



Legal & General launches new Suburban Build to Rent arm, as it looks to deliver 1,000 new family home a year

Legal & General Capital (LGC) announces the launch of its new Suburban Build to Rent (SBTR) business which will develop large scale 'single family' rental communities in suburban locations across the UK. The new housing arm will partner with UK housebuilders and undertake a direct delivery programme to bring forward over 1,000 homes each year from 2024. As an investment market which is forecast to grow to in excess of £200bn, Legal & General aims to be the UK's first choice SBTR platform creating much needed, high quality family homes in areas connected to schools, transport infrastructure and key amenities.

In 2019 the operational UK BTR market was valued at c £10bn. As a Group, Legal & General has a strong track record within the sector. Having launched its Build to Rent Fund in 2017, it now has over 5,000 homes in operation or development across the UK's major towns and cities. The SBTR sector, however, has lacked the same concentration of institutional investment, with less than 1% of the market having benefitted from patient capital investment compared to c. 6% for the urban sector. Recognising this untapped potential and the societal need for high quality family homes to rent, Legal & General is establishing a new product to meet the increasing demand.

Legal & General's SBTR schemes will be community focused and service-led, offering resident's choice, security of tenure and flexibility. This level of offering is largely unavailable in the wider residential market, particularly outside the UK's urban centres. Legal & General's SBTR developments will offer a mixture of houses and low density apartments, whilst being designed to reflect new ways of living, post-COVID, such as incorporating home offices and more extensive outdoor space. In line with Legal & General's wider commitment to sustainability, SBTR will implement a robust ESG framework into its developments in order to enhance and create viable, long-lasting communities. Alongside Legal & General's other housing businesses, SBTR will target to be operationally carbon net zero by 2030.

Legal & General Capital is Legal & General Group's alternative asset platform, creating assets that back pensions with an improved yield or deliver strong growth prospects with low correlation to equities. Its purpose is to achieve risk-adjusted returns for its shareholders and level up regional economies. It has built its market leading capabilities in a range of alternative assets, including residential property; specialist commercial real estate; clean energy; alternative credit; and venture capital, delivering depth of resource, track record and intellectual property. It invests in the real economy, creating alternative assets that deliver a tangible impact, investing society's capital for society's benefit. As LGC grows its platform, SBTR will form a natural evolution to its investment strategy. SBTR will utilise Legal & General's diverse capital streams, robust track record and commitment to socio-economic investing to deliver well-managed, mass-market single family rental housing.

LGC's SBTR arm is headed up by Simon Century, who has led the investment and scale up of a number of major housing businesses, such as Legal & General Affordable Homes. He will be supported by David Reid, who will act as Managing Director of the new business, having joined Legal & General from Rowan Asset Management in January 2020. The wider SBTR team is now being established, seeking talent from a diverse range of backgrounds including investment, operational and residential development sectors.

Nigel Wilson, CEO of Legal & General said "As we prepare for economic recovery, businesses like ours must continue to invest in our future. In light of the pandemic, it is more important than ever that we deliver the houses that our society needs to address structural shortages across every dimension of the market. We are still falling far short of the over 300,000 new homes needed each year.

“To support this growing need, Legal & General has deployed institutional capital at scale to revolutionise affordable housing, later living, the urban rental market, build to sell and to speed up construction through modular housing. It’s now time that we play a significant role in the suburban single family rental housing market. Legal & General have the will, the capital and the deep sector knowledge to invest and drive real impact.”

David Reid, Managing Director, Legal & General Suburban Build to Rent said “Build to Rent as a sector has consistently demonstrated value to investors, delivering robust and defensive income streams, suitable for patient capital investment. It has shown significant resilience throughout the current crisis with strong rental collection and occupancy rates. With working practises and demands changing rapidly, this is an appropriate time to broaden Legal & General’s BTR investment, into the suburban single family housing market. This is not only about strong investment prospects; it’s about providing high quality rental housing options for the growing number of families across the UK. Our size and commitment to the housing market across tenures, means we’re in a strong position to lead the way in this nascent sector, delivering well-managed, service-led communities which provide a reliable and positive alternative to home ownership.”

Further information

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Notes to editors

About Legal & General Capital

Legal & General Capital (LGC) is Legal & General Group’s alternative asset platform, creating assets for Legal & General Retirement and third-party clients in order to achieve improved risk-adjusted returns for our shareholders. LGC has built its market leading capabilities in a range of alternative assets, delivering depth of resource, track record and intellectual property. It invests in the real economy and creates alternative assets that deliver a tangible societal impact; “investing society’s capital for society’s benefit”. These include residential property; specialist commercial real estate; clean energy; alternative credit; and venture capital. Delivering a target blended portfolio return of 8% to 10%, over the next five years. LGC’s ambition is to grow its shareholder funds’ diversified alternative assets AUM to up to £5bn, while adding over £10bn of 3rd party capital AUM, invested directly and via owned or part owned boutiques, and asset creation for LGR.

About Legal & General

Established in 1836, Legal & General is one of the UK’s leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK’s largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.