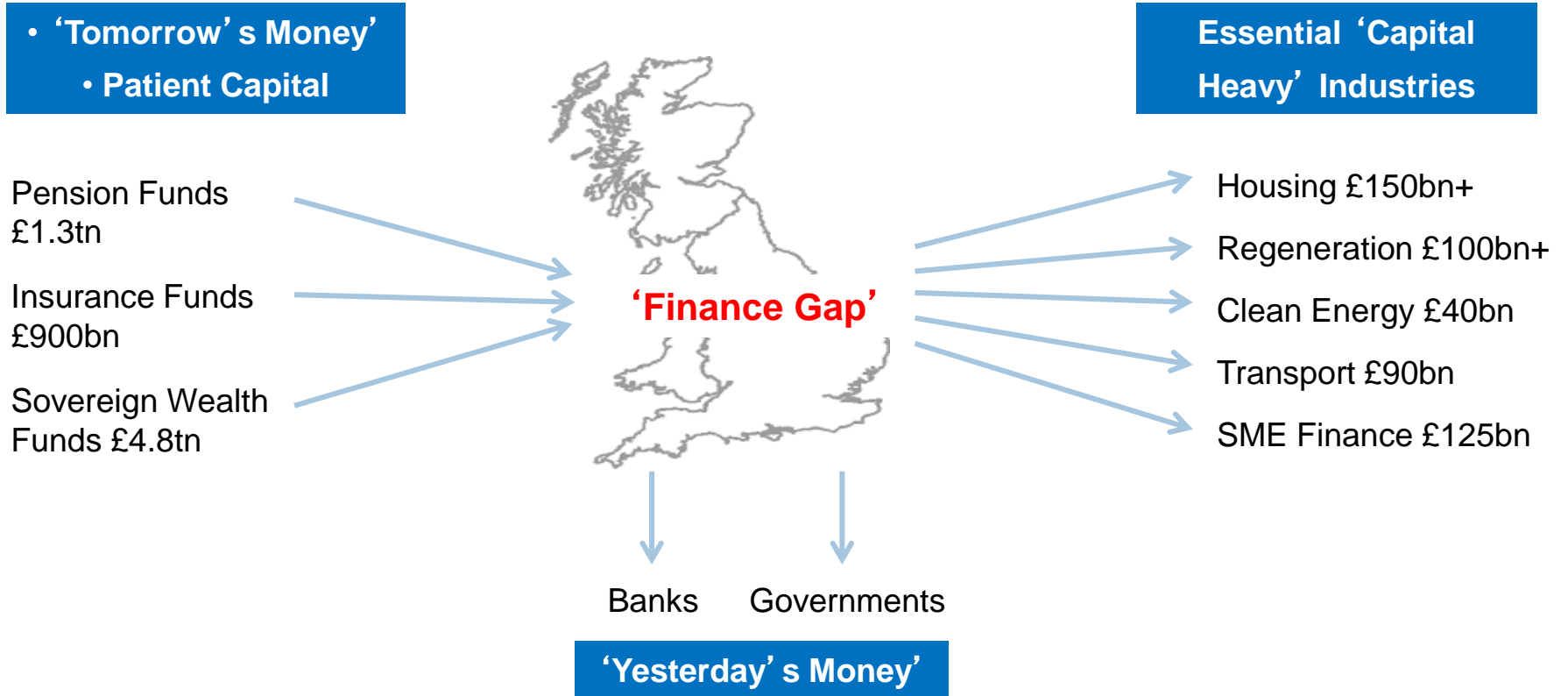
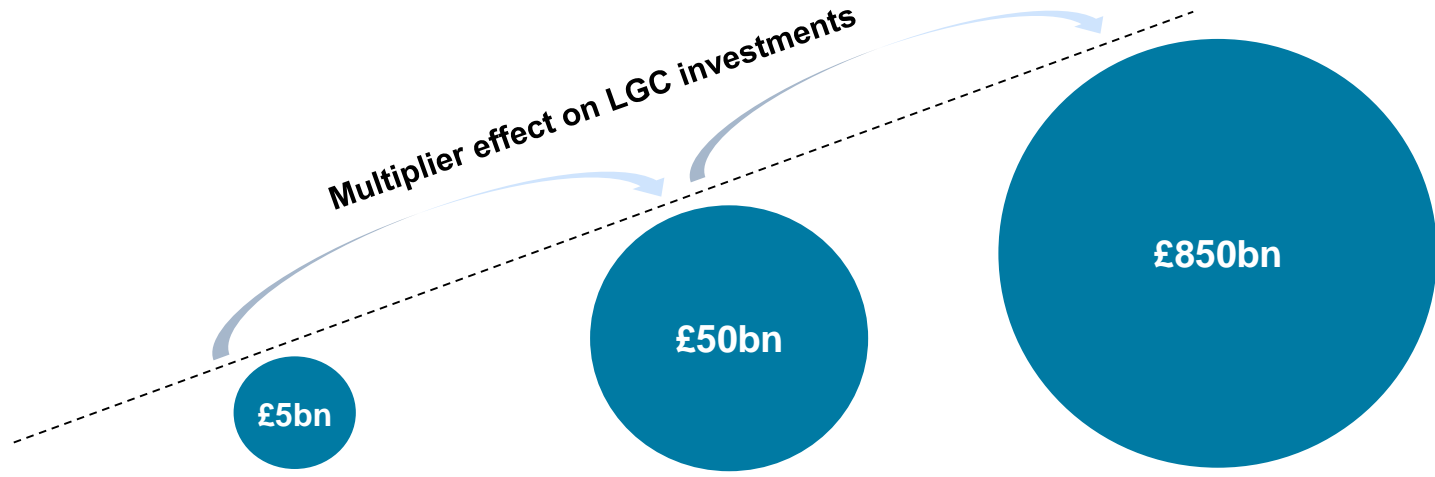


Why would a pension and insurance business care about housing?

James Lidgate
Director of Housing
Legal & General Capital







Business	Legal & General Capital (LGC)	Legal & General Retirement (LGR)	Legal & General Investment Management (LGIM)
Assets	£5bn Shareholder Capital Strategic Investor	£50bn Annuity Funds Secure Income Investor	£850bn Fund Manager Multi-Asset Investor
Purpose	LGC	LGR	LGIM-Managed Funds
Examples	<ul style="list-style-type: none"> • 1 Central Square development <ul style="list-style-type: none"> • Build to Rent pipeline • Newcastle speculative office development 	<ul style="list-style-type: none"> • BBC – Central Square • Newcastle council-leased offices • Hotels in Cardiff / Newcastle • Council let car parks 	<ul style="list-style-type: none"> • 1 Central Square (operational) <ul style="list-style-type: none"> • Media City syndication • Thorpe Park (operational) • Build to rent – Cardiff / Newcastle

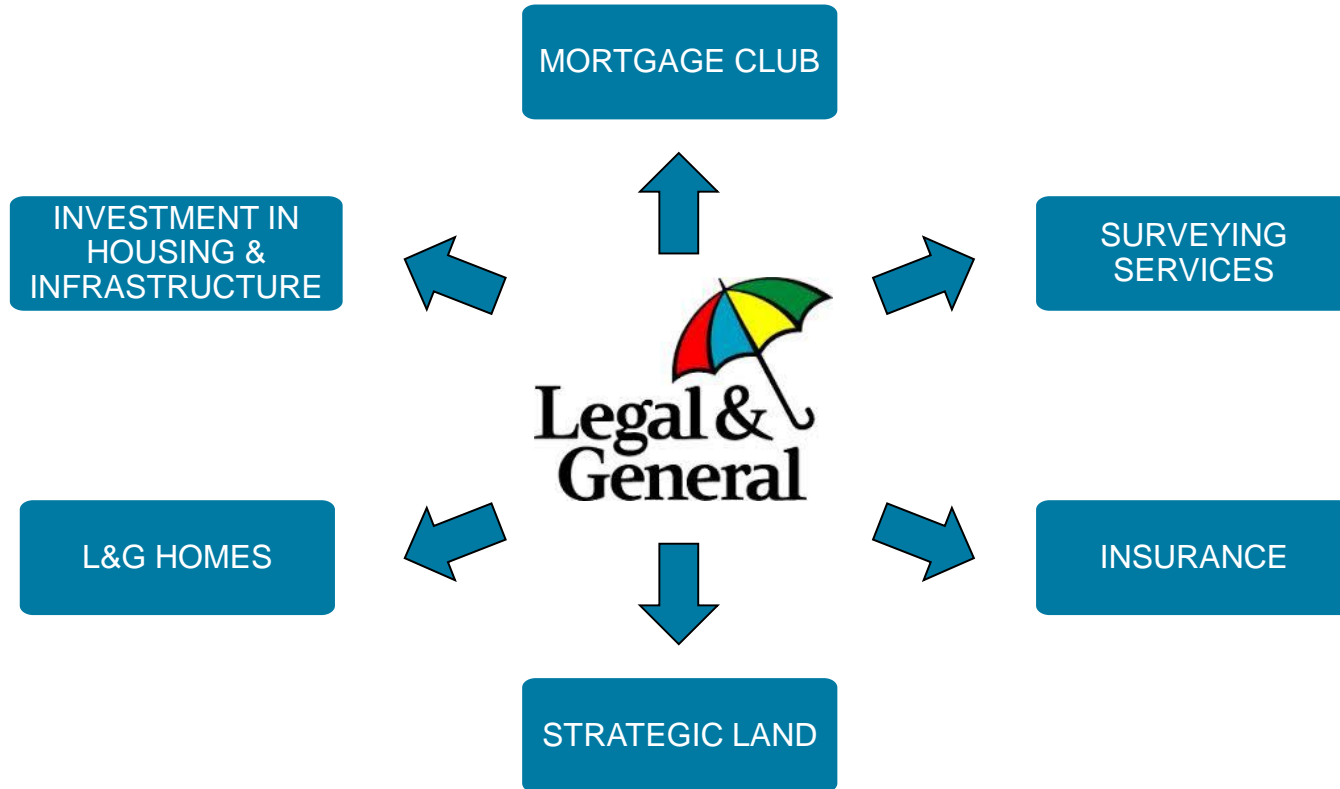
“the construction industry and its labour model is at a critical crossroads in terms of its long term health”
The Farmer Review

“It is madness to spend £9bn of taxpayers’ money lining the pockets of private landlords, rather than investing in affordable homes”
David Orr

“We will support efficient, innovative and underused methods of construction such as offsite factory builds”
Sajid Javid

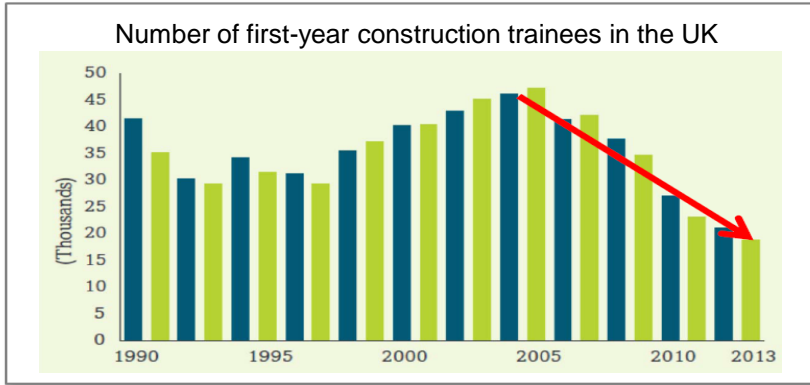
“Construction work shouldn’t be held up by council officers getting round to approving designs for landscaping, playgrounds or ensuring developers are liaising with community artists”
Stewart Baseley

“Brexit is likely to exacerbate construction workforce shortfall”
The Farmer Review

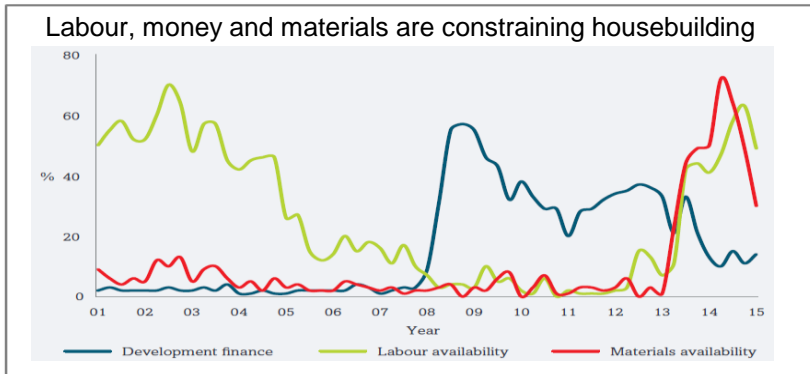


Trends

- Skills shortage in the sector



- Construction volatility



Opportunities

- **Construction element of value chain** - A fixed labour force, trained along manufacturing principles creates more cost certainty earlier in the development programme than traditional construction procurement.
- Key strategic fit with aspirations of build to rent and long-term asset ownership due to speed of delivery, consistency of quality and reduction in maintenance and life-cycle costs.
- Sustainable and predictable internal order-book from wider multi-tenure L&G pipeline.
- Public and private sector partners are seeking to reduce their exposure to construction price volatility and therefore long-term JVs and strategic partnerships can be leveraged.

What is Legal & General's housing division?

	 Legal & General HOMES
	Modular
Land buying	
Construction	✓
Sales	
Management	





	Modular	Communities
Land buying		✓
Construction	✓	✓
Sales		✓
Management		✓



Trends

“Generation Rent”

Fastest housing growth sector

10%

of the UK population
rented privately in
2000



19%

of the UK population
rented privately in
2015



“L&G Group synergies”

Co-investment by LGIM fund

**BUILD TO RENT
FUND**

**ACCESS DEVELOPMENT
PARTNERSHIP**

33% ↓

67% ↓

100% 100% 100% 100% 100%






Stabilised assets







Opportunities

- Multi-tenure housing delivery - competitors are largely focussed on de-risked forward funding deals.
- Modular system creates key market advantage due to speed of construction. Positive IRR movement due to earlier rental income, coupled with more energy efficient homes, lower life-cycle costs increasing net operating income.
- BTR can act as development catalyst for larger regeneration projects due to speed of construction matching rental absorption rates.

			 
	Modular	Communities	Built to Rent
Land buying		✓	✓
Construction	✓	✓	✓
Sales		✓	
Management		✓	✓



			 	
	Modular	Communities	Built to Rent	Build to Sell
Land buying		✓	✓	✓
Construction	✓	✓	✓	✓
Sales		✓		✓
Management		✓	✓	

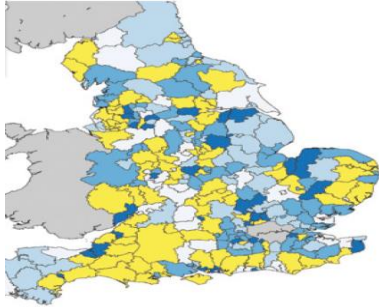


			 		
	Modular	Communities	Built to Rent	Build to Sell	Strategic Land
Land buying		✓	✓	✓	✓
Construction	✓	✓	✓	✓	
Sales		✓		✓	
Management		✓	✓		

Trends

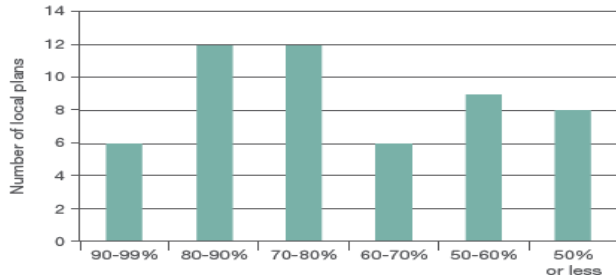
“Planning-led opportunities”

Authorities in yellow have NPPF-compliant local plans



“Planning policy still playing catch up”

Housing Plan targets as % of need



Opportunities

- **Planning element of value chain** - opportunity exists with significant gap in up-to-date local plans.
- L&G is attractive partner due to long term horizons and multi-tenure / manufacturing capability. This can create income streams and synergy in generating pipeline of future development opportunities.
- Even if all Local Authorities had up to date local plans, housing delivery will still lag behind objectively assessed need with 53 of the 97 local authorities (55%) setting housing targets below assessed need.

1. **Mortgage Club** £50bn origination in 2016, 25% market share
2. **Surveying** 450,000 in 2016, market leader
3. **CALA Homes** £700m in 2016, from £300m in 2012
4. **Private Rental** (Yr 1) 1200 units. £10bn opportunity?
5. **Retirement Homes** Enter in 2017
6. **Lifetime Mortgages** £600m (yr 1), £800m (yr 2) 30% market share
7. **L&G Strategic Land** 4,000 acre land bank and growing
8. **Modular construction** Precision built homes
9. **Finance for Care** £350m to date, more to follow
10. **Household Insurance** £350m premiums