



FUNDAMENTUM

PROPERTY

Legal and General become Registered Provider 21 December 2018

Legal and General Financial services have announced its subsidiary 'Legal & General Affordable Homes' has been granted Registered Provider status for providing social housing in the UK. In a statement, the company commented that it was a 'milestone' for the sector, **highlighting the role 'new funding streams'** will have in building social housing stock. This is the second instance of a large institutional investment company acquiring the status, second to Residential Secure Income (RESI) REIT.

They have previously said they aimed to build 3,000 homes annually by 2022. They add that the registration will mean Legal & General Affordable Homes can now 'significantly' accelerate its business plan of 'developing, holding and **managing a blend of affordable housing tenures, both social and affordable rent.**' The insurance company has made a big push into the housing sector in recent years.

The granting of RP status recognises the **sector expertise and robust corporate governance** brought in by Legal and General, to support the acceleration and growth of the UK's affordable housing provision. Simon Century, head of affordable housing at Legal and General Capital added: "We are delighted to make a genuine contribution to increasing supply, whilst advancing overall service delivery. We are very much looking forward to delivering our first sites soon."



Conflicts

Investor interest has peaked over the last 24 months due to the income stream and returns available, which has seen significant investments into a number of social housing REIT and Fund structures. There has been much criticism against investment companies having **close links with RPs**, with the possibility they may be able to dictate better lease terms, which could put a financial strain on the RP in years to come. The **sustainability of the sector** requires L&G Affordable Homes to keep governance and transparency to a high standard in order to satisfy the Regulator's requirements. When RESI announced their RP status, Resi Capital Management said the 'regulatory environment for social housing emphasises good governance and financial viability, which is embraced by RESI's existing strategy'. With the green light from the Regulator, Legal and General Affordable Homes in line with their purpose, 'will be aiming to develop sustainable, vibrant and healthy communities.'

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