing

Infrastructure or Real Estate Allocation

The Backlog in Affordable Housing
Households - England



Source: Homes England

Affordable Housing is not Monolithic

Types of Affordable Housing

1. Affordable Rent / Social Rent
2. Keyworker Rent / Housing for Heroes
3. Temporary / Emergency Accommodation
4. Shared Ownership / Rent to Buy
5. Supported Living
6. Care Homes

Diversification is Beneficial

**Faster
Deployment**

**Protection against
Government
Policy Shifts**

**Regional Economic
and Demographic
Variations**

**Reduction in
Local Conflicts**

Creating the Right Alignment

Focus on Additionality

- Avoid volume housebuilders who eschew quality
- Develop for long-term ownership
- 'Tenure blind' specification uses private markets to validate design and quality

Permitted Developments
are a Tempting Short Cut
but have
led to
Issues





Squaring the Circle

Market Returns Despite Affordability

- Labour
- Materials
- Construction methodology
- Land
- Capture development profit through in-house capabilities
- Grant funding
- Tighter valuation yields for lower risk profile



This mixed tenure development was cited by the World Economic Forum as one of 10 ways cities are tackling the global affordable housing crisis

Open or Closed, Pool or Fund Level

Closed Ended Funds

- No portfolio effect on exit as buyers are stratified
- HAs, LAs and Not for Profits are unsettled by the prospect of change of long-term partners

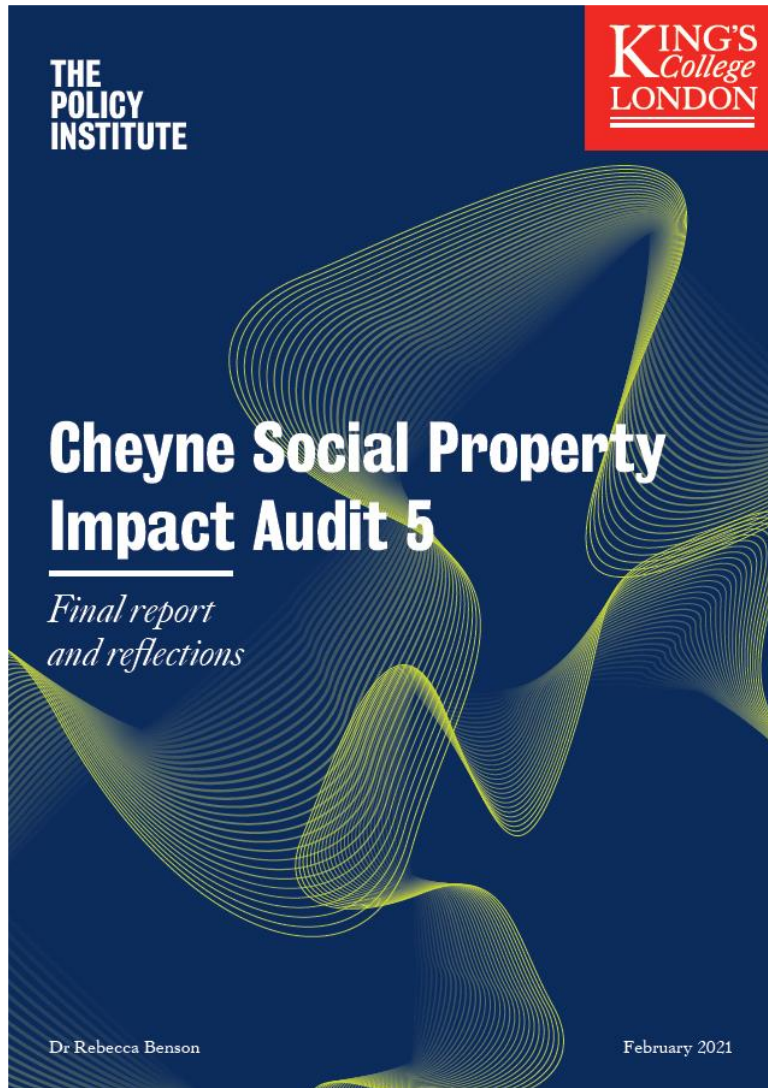
Open Ended Funds

- Alignment of long-term assets with long-term investment horizon
- Appropriate liquidity for rebalancing
- Stability of partnerships

Both Pools and Funds are Engaged

- Local or regional priorities
- Diversification beyond local economy

Impact Measurement



"The Fund has offered **genuine value** to local authorities compared with their other options for delivering affordable housing. This is despite the Fund **not generating its impact through concessionary returns**. In theory, this suggests that other private investors can also offer attractive finance to local authorities and others without sacrificing return. Moreover, our sources have consistently reported that the **quality of homes delivered by the Fund is higher** than what is generally available for affordable housing, **providing a new standard of what should be possible.**"



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