

Affordable Housing in Germany



PROJECT:
Affordable housing



COMPANY:
PIMCO Prime Real Estate



LOCATION
Germany

Challenge

Institutional investors have displayed increased interest in expanding into more social housing; however, investments are limited by the requirement to balance social responsibility with fiduciary duties.

Solution / Approach

This case study concerns a portfolio in Germany, comprising of several residential buildings (totalling 300+ social housing units), of which over 90% of the units are subsidized.

These affordable housing units are constructed in well-connected neighbourhoods with access to schools and daycare centers. They cater to lower income individuals, including young professionals, retirees, and single-income families. Tenants are classified into three income groups to receive subsidy, decreasing their rent based on their income level.



Various schemes, including public subsidized loans, have been employed to bridge property and tenancy cost gaps, and mitigate leasing risk.

Results

The decision to employ subsidized loans supported both goals of the investor: advancing social impact and meeting financial targets.

Outcome

As a long term investment in society, the affordable housing project has been able to benefit from public **subsidized loans** of over **25-years** with a possible 15-year extension, including:

- A **property-related loan** which covered an element of the building costs, and a one-time pay out after completion helped the project
- A **tenancy related loan** which helped bridge affordability gaps between local reference rent and the reasonable rent
- An **energy-efficiency loan** which promoted sustainable construction and came with favorable terms and one-time grants.



PIMCO Prime Real Estate

Company

PIMCO Prime Real Estate is a global Core and Core+ real estate specialist with investments spread across direct and indirect equity in Europe, the U.S. and the Asia Pacific region, as well as through our lending business in Europe and the U.S.

Leasing risk was mitigated by the undersupply of affordable housing projects and a leasing guarantee in place for the first six months.

In addition to the social benefits of this portfolio, investor climate targets were reflected in the newly completed assets, adhering to standards such as KfW 55, EnEV (Energiesparverordnung), a regulation for energy use, and CREEM decarbonization pathways.

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