

Impact investing in action

Social housing finance

January 2018

Expected social
impact
1,000 new social or
affordable homes¹

The value of investments will fluctuate which will cause prices to fall as well as rise and investors may not get back the original amount they invested.

- £85 million, 25-year loan provided by M&G
- Expected return premium: 0.5% to 1% p.a. over equivalent-rated public bonds²
- Key M&G impact theme and expected metrics¹:
 - Social housing:
 1. More than 1,000 new social or affordable homes
 2. Approximately 65% of renters on state welfare assistance
 3. Almost 40,000 on local authority waiting lists

This investment aligns with the following UN Sustainable Development Goals (SDGs):



Investment impact overview:

In January 2017, M&G provided over £85 million in funding to a social housing association which is a leading developer and provider of affordable homes across London and South East England. The 25-year fixed rate, senior secured loan is intended to help with the housing association's development pipeline of new social housing units.

The investment provides clear positive social impact through the planned construction of new social housing stock for residents with low incomes and higher social needs.



Social impact theme: Social housing

The transaction is to help fund the development of more than 1,000 homes for social and affordable rent or shared ownership schemes by 2020. With further properties to be built for market sale to generate profits for investment in additional social and affordable homes. These plans are part of a wider ambition to develop 4,000 homes across all tenures over the subsequent five years.

The borrower operates in areas of the UK with high need for affordable places to live (65% of prospective renters are on state welfare assistance) and the development of additional high quality homes will help to address the structural undersupply of social housing in the UK as a whole. The total size of the waiting list across the London boroughs where the planned new construction is located is almost 40,000.

Attractive expected returns

In addition to generating positive social and environmental impact, the investment targets a competitive financial return. The investment is expected to generate a return premium in the range of 1% to 2% p.a. over equivalent-rated public bonds.²

¹ Impact metrics are intended to provide an indication of expected outcome.

² Source: M&G, as at January 2017. Private debt investments will often pay a premium over public bonds to compensate for their lack of secondary trading opportunities and lesser liquidity. This is often referred to as an 'illiquidity premium' or in this case 'Expected return premium'.

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