

News

FOR IMMEDIATE RELEASE

BMO REP launches UK Housing Fund with partner Home Group

- Cornerstone investors include social impact investor Big Society Capital -

LONDON, 20 January 2020 – BMO Real Estate Partners (BMO REP), the pan-European property investment and asset management specialist that is part of Canada's BMO Financial Group's £216 billion¹ Global Asset Management business, announces the first close for its newly developed UK housing strategy. The BMO UK Housing Fund (the Fund) will target a circa 6% return and 4.5% annual distribution yield through the provision of high quality, purpose-built mid-market rental homes for local key workers. The Fund, which is launching in order to take advantage of immediate opportunities within its circa £250 million investment pipeline, is targeting around £500 million of equity to deliver a core, inflation linked income-focused portfolio, which will be underpinned by an innovative ESG Impact Policy overseen by an independent advisory group.

The aim of the new Fund is to address a distinct gap in the UK housing market by offering high quality, sustainable, community based rental property, targeted at low to middle income households whose needs are not currently being met and where a real growth opportunity exists, given the UK housing market fundamentals. Investment will be governed by a robust social agenda, aligning with rigorous ESG and impact investment objectives which have already attracted highly regarded and discerning impact investors, including Big Society Capital. The Fund's ESG Impact Policy creates a strong governance structure to guarantee a product that satisfies occupier needs today and in the future, while also prioritising environmental considerations and promoting sustainable living, ultimately creating thriving communities for the long term.

BMO REP will work alongside its development and operating partner, Home Group, to invest in purpose built, quality housing stock that improves the options to rent for working households and complements existing market participants (operators launching premium rental accommodation and social housing provided by Registered Providers and Local Authorities).

Home Group, which has been in existence for more than 80 years, is one of the UK's largest providers of high-quality integrated housing, health and social care. BMO REP will act as Investment Advisor to the Fund, responsible for capital raising and governance, as well as the underwriting and purchase of appropriate sites and assets, forward funding any construction; Home Group will be responsible for sourcing sites with the appropriate planning consents, as well as forming part of the platform for the ongoing property management and leasing operations.

¹ as at 30.09.2019 and includes both discretionary and non-discretionary assets

Angus Henderson, Head of Business Development at BMO REP said: “This Fund enables us to provide a much-needed housing solution to low and middle income earners while generating sustainable, inflation-linked long term income returns for investors. To achieve this, Home Group was very carefully selected as BMO REP’s development and operating partner thanks to its long term track record and deep seated experience in building and managing large scale housing solutions, with an emphasis on improving the private rented sector with a management responsible approach. We have identified a significant pipeline of short to medium term opportunities which we are hoping to imminently take advantage of.”

Mark Henderson, CEO, Home Group said: “As a country, we aren’t going to be able to build the homes we need without innovative approaches. A larger, professionally managed private rented sector will have a positive impact in driving up standards. Making private renting better is crucial to ensuring everyone has a safe and affordable home to live in. Expanding Home Group’s housing delivery model into the private rented sector through the relationship with the BMO UK Housing Fund and the utilisation of the ‘Flexible Rent’ leasing mechanism we are able to offer the sector the potential to provide more of the homes we need at an affordable level with funding coming from the private sector. It does not need government grant – yet can operate at scale.”

Anna Shiel, Head of Origination at Big Society Capital commented: “There is a significant shortage of high quality, secure and affordable homes available in the private rented sector (PRS) in the UK, particularly for individuals and families on low to middle incomes. At Big Society Capital, we look for housing ideas to improve lives and help address the root causes of the UK’s housing crisis. An essential part of the solution is tackling the problems experienced by tenants and improving the quality and number of housing options truly affordable to people living in the PRS.

“We believe the innovative Flexible Rent model will help support this by delivering new and professionally managed affordable rental homes and enabling build to rent to serve a wider market.”

BMO REP has been investing in and managing UK property for over 50 years and currently manages £6.2 billion of property across Europe, including £850 million of residential property in the mature German rental market. It has a strong track record in creating and managing real estate portfolios that deliver long term sustainable income and are built from quality, long term investments underpinned by strong fundamentals.

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About BMO Real Estate Partners

BMO Real Estate Partners is a specialist real estate investment manager firm with £6.2 billion of AUM² across core European markets, employing more than 140 staff, including more than 20 investment managers and over 25 asset managers overseen by a highly experienced and well-regarded management team.

It offers investors a broad suite of products specialising in core / core+ strategies with a focus on delivering superior income returns and a track record of performance against key benchmarks throughout market cycles. BMO Real Estate Partners has a strong localised presence with offices in London, Paris and Munich, as well as on-the-ground reach in core European markets including Spain and Italy.

While it retains an independent, agile and entrepreneurial approach to its investment activity, BMO Real Estate Partners is able to call on the support structure and expertise of BMO Financial Group's £216 billion³ Global Asset Management business, which provides deep seated insight into institutional investment landscape and facilitates the adoption of best in class corporate governance and sustainability principles.

About BMO Global Asset Management

BMO Global Asset Management is a global investment manager with offices in more than 25 cities in 14 countries, delivering service excellence to clients across five continents.

Our four major investment centres in Toronto, Chicago, London and Hong Kong are complemented by a network of world-class specialist managers strategically located across the globe: BMO Real Estate Partners, LGM Investments and Pyrford International Ltd.

BMO Global Asset Management is a signatory of the United Nations-supported Principles for Responsible Investment initiative (UNPRI).

BMO Global Asset Management is a part of BMO Financial Group, a highly diversified financial services provider based in North America with total assets of CDN \$852 billion as of 31 October 2019.

About Home Group

With a turnover of over £360m, Home Group is one of the UK's largest providers of housing, health and care. Home Group supports over 125,000 customers across 55,000 properties in England and Scotland, which includes around 26,000 people with mental and physical health issues.

The North-East based social enterprise has a strategic goal to build 'the right homes in the right places at the right costs' by 2022, and is being supported by Persona, its own outright sale arm which it launched in 2018. All profits from Persona are reinvested to build more social and affordable homes.

About Big Society Capital

Big Society Capital improves the lives of people in the UK by connecting social investment to social enterprises and charities.

² Assets Under Management (AUM) reported is as at 30.09.2019 and includes both discretionary and non-discretionary assets.

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We know that investment can help social enterprises and charities achieve more. We believe the greatest chance to improve lives comes when investors and enterprises are both motivated by social mission.

We engage with investors, fund managers, social enterprises and charities to make it easier to use social investment. With our co-investors, we have made over £1.7bn of new capital available to organisations with a social mission, through investments into fund managers and social banks. We have a special focus on: providing homes for people in need; supporting communities to improve lives; and early action to prevent problems.

The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

The value of directly held property reflects the opinion of valuers and is reviewed periodically. These assets can also be illiquid and significant or persistent redemptions may require the manager to sell properties at a lower market value adversely affecting the value of your investment.