

Affordable Housing Fund LLP

Key Features

Inspired Asset Management and Joseph Homes are offering investors the opportunity to participate in the lucrative social accommodation housing sector in London by investing in the new Affordable Housing Fund LLP ("AHF"). The Fund aims to invest in affordable housing development projects in various different forms – either option and sell on, develop and sell or develop and rent (fully repair and return basis). The Fund will target sites with 40+ spacious units as RSL developments require larger units than are currently available on the open market. The Fund targets an equity raise of £5 million geared to 10 million with a 7 year term. The Fund aims to double investors' money by the end of the term. First closing is targeted at early December 2009.

Key benefits include:

- Investing in affordable housing in London and the South East
- Attractive capital return investment opportunity with a long term outlook in a distressed market.
- Highly experienced and incentivised management team.
- Proven fund structure.
- Demonstrable record of return.
- Minimal risk in yearly income due to State Guarantees.
- Spread of risk over multiple sectors.
- Tax-transparent vehicle, limited liability, SIPP compliant.
- Equity raise of £5m geared to £10m with expectations to double investors' money by the end of the fund's 7-year term.

Fund Strategy

- Proprietary investment strategy - primarily securing exit/returns prior to acquisition.
- Capitalising on the growing demand for social accommodation.
- BMV acquisitions including distressed purchases, off market deals, selective auction purchases.
- Securing change of use and/or gaining improved planning permissions on sites.
- Development profits through refurbishment and remodelling projects.
- Construction margins by effectively negotiating JCT contracts at competitive pricing.
- Income returns from lettings to Local Authorities and/or Registered Social Landlords – the lowest credit risk in an uncertain market.
- Capital appreciation through general market movements, inflation and local gentrification.
- Arbitrage between acquiring/constructing vacant properties and selling them at maturity as investments.
- London is the primary investment focus for the Fund

Key Drivers

Housing Shortage	the UK needs 240,000 homes a year to meet government targets on home occupation and forecast increases in population – London's population alone is expected to increase by 600,000 by 2016. In May 2009 there were a mere 24,000 homes under construction in London, down 50% since the start of 2008.
Realistic Pricing	sentiment in the market is improving generally and this is primarily driven by vendors starting to realistically price their stock. As a result AHF will be able to exploit this to its optimum level by employing variously the cautious Subject to Planning Permission (STPP) purchases, discounted unconditional purchases and new build stock acquisitions proposed.
London	London market set to grow by 35% and South East by 39% to year end 2014 – 3 years into the fund. However, a precursor to this is steady and continual fall in house prices to year end 2009 (-8.6% for London and -5.2% for the South East).
Buying Power	The withdrawal of mortgage finance has been the single biggest factor contributing to the current downturn – especially development finance. AHF will have the buying power in a niche market that other smaller developers will not have.
Rental	Our target market is split between 75% social housing rental and 25% private rental. There will always be a very high demand for social rental as long as there are people in this country that cannot afford to rent privately. Demand for private rental is buoyant with yields exceeding 7% at present. If people cannot afford to buy then they have to rent.
Sales	Our scenarios are evenly split between sales to Housing Associations for social rental or shared ownership and housing rental for private sales. Our model will see an inversely proportional relationship between the sales and rental markets both in the private and public sector. This spreads risk and maximises the income at its strongest point.