

Thousands of rental homes to be built through new partnership between Nest, L&G and PGGM

- Partnership will build and manage high-quality UK rental properties
- Expected to grow to a portfolio of £1billion over the coming years, with initial £350 million committed
- New partnership bolstered by international investment from the Dutch pension fund service provider PGGM
- Minister for Pensions: “Today’s announcement highlights the opportunities for our pensions sector to contribute to our communities and grow the economy.”

Nest, the UK pension scheme managing £43 billion of assets on behalf of a third of the UK workforce, has today announced a new partnership with Legal & General (L&G) and PGGM, collectively investing up to a billion pounds into building Build to Rent schemes across the UK.

Initially backed by £350 million of combined investment, this new partnership will build on L&G and PGGM’s existing joint venture and marks an exciting new investment opportunity for Nest’s members.

Amid sustained demand for high-quality rental housing, today’s commitment will also directly support the government’s target of delivering 1.5 million more homes.

Commenting on the announcement, Elizabeth Fernando, Nest’s Chief Investment Officer, said:

“We’ve been carefully considering the UK market and where best to invest so that we can help boost our members’ pensions and support economic growth.

“We can see there’s a critical shortage of housing supply, coupled with increasing demand for high-quality rental homes. By building more properties, we can extend to our members a great investment opportunity while helping to meet this demand and bolster the rental market.

“After working with L&G for many years, we’re delighted to extend our partnership into this new area. L&G and PGGM have already been successfully investing in UK Build to Rent sites, giving us confidence that this is a tried and tested approach we’ll now be extending to Nest members.

“This is a great deal for our 13 million members and the UK. By also drawing in international investment from PGGM, we’re amplifying our impact and providing much needed residential properties across the UK.”

L&G and PGGM have been investing together in UK Build to Rent schemes through a joint venture called the Access Development Partnership (ADP). Launched in 2016, the ADP was established to expedite the delivery of high-quality rental homes across the UK whilst aiming to drive stable returns for institutional investors.

Since then, L&G has deployed over £3 billion of capital into the Build to Rent sector, delivering more than 10,000 rental homes – forming a key part of its growing residential platform, one of the largest and most diverse in the UK.

Today’s announcement is for the second phase of the ADP partnership, in which Nest will also now co-invest.

António Simões, Group Chief Executive Officer of Legal & General, said:

“Today’s announcement and focused growth of our residential platform marks an important milestone

for L&G's ambitions in private markets and crowding in third-party capital. We're proud to have facilitated investment from domestic pension schemes as well as international private capital – underpinning the UK Government's push to boost investment into productive assets, accelerate growth, and deliver pensions savings.

“With an inherent supply and demand imbalance, there is a big gap to fill – and thus a need to drive up the delivery of all homes, across all tenures. Institutional investment has an important role to play, and we expect investor demand in the UK's Build to Rent sector to continue to grow.

“The launch of ADP in 2016 was the catalyst that has enabled L&G to deliver 10,000 high-quality rental homes across the UK's city centres. We're therefore delighted to re-capitalise with PGGM and welcome a new co-investor in Nest. Thanks to this commitment, we are not only accelerating delivery but also unlocking DC pensions access to the investment opportunity within the residential sector. It's a strong step forward in putting pensions to work.”

With locations already lined up, all new rental schemes will be targeting net zero in operation by 2030 and will be built on brownfield sites in city centres.

Dirk Bootsma, sr. investment manager Private Real Estate at PGGM, says:

“This new partnership with renowned investors L&G and Nest fits perfectly in our PGGM strategy to realise sustainable, high-quality mid-segment rental homes in the UK. This investment not only generates stable financial returns for our client PFZW, the Dutch pension scheme for healthcare workers, it also contributes to relieve a stressed housing market which poses a huge challenge to key workers. For PFZW, investments in sustainable real estate contribute to reaching its climate impact goal to reduce the equivalent of 15 Mega ton CO2 by 2030 through measurable impact investments.”

The government has previously called on the UK defined contribution pension industry to consider boosting investment in UK assets to aid UK economic growth.

Emma Reynolds, Minister for Pensions, has welcomed today's announcement as a great example of how pension schemes can support UK economic growth.

“Today's announcement highlights the opportunities for our pensions sector to contribute to our communities and grow the economy.

“I am delighted that Nest is harnessing the financial power of pensions to deliver more of the homes this government has pledged to build, which also serves as an excellent investment opportunity for future pensioners in their scheme.

“The Government's landmark pensions review seeks to unlock billions of pounds of investment in the UK economy and drive pension capital into long term growth assets to make every part of Britain better off”.

-ENDS-

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Notes to editors

About the Build to Rent industry

- Build to Rent is a small but growing sub-sector of the private rental sector. There are an estimated 4.6 million households available for private renting, estimated property value of around £1.5 trillion. The build to rent sector is currently estimated to be about £30 billion, roughly 2-3% of privately rented properties in the UK.

About the Nest, L&G and PGGM partnership:

- Following development of the new schemes, Legal & General's Asset Management Division will manage the properties on behalf of Nest's and PGGM's members. Nest, L&G and PGGM are all committed to improving the rental market by offering high-quality, rental properties with the option of long leases to provide people with more financial certainty.
- There will be a range of apartment types built and held within the portfolio, typically including co-working areas, a lounge, gym, cycling storage, concierge and all fixtures, fittings and furniture required to occupy the apartments.
- Residents have the option of long leases to provide residents with more financial certainty.
- L&G works with local authorities during the planning process on the provision of affordable housing. It is important to L&G and Nest that this housing is integrated into the development and has access to the full facilities of the site.

About Nest member attitudes towards UK investing

- In a recent survey of Nest members, more than 70% (71%) said they were interested in knowing more about how their money is invested in, specifically on the types of deals (assets). More than half (56%) said they were not sure how much was invested in the UK, something Nest wants to help rectify.
- To help provide further detail, the pension scheme will be publishing a quarterly summary of how this money is invested in the UK, just like it does with investment performance. Nest has around £8.5 billion invested in a variety of ways in the UK economy, from supporting infrastructure projects to lending to growing UK businesses.

About Nest

Nest was set up to ensure every UK employer could offer a workplace pension to their employees. Since then, we've grown to become the largest workplace pension scheme in the country with 13 million members and by the end of the decade, Nest is expected to have around £100 billion assets under management.

Nest wants to deliver the best retirement income for its members and has in place an award-winning investment strategy with one of the most diversified defined contribution portfolios in the UK. We will continue to expand our investable universe, including into private markets which have typically been out of reach for the average UK worker.

Legal & General's Asset Management Division

L&G's Asset Management division is one of Europe's largest and a major global investor across public and private markets, with £1.22 trillion in assets under management.

The division combines deep expertise in asset management and origination with global distribution capabilities to deliver positive outcomes for our clients, which include individual savers, pension scheme members and global institutions, investing alongside L&G's own balance sheet. As a global investor, we are present where our clients need us – from Hong Kong and Singapore, to major European financial hubs, to Chicago. – operating under the Legal & General and LGIM brands.

We provide investment solutions across the full spectrum of asset classes, ranging from index-tracking and active funds to liquidity and liability-based risk management strategies. Through our private markets platform, we utilise our rich heritage and extensive network of partners to offer access to a wide range of purposeful alternative investment opportunities, including specialist real estate, clean energy, infrastructure, venture capital, unlisted equities and private credit.

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Our division is underpinned by our enduring commitment to responsible investment, dedicated to creating long-term, sustainable value for our clients and partners.

Source: Legal & General internal data as at 30 June 2024. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR). The AUM includes the value of securities and derivatives positions and may not total due to rounding

Legal & General's Residential Platform

Legal & General (L&G), is a leading direct investor, lender, developer, and operator in residential property with one of the largest and most diverse platforms in the UK. We are uniquely placed to tackle the current housing crisis and deliver the homes needed given our expertise across investment management all the way through to the development and operations of assets.

L&G has successfully scaled up multiple operating businesses and delivered a number of strategies across both equity and debt, in a range of tenures, including build to rent, single family housing, student accommodation, later living, strategic land and affordable housing. The platform has over 20,000 units in operation or development, growing at over 4,000 units a year. The Group's commitment to investing in and delivering housing reflects the opportunity to secure steady, inflation-linked returns alongside positive social impact within local communities.

About PGGM Investment Management

PGGM Investment Management is part of the Dutch not-for-profit pension fund service provider PGGM. It fulfils a social mandate: the sustainable investment of the pension capital of around three million participants of PFZW, the pension scheme for the Dutch health and welfare sector. On 30 June 2024, PGGM IM managed EUR 243 billion in public and private markets globally. More information about PGGM IM:

<https://www.pggm.nl/media/0mjcgtddo/annual-report-pggm-vermogensbeheer-bv-2023.pdf>

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