



# Joint AREF/IPF Event

## Social Impact Investing - UK Real Estate Sector (part 3)

Tuesday 2<sup>nd</sup> June 2020 – 10:15 – 11:30am

**THE WEBINAR WILL BEGIN AT 10:15am**

*Please remember to mute your microphone and turn off your camera (we will do this for you, if they are turned on) - this will keep the focus on the speakers.*

*To view all speakers, select '**active cameras only**' from the viewing options on your screen*

*Questions can be asked via the 'chat' function (look for the speech bubble and type your message to 'Organizers (only)'*

*This webinar will be recorded*



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# Welcome

**Harry de Ferry Foster**

Co-Head of UK & Fund Director of Charities Property Fund  
From our sponsor for today - Savills Investment Management





# Introduction

James Broderick

Impact Investing Institute



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# Agenda

- Introduction - James Broderick, Social Impact Investing Institute
- Case Studies:
  - Paul Munday, Funding Affordable Housing
  - Sarah Forster, The Good Economy
  - Hugo Llewelyn, Newcore Capital
- Moderated Panel/Q&A Session:
  - Moderated by Peter Hobbs, Managing Director, Bfinance
  - Including Eleanor Lindsay, Fund Manager, LaSalle Investment Management
- Close: 11:30am



# Speakers



**James Broderick**

Impact Investing  
Institute



**Moderator: Peter Hobbs**

Managing Director of Private Markets  
BFinance



**Paul Munday**

Fund Manager, Funding  
Affordable Homes



**Sarah Forster**

CEO & Founder, The  
Good Economy



**Hugo Llewelyn**

Principal, Managing  
Director, Newcore  
Capital



**Eleanor Lindsay**

Fund Manager, LaSalle Investment  
Management



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# Case Study 1

**Paul Munday**

Fund Manager, Funding Affordable Homes



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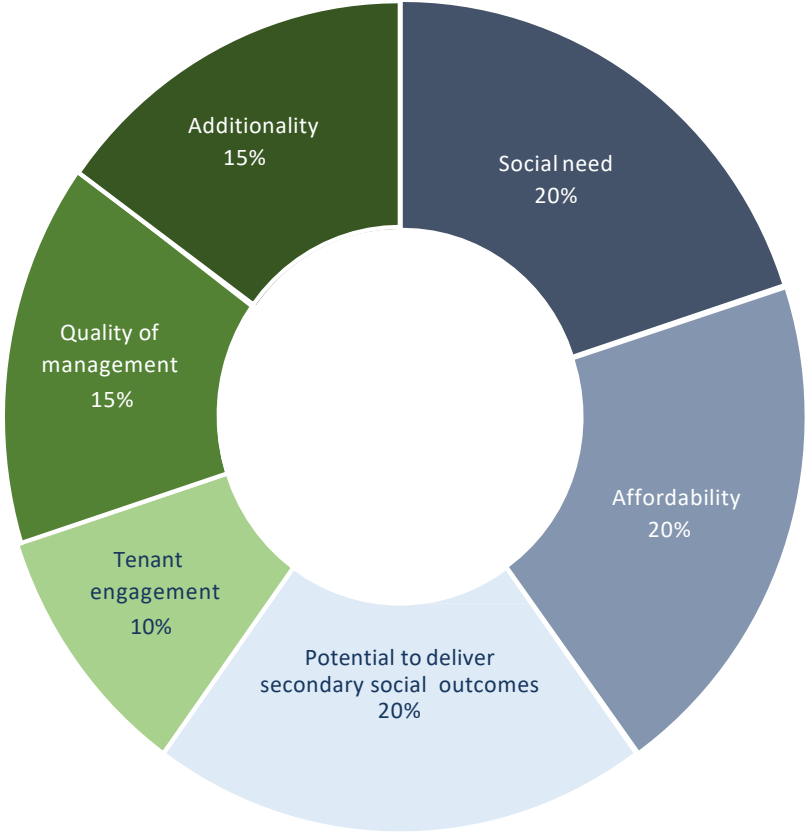




“To support the affordable housing sector in the UK, to increase the number of affordable homes, deliver positive social value and provide attractive, stable and progressive returns to investors.”



# Social Impact Assessment





# Case Study 1 - Island Point



## Summary of transaction:

- *173 General Needs affordable Homes:*
  - *London Borough of Tower Hamlets*
  - *109 social rent (London Affordable Rent)*
  - *33 Affordable rent*
  - *31 shared ownership*
  - *1, 2, 3, 4 and 5 bed homes*
- *Contributes to meeting social need in one of the poorest areas in the country*
- *Yield of 4+%; IRR of 7+%*



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# Case Study 1 - Island Point

## **Rationale for purchase with regard to Impact:**

- *Meets our social assessment threshold particularly in the areas of need and affordability*
- *Significant ethnic population with large and extended families. Access to employment and education*

## **Impact Management approach:**

- *Follows the guidance of our Social Performance Assessment Framework - initial internal assessment, then independent report. No project is financially assessed if it does not meet social criteria*
- *Third party verification by GEP is part of Investment process and annual Social Impact Report*
- *Management leases include: regular reporting / step-in rights / monitoring and support*

## **Key challenge and lessons learned :**

- *Negotiation with and management of the involved parties*
- *Understanding different requirements, having good contacts, developing template documents*





## Case Study 2

Sarah Forster

CEO, The Good Economy



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## ■ About The Good Economy

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- ⊕ Leading social advisory firm, specialising in impact measurement and management
- ⊕ Focus on impact investing as a new and different, socially responsible approach to investing
- ⊕ Based on understanding social need and delivery of real-world outcomes

## ■ Assess impact creation using Impact Management Project (IMP) dimensions

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### + WHO is experiencing the impact? WHERE?

- Does the investment help address a defined **social need**? E.g. housing for those on low-incomes, people with disabilities, homeless?

### + HOW MUCH impact is the investment creating?

- Are these homes genuinely **affordable**? Delivering **well-being** outcomes?

### + WHAT impact is the investment having?

- **Scale** - how many homes?
- **Sustainability** – quality design, environmental efficiency, green space, social infrastructure

### + How much CONTRIBUTION is the investor making towards the impact?

- **Increase supply** of quality, affordable housing that would not have happened otherwise?

### + What is the RISK of the planned impact not happening?

- Partnerships with **quality service providers**? Are **financial risks/returns** fairly shared?

## ■ Case Study: CBRE Global Investors UK Affordable Housing Fund

- *Impact objective: Increase the supply of affordable homes for UK households unable to rent or buy in the open market*



### Wolf House

**Property description:** Temporary accommodation made up of 22 recently renovated studio flats in a mansion block in central London

**Allocation arrangement:** Available to London Boroughs of Hammersmith & Fulham, Kensington & Chelsea and Westminster to house people with the right to temporary accommodation.

**Social need:** Nearly 6,500 people in temporary accommodation in these three boroughs costing ~ £65 million a year

**Investment cost:** Sub £10m

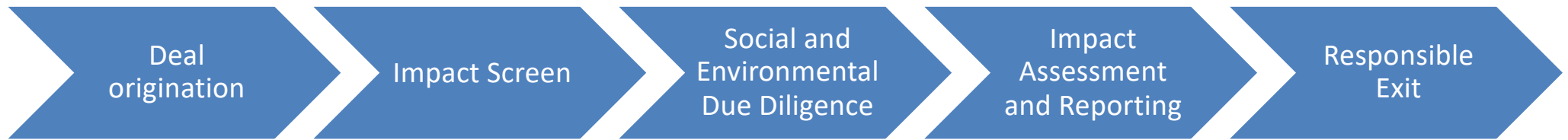
**Nature of transaction:** Acquisition of existing social housing, let to Housing Action Management on 10-year lease, with 5-year break clause

**Investment rationale:** meets impact objectives of the Fund

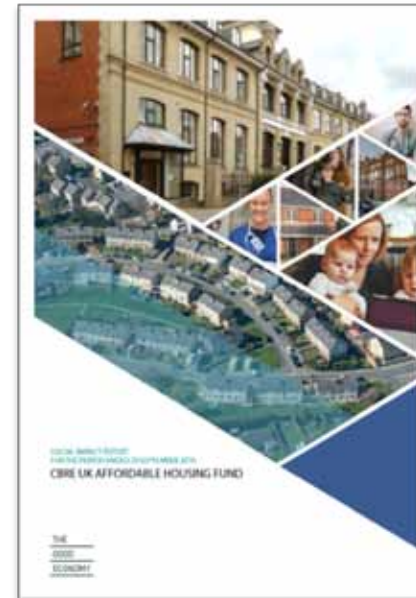


## Integrating impact considerations into the investment process

Impact management is considering impact at every stage of the Investment process and making decisions that optimise financial and social returns



Impact Pillar	Rating
Social Need	High (Yellow)
Affordability	Medium (Green)
Increase Supply	High (Yellow)
Quality Services	High (Yellow)
Fund Sustainable Developments	High (Yellow)



## ■ Key Challenges and Lessons Learnt

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- ⊕ Impact measurement and management as a discipline – requires willingness to optimise for financial returns *and* impact creation
- ⊕ Need to build understanding of different types of equity models and associated risks and benefits
- ⊕ Opportunity for partnerships between government, investors, Registered Providers and local authorities to deliver more social and affordable housing that meets a range of needs and requirements



## Case Study 3

Hugo Llewelyn

Principal, Managing Director, Newcore Capital



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# SOCIAL IMPACT – AN ALTERNATIVE VIEW

June 2020

Kickstarting the regeneration of  
Oxford's poorest district centre



**Hugo Llewelyn**  
Managing Director



# Newcore's approach...

## Not conflating “for-profit” with “not-for-profit”

- “Social impact” marketed strategies often open to manipulation and currently show no delta between financial and social objectives

## Skills, time and money

- Skills: Good track record, experience and professional network in delivering regeneration of social infrastructure for profit, which can be used not for profit also
- Time: partners spend up to 10 hours a week on regenerating social infrastructure “not-for-profit”
- Money: Newcore gives at least 10% of its own profit to good causes
- Creates and maintains a positive and moral environment for delivering “for-profit” aims also: talent, marketing, counter-party relationships
- Newcore in process of becoming a B Corporation

## Achieving industry consensus

- Working with LandAid to deliver a platform for professionals to give time, skills and money to help not-for-profit causes linked to property industry

# Kickstarting the regeneration of Blackbird Leys, Oxford

- The suburb that Oxford forgot...?
- 46% unemployment
- In poorest 10% of the UK
- Land prices 1/10th of Central Oxford



- 1960's church on 1 acre site
- At the heart of the community (literally)
- Roof and building are shot
- Trustees and local supporters not expert in regeneration...
- Derelict building listed in August 2019



# Delivering real social impact

## Rationale for project with regard to Impact:

- Newcore benefitting from growth of Oxford elsewhere, so desire (and moral obligation) to put material amount back in time, skill and co investment to raise the required funds



## Impact Management approach:

- Newcore are coordinating the redevelopment on a “pro bono” basis, with supportive professional team:
  - Planning and design
  - Liaison OCC Catalyst Housing
  - Funding
  - Construction and
  - Operational handover
- Current spend c £200k up to planning and £1m shortfall to be bridged thereafter



## Key challenges and lessons learnt:

- Inertia in poor areas involves difficult to fund initial costs: planning; listed building consents etc.
- If every investment company had one such project, this would deliver huge benefit to communities and significantly improve the industry’s image...



# Some reading material for Covid downtime





## Moderated Panel Discussion & Q&A

**Moderator: Peter Hobbs**

Managing Director of Private Markets, BFinance

*Questions can be asked via the 'Chat' function (look for the speech bubble) and type your message to 'Organizers – only'*



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**Thank you**

*The slides and recording from this webinar will be available to AREF and IPF members later this afternoon (sent via email and on website)*



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