

INSTITUTIONAL INVESTMENT IN AFFORDABLE HOUSING

AHURI CONFERENCE – October 2016

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Folkestone

INSTITUTIONAL INVESTMENT IN UK

Legal and General Invests £225m With Place for People to Help Build 7,000 New Homes

- 17 March 2014



Estuary Housing Association Plan 400 East London Homes Following £40m M&G Finding Deal

- 6 July 2015



M&G Agrees £50m Private Placement Loan to Affordable Housing Group

- 21 July 2016



AVIVA to Launch Private Rented Sector Fund With Housing Associations as Managers

- 7 October 2014



Dutch Pension Fund PGGM Announce 3,000 New Homes With £600m Build to Rent Partnership

- 27 January 2016



Legal and General Plan £1bn Private Rental Sector Investment After Signing £25m Deal

- 27 February 2015



Hearthstone Aims for £150m Investment as Scottish Housing Fund Launches

- 18 November 2014



£1bn Fund Launched With Backing of Institutions and Governments Homes and Communities Agency to Build 10,000 Homes on Council Land



UK institutions are happy to provide equity into affordable housing

INSTITUTIONAL INVESTMENT IN SOCIAL INFRASTRUCTURE

ASX Listed Real Estate Social Infrastructure

| A-REIT | Sub-Sector | Market Capitalisation (\$m) |
|----------------------------|--------------------------------|-----------------------------|
| Folkestone Education Trust | Childcare | 647 |
| ARENA | Childcare / Medical Properties | 468 |
| Generation Healthcare | Medical / health & Aged Care | 419 |
| Gateway Lifestyle | Manufactured Housing | 695 |
| Lifestyle Communities | Manufactured Housing | 405 |
| Eureka Group | Manufactured Housing | 173 |
| Aspen Group | Manufactured Housing | 113 |
| Aveo | Retirement Villages | 1,903 |
| Regis | Aged Care | 1,201 |
| Japara | Aged Care | 488 |
| Estia | Aged Care | 493 |

INSTITUTIONAL INVESTMENT IN CHILDCARE

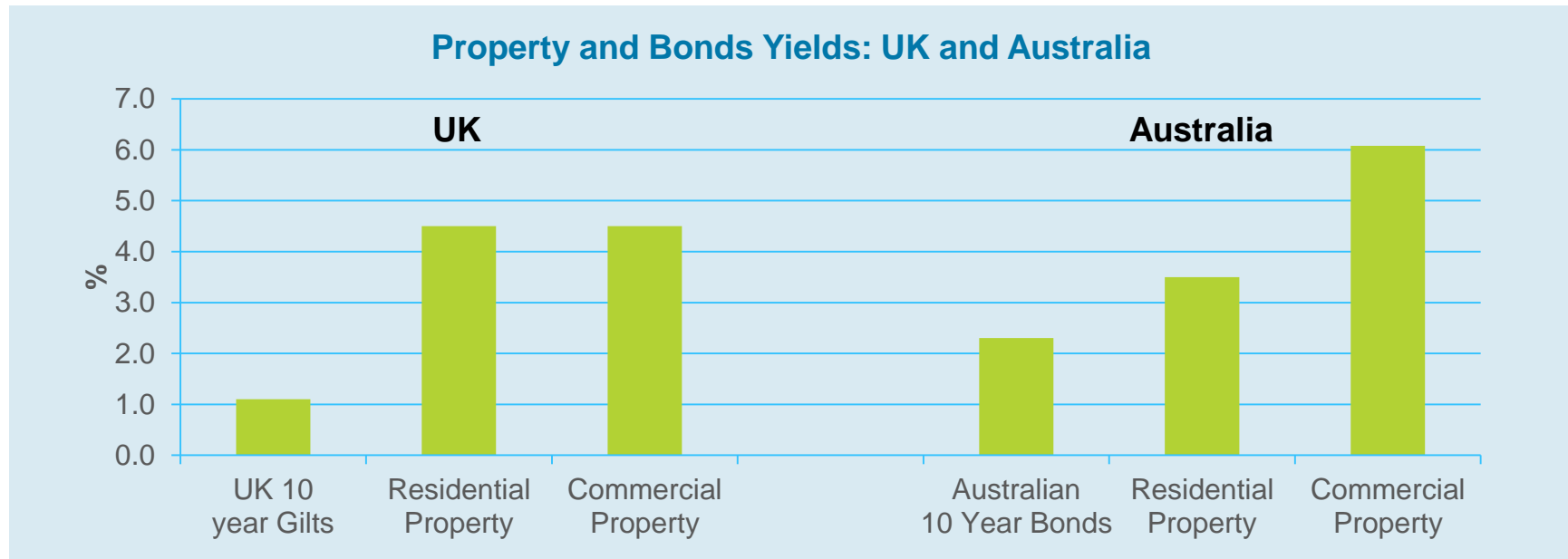
- Two ASX listed Real Estate Investment Trusts (A-REITs)
 - Folkestone Education Trust (FET) - \$718m in gross assets across 394 centres
 - ARENA REIT (ARF) - \$514m in gross assets across 196 centres and 7 medical centres

Why Institutions Like Childcare

| | |
|---------------------------|---|
| Thematic | Strong demand for childcare – demographics and female workforce participation |
| Long Leases | 15 years |
| Quality Income | Childcare fees subsidised by government |
| Property Yields | 5% to 8% |
| Low CapEx | Triple net leases – tenants responsible |
| Minimal Incentives | Nil (office buildings (10-40% usually)) |
| Low Vacancies | Less than 5.0% - FET has a 0.5% vacancy rate |

THE EQUITY YIELD GAP

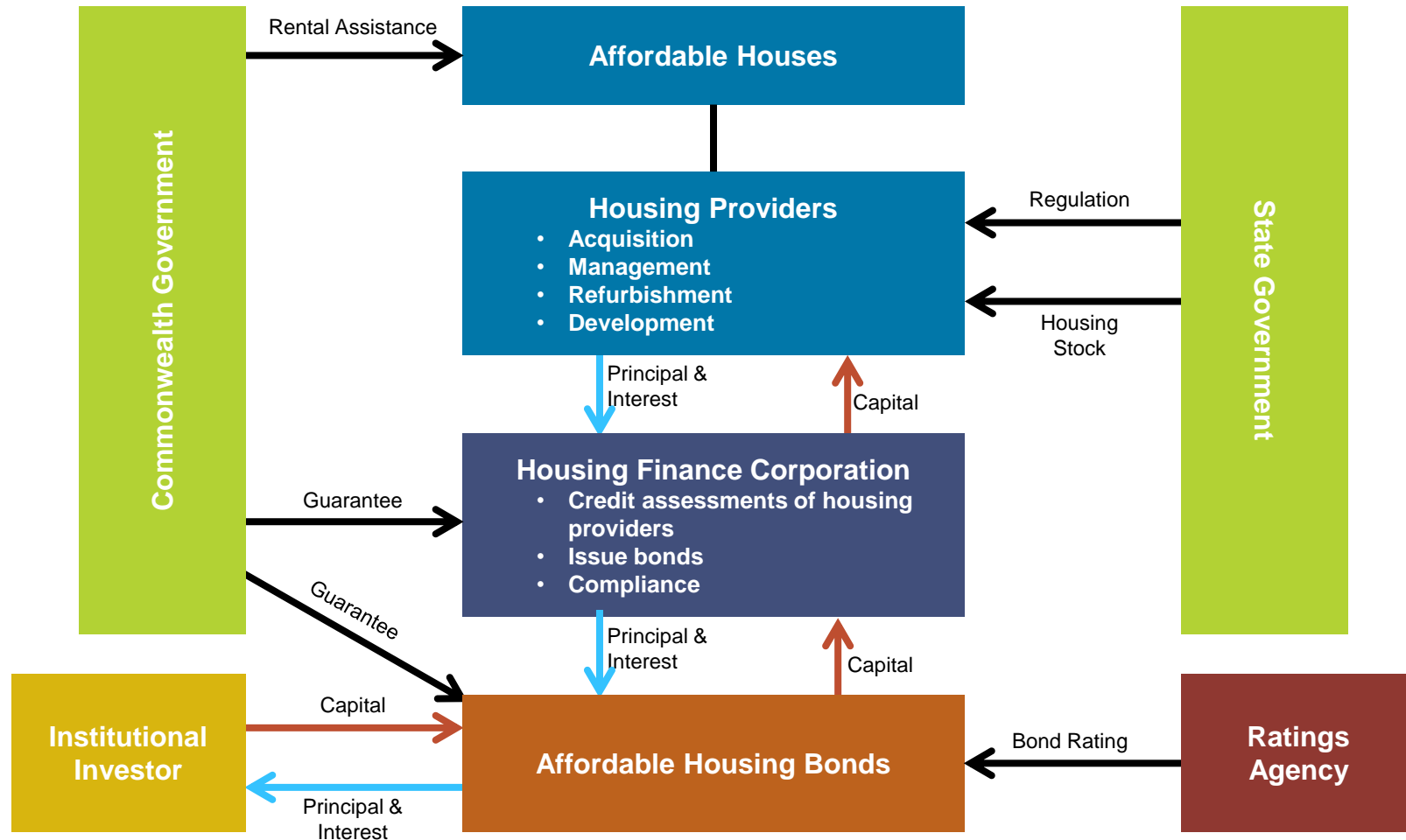
- Institutions not attracted to Australian residential property – yields too low relative to commercial property
- Can the yield gap be solved?
 - tax incentives / reduce property taxes
 - planning changes – increase supply and densities



"Institutional investors.... would invest to build and develop affordable housing, provided the risk-adjusted return on investment is appropriate."

- Industry Super Australia, March 2016

AFFORDABLE HOUSING FINANCING MODEL



Debt capital should be a priority although long-term both debt and equity capital needed. Will require all key stakeholders (government, industry and investors) to work co-operatively together in order to boost the supply of affordable housing