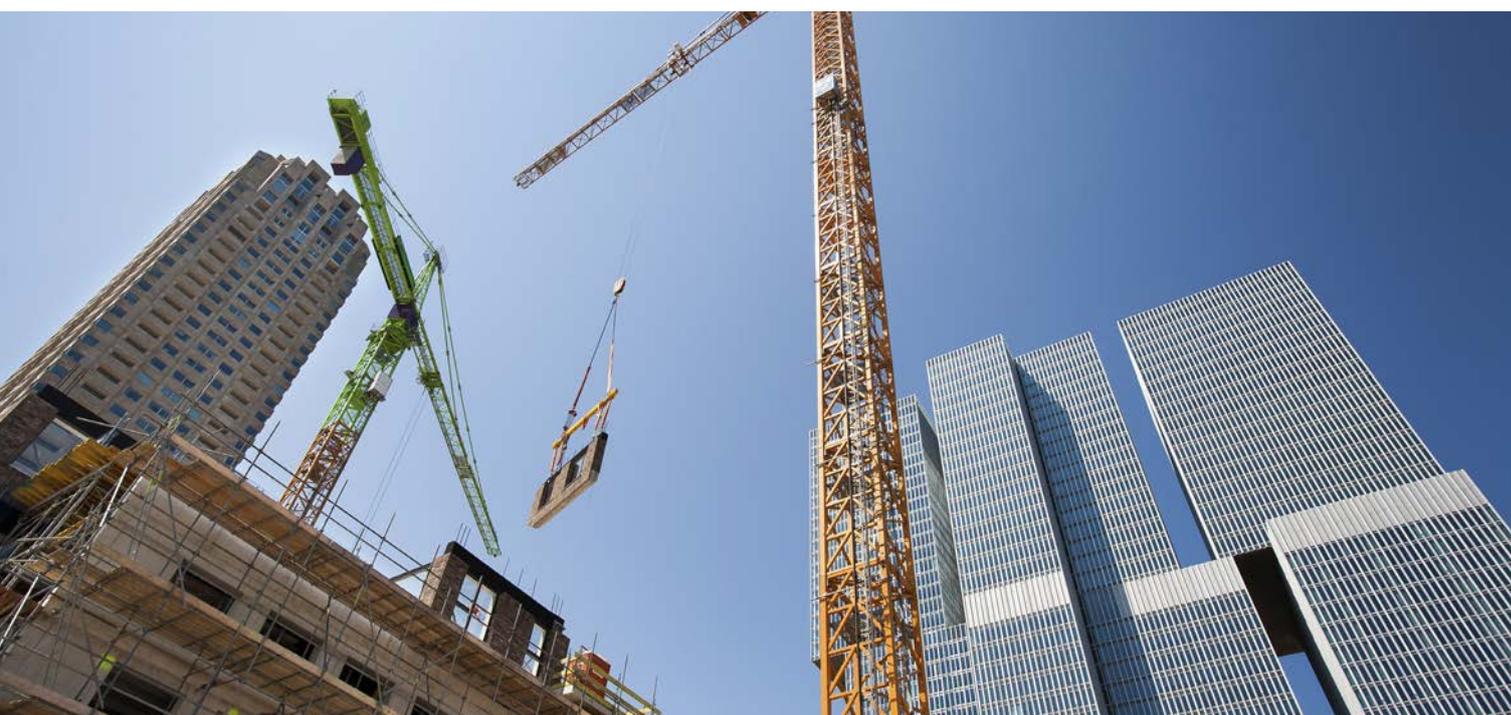


*Vision

Moving forward on the housing market



Via partnerships and clear direction: adding new, more suitable homes and making homes more sustainable.

How can we solve the impasse on the home construction front?

Over the past few years, it has become increasingly difficult for a growing number of people to find a home, especially in large and medium-sized cities. Arriving at a solution to this problem will require intensive cooperation on the part of urban partners. Together, we will have to build more homes and improve housing mobility. The Agenda for Action on Housing (*Actieagenda Wonen*) and the 14 NOVI regions are an excellent starting point for the future.

One million homes

House prices are rising and new entrants to the market have little chance of finding a home they can afford. This is partly due to the fact that there is a shortage of (social) family homes, homes for seniors and affordable homes for starters.

Most of us are aware of the fact the Netherlands needs to build one million new homes between now and 2035. On top of this, the impact of climate change is becoming abundantly clear and achieving the targets laid down in the Climate agreement – with specific requirements for the built environment – is becoming even more urgent. This will require an enormous effort on the part of all the players in this market. The battle for space has begun in earnest and we are now on the brink of a major overhaul and spatial reshaping of the Netherlands. Not only do we have to build more homes, those homes have to be smarter, more sustainable, more affordable and serve the needs of a wider public.

The Agenda for Action on Housing and the 14 NOVI regions as a starting point

In early 2021, 34 organisations drew up the Agenda for Action on Housing (*Actieagenda Wonen*), a socially driven plan to build a million homes. Players such as Aedes, the Dutch association of housing corporations, tenants' rights organisation de Woonbond and the association of project developers, NE-PROM, came together to draw up this ambitious plan, together with achievable home construction targets. Institutional investors – united in the IVBN, the Dutch Association of Institutional Property Investors – also played a role in drawing up this plan. The plan includes a number of widely supported measures the

Dutch government can adopt for the future. For instance, concerning financing in the form of a growth fund or housing construction incentives. The National Strategy on Spatial Planning and the Environment (Nationale Omgevingsvisie – NOVI) is a great starting point. The Ministry of the Interior and the Ministry of Infrastructure and Water Management have meanwhile taken the plans a step further by mapping out 14 large-scale housing construction regions. The plan calls for the construction of around 600,000 homes in these 14 regions. Dutch institutional investors, backed up by pensions funds, are more than happy to help realise this plan. The Dutch government can count on our support.

Not every investor is the same

Institutional investors like Bouwinvest invest in homes on behalf of the likes of pension funds and insurance companies. They make capital available to make (new-build) construction projects possible ('build-to-rent' investors). These investors currently account for around 10 percent of nation-wide new-build construction, largely in the mid-rental and liberalised rental segments. Without institutional investors, a lot of new-build projects simply would not have happened and there would be even fewer homes available. This is what makes institutional investors different from private investors, also referred to as 'buy-to-let' investors. Unlike institutional investors, private investors prefer to invest in existing homes. Because of this, they compete directly with the likes of first-time buyers on the owner-occupier market. This is why we are calling on the government to make a distinction between various kinds of investors and to use institutional investors to help solve the housing shortage.

Bouwinvest is committed to mid-rental segment tenants

Bouwinvest invests in (new-build) homes and does this on behalf of mainly Dutch pension funds and insurance firms. Bouwinvest is primarily committed to serving the interests of a specific group of home seekers, who are often left by the wayside in the current market: mid-rental segment tenants (a monthly rent of between around €750 and €1050).

There are a number of housing segments, with the owner-occupier and social rental segments the two largest. The liberalised rental sector accounts for just 8% of the market, with around 60% of this in the mid-rental segment. This while the demand in the mid-rental sector from middle-income households is enormous.

Institutional investors can form a crucial link in the effort to increase housing stock. But that is only possible when public and private players join forces.

Bouwinvest has set itself the goal of having at least 60% of its investments in new homes in the mid-rental segment. In addition, Bouwinvest invests in homes for seniors and stimulates housing mobility, while where appropriate we allocate homes on the basis of income and we plan to make our real estate portfolios energy neutral no later than 2045. In other words: we remain committed to the creation of inclusive, sustainable and liveable neighbourhoods.

With the National Strategy on Spatial Planning and the Environment (NOVI) and the 14 NOVI regions as a starting point, Bouwinvest is looking to the future. How can we move forward on the housing market?

Consistent housing market policy and the central direction of housing construction initiatives are crucial on this front. Providing central direction will enable the Netherlands to build more homes, more suitable homes and make the built environment more sustainable.

1. Cooperation and direction

What is Bouwinvest doing?

The Dutch government has the ambition to add one million new homes to solve the housing shortage. That will only happen if public and private players join forces. Bouwinvest and other institutional investors invest with a long-term perspective. This is because they have an obligation to pension participants: generate sufficient returns to ensure that pensions can also be paid out in the future. Thanks to this long-term perspective, institutional have a shared interest with housing corporations and local authorities. We are in continuous dialogue with national and local public sector players to communicate our constructive message. Effective direction from the national government is crucial if we are to make progress in meeting the Netherlands' housing needs.

Bouwinvest target:
at least
60%
of residential investments
in new mid-rental
segment homes

State, Amsterdam



What would help to solve the housing shortage?

- Institutional investors are prepared to make concessions. We need that willingness to compromise throughout the chain.
- Encourage local councils to draw up long-term visions and to charge fair (residual) land prices for mid-rental segment and homes for seniors.
- More cooperation: facilitate structural consultation for cooperation between market players and the government and for the testing of policy. And initiate early discussions with developers and investors on the measures that will accelerate the realisation of home building ambitions.
- A qualitative national strategy on the mid-rental segment and homes for seniors. For instance, first build the infrastructure in an area, to make it attractive for investors. Pension funds are then more likely to commit capital to those areas.
- Team up with institutional investors and housing corporations to boost mobility from social rental homes to the mid-rental segment and from family homes to suitable homes for seniors

2. Increase the housing stock in the mid-rental segment

What is Bouwinvest doing?

In the Agenda for Action on Housing – to which Bouwinvest is an indirect signatory (via our sector organisation IVBN) – institutional investors, housing corporations, developers and other stakeholders have set the goal to build a million extra homes in the period to 2035. Bouwinvest has an additional focus on the mid-rental segment and a sustainable, liveable and accessible urban environment. We invest using social capital, the funds of pension beneficiaries. They demand financial and social returns. And that is precisely why we have an interest in investing in what society needs. This makes us a valuable partner for the national government, local councils and housing corporations.

What will help to solve the housing crisis?

- A consistent vision on the financing of home construction ambitions and the role of market players and pension funds in the realisation of those ambitions. Numerous political parties included high home construction ambitions in their election manifestos.
- We need a million new homes in the various owner-occupier and rental segments. To achieve this, look at forms of public-private partnership. Provide clear criteria regarding which investors the government wants to work with, set quality requirements and test for compliance.
- Institutional investors want to commit to the housing market if they can generate stable returns for the payment of pension benefits. This requires consistent government policy.

Bouwinvest advocates moderated rent increases; plus it should be possible to set rents at market rates for new rental contracts and we believe it would be better if the government were not to apply the points system used in the regulated rental sector in the liberalised rental sector.

- Be cautious and critical with regard to regulatory measures that push up costs. This increases risk and scares investors away. It also makes projects less feasible. In addition, labour, building land and building materials are expensive and we need to invest in sustainability. In short: more requirements means more risk and that has a negative impact on the financial feasibility of new-build projects.

3. More suitable homes

What is Bouwinvest doing?

The desire to provide suitable housing is not just important for society as a whole; it is also important to Bouwinvest. The right person in the right home means that person continues to rent for longer. This reduces vacancy risk and offers us the best perspective for a long-term stable investment. For instance, we are investing heavily in homes for seniors, something there is also enormous demand for. And this offers an additional benefit: it can boost much-needed mobility in the housing market. In addition, Bouwinvest has lowered the income requirement for its mid-rental segment homes and where appropriate we allocate our homes to middle-income households; for some projects, we give priority to middle-income households that leave behind a social rental home.

What will help to meet housing demand?

- Develop a vision on senior housing and how this will be financed. The need for homes for seniors, with or without care requirements, has grown enormously over the past few years. This rising demand is driven by the so-called double ageing of the population. What is more, providing suitable housing for seniors will play a key role in kick-starting mobility in the housing market.
- Introduce income-related rent increases in the mid-rental segment. The regulation of the mid-rental segment has already created a new segment with a mismatch between income and rent. Introduce an income test, so landlords can also test annual incomes in the mid-rental segment, just as they do in the social rental segment. This will prevent tenants who pay too little rent for their income level from occupying homes that may be much needed by other middle-income households.
- Make it possible for people to move back to social rental homes. Bouwinvest is helping to facilitate the movement of social rental tenants to the mid-rental segment, but our tenants cannot move back into social rental homes if they see their income decline. Right now, housing corporations have few options for direct intervention in the allocation of social rental homes. Making this easier could kick-start more mobility in the housing market.

4. Making the built environment more sustainable

What is Bouwinvest doing?

As an institutional investor, we want to keep the world clean and liveable for the current and future generations for whom we invest. What is more, we expect real estate that is not gas free and near energy neutral to decline in value. Bouwinvest wants its entire portfolio to be Paris Proof by 2045 (and not only in 2050). We invest in making our buildings natural gas free and (nearly) energy neutral.

What will help to make the built environment sustainable?

- Develop an integrated vision and policy execution parameters. Plus, do not focus on labels, but specifically on energy use.
- The national government and the EU are developing policy to provide the market with incentives to invest in sustainability. Examples of these policies include the minimum C energy label obligation for offices in 2023. As a building owner, we feel it is important that the government draws up integrated policy with clear parameters and norms for the long term (for instance 2030 and 2050). Long-term investors want to know which norms will be used to assess buildings, so they can invest pension-related funds in the correct manner.

- Ensure that rules are simple and clear, which will prevent sustainability initiatives from becoming more labour intensive than necessary, both for the government and for market players. For example: combine the rules for the realisation of the Paris agreement more explicitly with the phasing out of gas extraction in the province of Groningen.

More requirements means more risk and that has a negative impact on the financial feasibility of projects

Rijswijk Buiten, Rijswijk





Real Value for Life

Bouwinvest is an international real estate asset manager which aims to add value in a sustainable way. We are fascinated by the city of the future and we focus on *Creating real value for life*. Our investments contribute to sustainable, liveable and inclusive metropolitan areas and enhancing pension benefits.

Circularity

The earth's supply of raw materials is limited and, in some cases, is already running out. Clever recycling in the construction sector reduces the use of building materials, cuts the production of waste and boosts the sustainability of the real estate sector.

Climate adaptation

The different weather patterns emerging through climate change pose a challenge in urban areas. They influence our health, our quality of life, and home and office comfort and this, in turn, can cause economic damage. By making sure our buildings are adapted to these developments, we are reducing our vulnerability to the current and future impact of climate change.

Paris Proof

We counteract climate change by investing in gas-free and energy-neutral property. By focusing on Paris-Proof real estate, we are creating *real value for life*.

Affordable homes

We provide both affordable housing and a stable return for our shareholders. We do this by investing in mid-market rental homes to create *real value for life*.

Metropolitan regions

Successful metropolitan regions are not defined by their size but by the balance between growth and liveability. This is why we create *real value for life*.

Senior housing

The demand for housing for senior citizens and for healthcare-related property is only going to increase. By investing in this specific sector, we are creating both stable financial returns and having a social impact.



Further information

To find out more about our approach to the Dutch housing market, please contact:



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