

EASING THE  
INTER-  
GENERATIONAL  
HOUSING CRISIS



# Building homes for Britain.

“We need to build 250,000 new homes a year to keep up with demand.”

## We’re playing our part.



The UK managed to build 131,000 new homes in the year up to August 2015, the highest annual total since June 2009, but still a long way behind building levels in the 1950s and 1960s.

The government has announced an intention to deliver 275,000 affordable homes by the end of this Parliament. Whether this can be achieved depends upon getting the right investment, an improvement in planning laws and the availability of building materials and labour.

We’re committed to a homebuilding programme as one part of our direct investment programme, where we need to invest funds from our shareholder and policyholder capital to achieve a long-term financial return, sometimes for 30, 40 or 50 years. This replaces the role previously provided by banks and



**This huge under-investment goes back a long time. Cities are not overbuilt, they are under-demolished”**

NIGEL WILSON  
TCS presentation, October 2015

governments. We focus on strategic direct investments using our surplus capital to enhance yields, delivering improved returns for shareholders. We focus upon four sectors:

- UK housing
- UK urban regeneration
- Alternative finance
- Clean energy

### **Moving from NIMBY to PIMBY**

The UK may need a complete re-think of attitudes to housing, urban regeneration and infrastructure developments in areas such as transport, where local planning decisions actively move away from a ‘not in my backyard’ attitude to ‘please in my backyard’. Planning



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- 1. MediaCityUK, where we own 50% of a £500 million development, which includes accommodation for the BBC and ITV.
- 2. Carla, an owner of three restaurants in MediaCityUK.
- 3. A building project in Salford, where our urban regeneration scheme is creating 800 new homes and two million square feet of office space.

**CASE STUDY**  
**Regenerating Salford**

In 2015 we announced two new schemes in Salford to supplement the regeneration of Salford Central which is already breathing new life into the area. We completed the purchase of a 50% interest in the Peel Group's MediaCityUK at Salford Quays.

MediaCityUK is the largest purpose-built creative digital and technology community in Europe and is home to the BBC and ITV. Secondly, we announced the development of the first custom-built private rented sector scheme, building 90 homes on the border of Salford and Manchester. Salford Central is a £650 million investment, building 800 new homes and two million square feet of office space. It includes the expansion of Salford Central Station as part of the Ordsall Chord investment by Network Rail.

**WATCH THE VIDEO**  
[www.legalandgeneralgroup.com/2015fastread](http://www.legalandgeneralgroup.com/2015fastread)



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**2 million**

square feet of offices, including space for the BBC, ITV and University of Salford.

laws are getting better, but we've still a long way to go. We want to end the inequality of opportunity in the UK, where many developments focus on the affluent south of England to the detriment of our inner city areas, especially those in the north and west of Britain. Our urban regeneration plan has



**We need to build 250,000 new homes a year to keep up with demand. We haven't come close in decades."**

KPMG/SHELTER  
April 2014, 'Building the homes we need' report

been adopted by the government's 'Regeneration Investment Organisation' (RIO). We committed £1.5 billion as part of a £15 billion fund over the next few years, working alongside international investment partners. We have nine key regeneration schemes across the UK. In the north of England there are projects in Salford, Leeds Liverpool and Wakefield. In the west of Britain we're involved in projects in Cardiff and Plymouth. In the south of England, there are schemes in Canning Town, Bracknell and Crowthorne.

**Our commitment to Cardiff**

In Cardiff, we're not only committed to providing local employment with 1,200 people located in our Cardiff office, but we're also working with Cardiff City Council and a local developer, Rightacres, to regenerate the city. We contributed towards the £400 million mixed-use development, including a new 'Central Square', offices, hotels and residential developments, together with a transport hub and a new headquarters for BBC Wales.

### We need to regenerate cities, spreading wealth evenly across the UK.

By Laura Mason, director of direct investments at Legal & General Capital (LGC).

In 2013, we set up LGC to help actively invest the group's balance sheet and improve shareholders' quality earnings by increasing our exposure to strategically important direct investments for the group. We've now invested over £7.0 billion in direct investments across the group, being involved in over £2.4 billion of regeneration projects in the UK, up from £1 billion a year ago. We now have access to a portfolio

of nine strategically important regeneration schemes that are fast transforming and reshaping Britain's landscape, bringing jobs and housing back into the centre of cities.

Our aim is to replace capital previously made available by banks and government. We aim to invest our long-term capital sources to match our long-term liabilities whilst wherever we can investing into socially and economically useful projects for the UK.

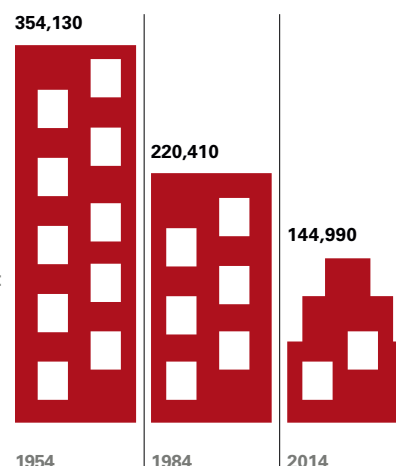
We partner with market leaders to ensure we have access to the most comprehensive market intelligence and skill sets.

In 2015, as well as progressing our projects in Salford, Leeds and Cardiff, we made a major breakthrough in the

regeneration of Bracknell. The scheme is to regenerate Bracknell town centre and provide new retail, leisure and residential apartments, within landscaped public spaces. Through the Bracknell Regeneration Partnership, a 50:50 joint venture between LGC and Schroder UK Real Estate Fund, we announced an agreement for a 20,000 square foot pre-let to Arcadia at its 'Northern Retail Quarter'.

FURTHER DETAIL  
[www.legalandgeneralcapital.com](http://www.legalandgeneralcapital.com)

### UK home building volumes



Source: [www.gov.uk/government/statistical-data-sets/live-tables-on-house-building](http://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building)  
Table 241: permanent dwellings completed, by tenure, United Kingdom, historical calendar year series.

### The northern 'powerhouse'

In Leeds, our first RIO development was to acquire a 50% stake in Thorpe Park Leeds, a £160 million 200 acre mixed-use business development. The joint venture with Scarborough Group is set to create 13,000 local jobs while potentially unlocking the construction of 7,000 new homes in the East Leeds area through the construction of the first section of the East Leeds Orbital Road.

### Let's build Britain

Our commitment to homebuilding includes all types of housing tenures. We invest in the 'build to rent' sector as well as building homes to buy for all age groups, from first time buyers to 'last time buyers'. We're keen to see a greater supply of affordable homes and social housing. In Walthamstow, we acquired an initial £25 million regeneration site to build and rent over 300 flats. In Salford, we partnered with English Cities Fund for a £16 million scheme, part of the New Bailey development, which will create a total of 90 homes located on

the border of Salford and Manchester. Both developments comprise one-, two- and three-bedroom flats.

The rent from the flats will provide an attractive long-term institutional investment return. We're investing with PGGM, a Dutch pension scheme, in the development of private rental housing assets, which will be managed by our 'Real Assets' team. Providing long-term rental income will create a good match of annuity and pension liabilities, as well as real economic growth for the UK, creating much needed new housing.

### Investing in clean energy

In December 2015, we made a start in investing in clean energy by investing in NTR Wind Management Limited, a clean energy and asset management business, that has committed to building an onshore wind portfolio which could generate sufficient electricity to power up to 170,000 homes and avoid more than 300,000 tonnes of CO<sub>2</sub> per annum across the UK and Ireland.

### Alternative finance

Our 40% equity stake in Pemberton allows us to offer direct lending through the Pemberton platform to UK and European corporates, providing much-needed loans and private placements to mid-market companies in the UK and Europe. We achieved a major milestone in 2015 with the first Pemberton fund closing. We now have €500 million invested in loans across Europe.

SEE THE ONLINE FAST READ  
[www.legalandgeneralgroup.com/2015fastread](http://www.legalandgeneralgroup.com/2015fastread)

### MANAGING THE RISKS

Using 'slow money' to become the UK leader in direct investments inherently exposes us to property market, lending and loan default risks. We have over the years, through Legal & General Property, built significant expertise in property markets. Combined with our credit capability, we're able to assess the risks of each transaction and validate the quality of the security that we take.