

A NATIONAL AGENCY



HCA & the PRS

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Historic Activity up to 2013

Berkeley Homes signs first private rental build deal



The Build To Rent Fund

- The fund was originally launched in late 2012, with the objective of providing development finance for the delivery of PRS units and to stimulate growth in the sector. It was initially a £200m fund, with a further £800m announced at the 2013 budget.
- 19 contracted schemes, with a total funding value of £700m, which will deliver over 7,000 new PRS units. Over £900m of funding was approved although some schemes proceeded without Agency funding or did not proceed for various scheme specific reasons. The ongoing market engagement now used in the HBF means risk of under utilisation of funds is reduced.
- The 100% recovery rate attached to the Build To Rent Fund resulted in transactions approved under the fund being targeted at sites in stronger market locations backed by good counterparties.
- The majority of HCA investment was senior lending, with a first charge. Two projects, Essential Living & Newfoundland (Canary Wharf) were club deals, where the HCA's involvement provided banks the comfort to co-invest in PRS projects. The largest transaction (£181m) was at East Village with Qatari Diar Delancey (QDD).
- In 2012, the PRS market was still nascent, and both delivery and funding models were at early stages. The advent of R2 of the fund in 2013 saw the 'new' class of dedicated PRS operators (e.g. Essential Living, Realstar and Manchester Life) take up a greater proportion of the fund.

East Village London

- Developer: Qatari Diar / Delancey
- 951 apartments on two plots
- Part of Olympic Village masterplan
- HCA invested £181m through the Build To Rent Fund
- To be held long-term and managed through Get Living London vehicle
- Completion 2020



Essential Living

- 290 units on three sites at Archway, Bethnal Green & Maidenhead
- HCA invested £25.5m through Build To Rent fund as part of £51.6m club facility with RBS
- Archway scheme “Vantage Point” now complete and letting



The Home Building Fund..

- £3 billion to support house builders in England.
- £2 billion focused on delivering infrastructure to support strong future pipeline of housing supply – target 160,000 homes.
- £1 billion for development finance to diversify and support innovation by supporting SME's, custom builders and innovative construction methods – target 25,500 homes.

Home Building Fund Key Metrics

Term	<p>Devt Finance – typically 3 year term, potential for longer if req.</p> <p>Infrastructure – 8 – 10 year term, longer possible for large/ complex schemes</p>
Loan Size	£250,000 (minimum of 5 units) - £200 million
LTC	Up to 90% achievable dependant on scheme requirements. Recycled income and limited equity models supportable
Margin	220 bps – 1,000 bps
Fees	0.5% - 1.0%
Profit Share?	Depends on structure and equity utilised

Sigma Capital

- By way of 5 year RCF, HCA investing £45m through Home Building Fund
- Facility will support 2,416 PRS properties across sites in the Midlands, North West and Yorkshire
- Primarily family homes
- Delivery partnership with established housebuilders



Dandara

- 2,061 units on three sites in Birmingham, Leeds and Manchester
- HCA investing £44m through Home Building Fund as mezzanine finance with HSBC as senior lender
- Repayment via refinance with PRS Guarantee Scheme



New and Future Opportunities

- The focus through the Housing White Paper has shifted to PRS / BtR being seen as an accelerator to development and delivery rates at scale
- HCA has engaged in initial discussions with Sigma regarding the establishment of a REIT, which could generate a large volume of PRS stock nationwide, built and managed through an established development and management platform
- Public land / HCA owned sites – Sigma transaction has demonstrated PRS can be delivered on suburban sites and with an increased family housing focus.
- In addition, HCA is engaged with a range of other parties regarding innovative delivery arrangements geared towards PRS including an experienced investor/developer and a major housebuilder. The latter is a potential JV which would facilitate the delivery of multi-tenure housing (of which around 30% would be PRS). In addition, English Cities Fund has delivery of PRS as a stated corporate aim.
- HCA has invested in strategic infrastructure to bring forward large sites where PRS forms a key part of the residential offer. An example of this is the New District at Canary Wharf and most recently with Quintain at Wembley.

Wood Wharf

- 20 acre brownfield site located adjacent to Canary Wharf
- £200m infrastructure loan provided to Canary Wharf Group
- Loan will facilitate delivery of mixed use development 3,610 homes; 2.8m sq ft commercial space and approx . 17,000 jobs
- Works commenced April 2015
- Significant PRS element contained within phase 1

