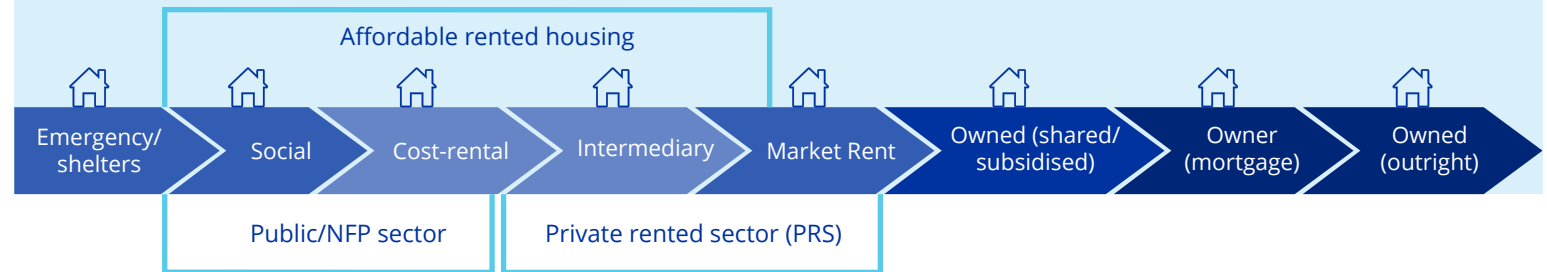


Housing middle income Europe: the intermediary investment opportunity amid diverse residential market structures

“There is a plurality of meaning in the use of terms related to affordability and affordable housing that can vary across jurisdictions, between the housing and real estate industries and across different stakeholders.”

Housing market spectrum



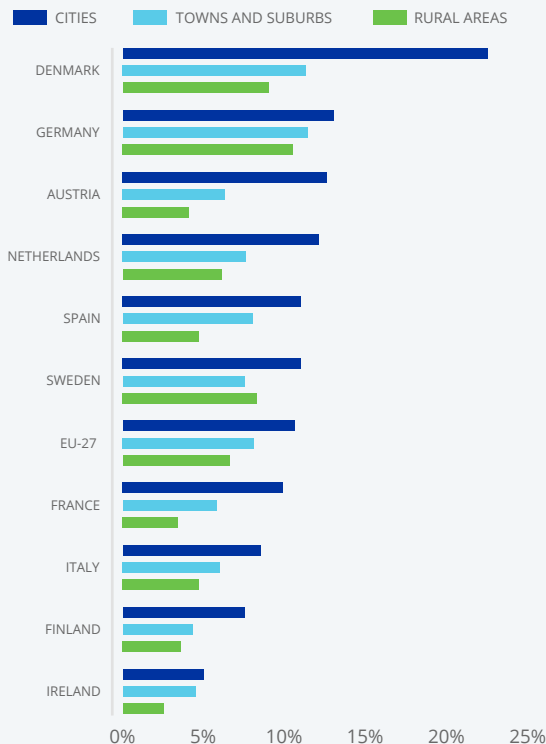
Source: INREV.

Note that the market rent is driven by market forces which will determine its level of affordability. Where demand and supply are broadly in equilibrium, affordable and market rent housing sharing the same utility value/quality will demonstrate a duality in rental development.

“Delivering a financial return remains a primary goal of the PRS and is an important differentiator.”

“Long-income investors attracted to the PRS value the potential to develop and acquire long income streams that offer strong dislocation from economic cycles and the potential to manage risk through strong management.”

Housing cost overburden by degree of urbanisation



Source: Eurostat (2023) EU-SILC ; ONS (2023)

10.6%

OF ALL HOUSEHOLDS IN CITIES AND

37.9%

OF HOUSEHOLDS EARNING 60% OR LESS OF MEDIAN INCOME IN THE EU ARE OVERBURDENED BY HOUSING COSTS

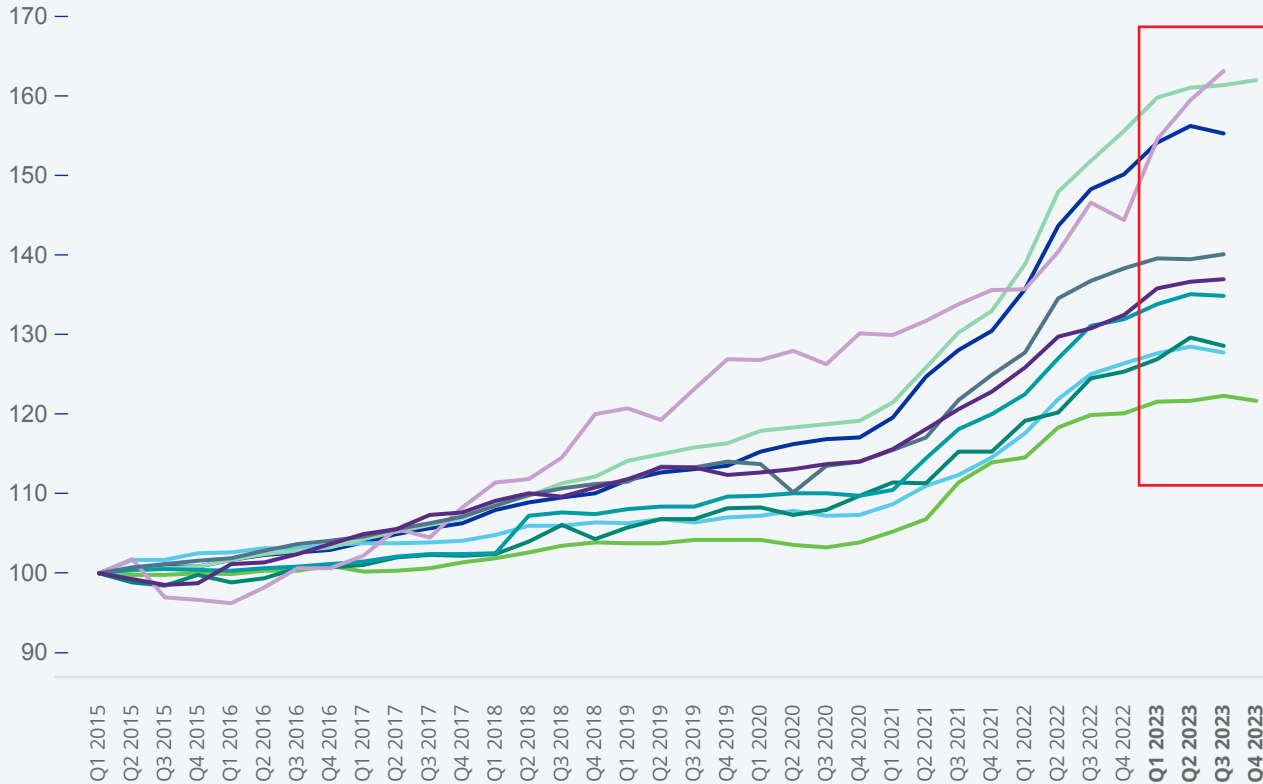


€50k to €70k

– THE CURRENT AVERAGE COST OF RETROFITTING OLDER HOUSING PER UNIT. IT CAN NOT USUALLY BE SUPPORTED BY CASHFLOW ALONE.

Index of construction costs for new residential buildings Q1 2015 to Q4 2023 by selected countries

■ AUSTRIA ■ FINLAND ■ GERMANY ■ NETHERLANDS ■ UNITED KINGDOM
■ DENMARK ■ FRANCE ■ IRELAND ■ SWEDEN



Source Eurostat, ONS, 2023
 *UK is Housing Cost Price Output for New Construction



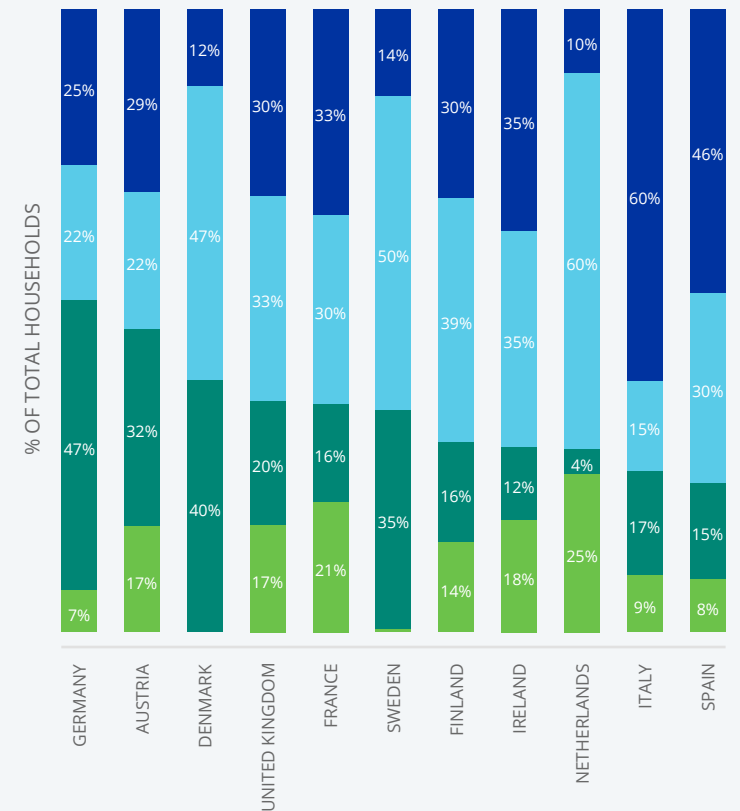
Rental affordability varies with total housing costs as well as income

“Europe’s housing crisis persists and will deepen further if supply tapers off until market conditions improve.”

“In some countries, there is potential for a significant recalibration of existing housing tenures and an extended range of purpose for the PRS.”

Household distribution by housing tenure (end 2022)

■ OWNER, NO OUTSTANDING MORTGAGE OR HOUSING LOAN
■ OWNER, WITH MORTGAGE OR LOAN
■ TENANT, RENT AT MARKET PRICE
■ TENANT, RENT AT REDUCED PRICE OR FREE



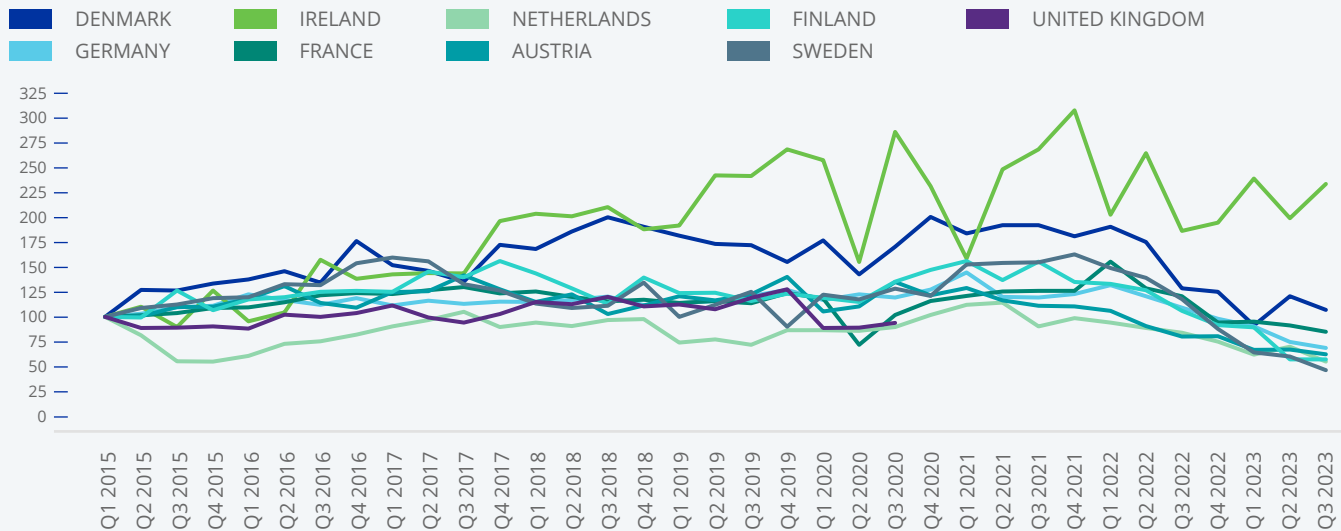
Source: Eurostat, ONS, 2023
 *UK data 2021

Tilts to residential fund allocations v all fund allocations and market size (no. of households)



Source: INREV Quarterly Index, Q2 2023; Eurostat (2023); ONS (2023)

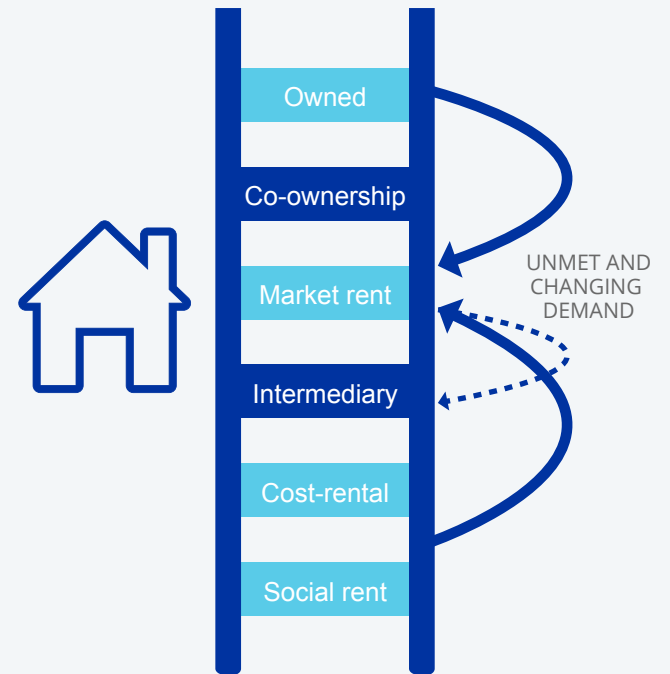
Index of growth of residential building permits by sqm of useable floor area



Source: Eurostat, 2023. *excluding community residences

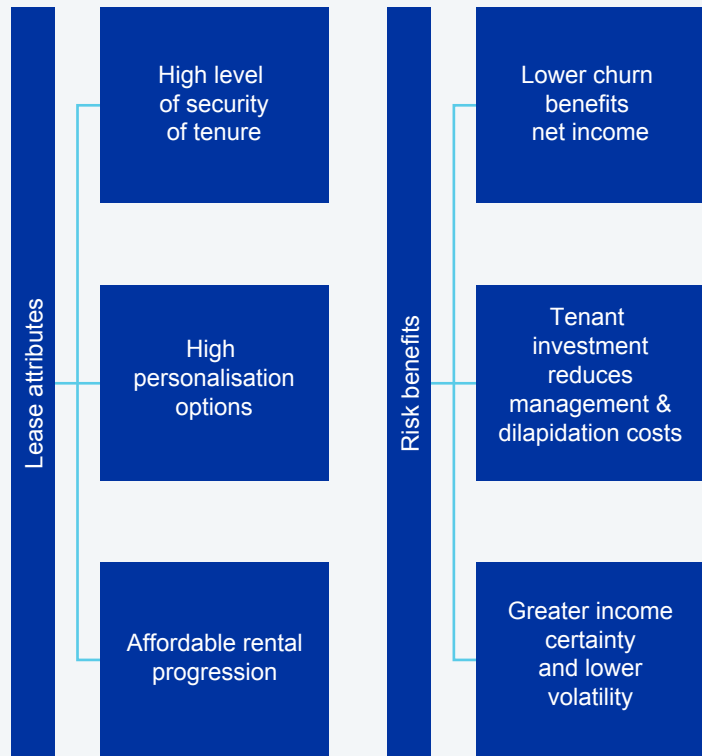
“Institutional investment in PRS has the potential to transform both affordability and quality of the sector.”

Expansion of private rented sector rungs on housing ladder

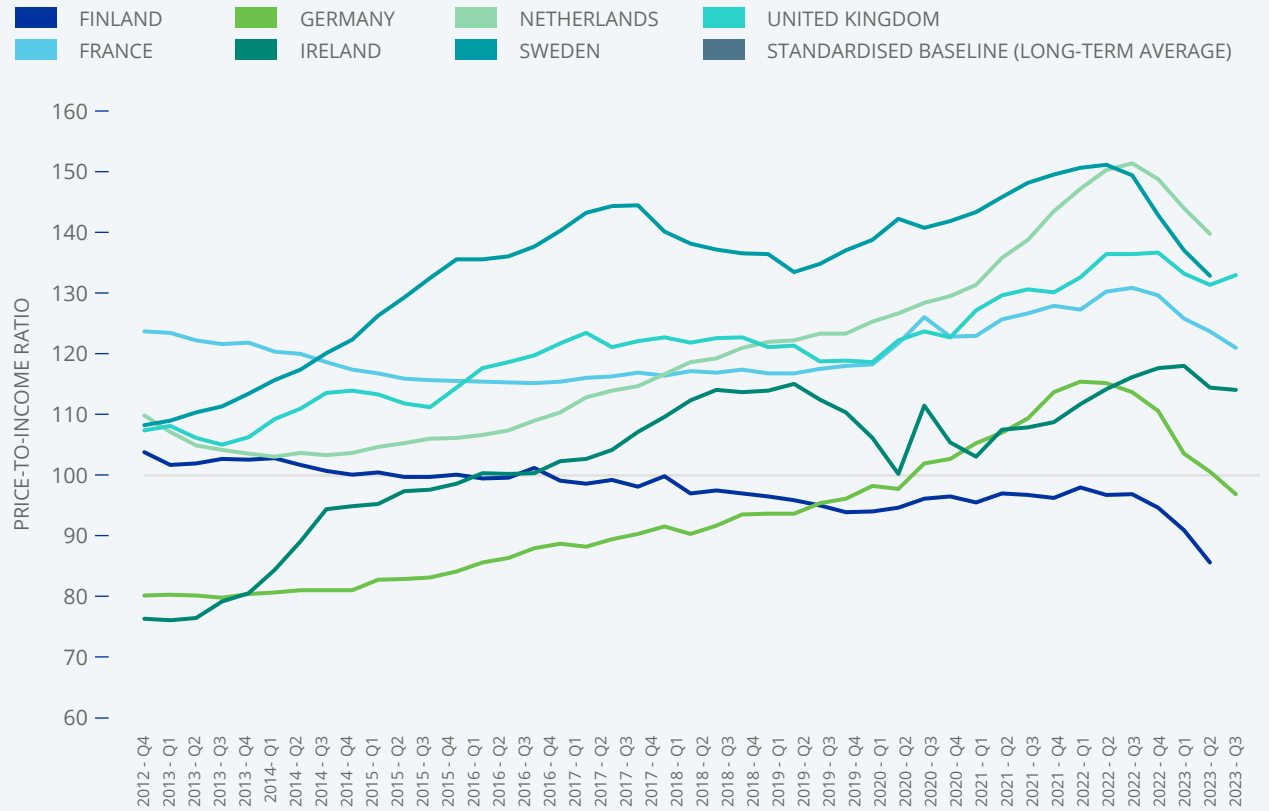


“Many investors do not consider second and third generation rent controls to be an issue in themselves as such options can be priced. The issue is one of timing, predictability and certainty.”

Lease attributes and risk benefits of lifelong leasing frameworks



Standardised price-to-income ratio



Source: OECD Affordable Housing Database, 2023

“Re-weighting security of tenure to enable tenants to feel greater security over their home delivers a number of risk benefits for long-term intermediary PRS strategies.”

“Public stimuli could facilitate institutional participation and assist in expanding the supply of intermediary housing as part of a long-term solution.”

“Investors seeking to deliver intermediary PRS should consider how existing landlord and tenant law impacts on risk and viability.”

The public intervention toolbox

