



AFFORDABLE HOUSING IMPACT REPORT

2024


Wiltshire
Pension Fund



AFFORDABLE HOUSING IMPACT REPORT

31 MARCH 2024

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PURPOSE

In this report, we aim to inform our stakeholders about our **Impact Affordable Housing portfolio**. The objective of our Impact Affordable Housing portfolio is to deliver stable, secured inflation-linked investment returns by investing in housing assets which benefit residents and local communities within the UK. This report shares some **key metrics** to evidence how the portfolio is doing against its objective, as well as some **case studies** which bring our approach to life. We hope that you enjoy the report!

WHAT IS IMPACT INVESTMENT?

“ These are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. ”

As defined by the *Global Impact Investment Network (GIIN)*

WHAT IS AFFORDABLE HOUSING?




“ There is no one universal definition for affordable housing, but in broad terms it refers to housing where the rent or cost is at least 20% lower than market rate. ”

The investment case for affordable housing in the UK is clear, with demand far greater than supply, and thousands of families on local authority waiting lists. Affordable housing provides us with inflation-linked income with the potential for long-term capital appreciation – a perfect match for a long-term open pension scheme such as Wiltshire Pension Fund. Affordable housing also provides very positive benefits to those on lower or median incomes, priced out of home ownership in the less secure private rental sector. We believe that **the positive impacts delivered by investing in affordable housing are completely integral to the investment case.**



HOW IS WILTSHIRE PENSION FUND INVESTING WITH IMPACT?

Our total allocation to affordable housing is 5% of the Fund, i.e. c.£160m. In April 2022 we committed £120m to three different managers, and we have plans to add one more to our portfolio. Each of our three managers specialises in different areas. Our money is pooled with other investors, and then the managers select investments. This approach ensures we are **well diversified** and not overly exposed to any particular investment or manager.

MANAGERS	AMOUNT WPF HAS COMMITTED	STRATEGY	TARGET RETURN
	£40m	Diversified (Affordable rent, shared ownership and some supported housing)	6%
	£50m	Shared ownership	6%
	£30m	Diversified (All types, including mixture tenure)	8-10%

SHARED OWNERSHIP

An arrangement which allows residents to buy a share of a property with a mortgage and pay a discounted rent on the remainder.

AFFORDABLE RENT

For those in receipt of housing benefit, and those on low to median incomes, priced out of market rents in areas where they work and live.

SUPPORTED HOUSING

For those with specialist housing needs, temporary accommodation for the vulnerable, for example.

MIXED TENURE

A development with multiple types of housing, including market rate. This promotes social cohesion.

Our portfolio is diversified across types of affordable housing and this continues across geographical locations and situation; there is no concentration in areas of highest relative unaffordability (i.e. South East England) nor to urban areas (projects include a mix of developments in rural villages, town and fringe as well as those in cities).

WHAT METRICS DO WE MEASURE AND WHY?

We need to make sure that the managers are investing in line with their strategies, and the best way to do this is to monitor both the financial returns and also the positive impacts they are generating. We collect the following impact metrics and combine them across the three managers for our entire portfolio¹:



At 31 March 2024, there were 5,207 homes in the portfolio, Wiltshire's share of this is 10.4%².

This has meant more affordable property has (or will) become available. The portfolio is predominantly made up of housing developments that are under construction, but some units are complete, or have been purchased already occupied by tenants.



**9.34
AVERAGE
AFFORDABILITY**

The homes in our portfolio are located in areas with average affordability of 9.34, 13% higher than the national average of 8.3³.

This means that homes in our portfolio are generally being created in areas where affordability is most challenging for local residents.



**98%
AFFORDABLE**

A total of 98% of homes in the portfolio are affordable.

The reason for some homes in the portfolio being open market rate is that these are a minority component of mixed tenure developments. The inclusion of open market rate homes delivers the positive impact of promoting social cohesion.



**74%
NEW BUILDS**

The homes held in Wiltshire's portfolio are 74% new builds.

This shows that the money we have committed to this portfolio is directly contributing to new homes being built, and increasing the supply of housing in the UK.



**83%
ENERGY
PERFORMANCE
B-RATED
OR ABOVE**

83% of homes in our portfolio are B rated, or above.

Energy Performance Certificates (EPCs) tell you how energy efficient a building is and give it a rating from A (very efficient) to G (inefficient). They provide an indication of how much it is likely to cost to heat and light, and what its carbon dioxide emissions are likely to be.



The social benefit from investing in these types of homes is completely integral to the investment case.

Want to learn more about local affordability?

[Click here to visit our interactive map](#)

¹ The managers themselves collect a full range of data for the homes in their portfolios, and report on a range of metrics. These are bespoke to their individual strategies, so whilst we monitor these and hold the managers to account, we cannot combine all of these metrics for the whole portfolio.

² Based on our share of the overall valuation of the combined portfolios as at 31 Dec 2023

³ Calculated as the ratio of median house price to median earnings in the local area. [Housing affordability in England and Wales – Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

BUILDING COMMUNITIES: HOW OUR AFFORDABLE HOUSING DEVELOPMENTS ARE TRANSFORMING NEW NEIGHBOURHOODS

ABBHEY PLACE

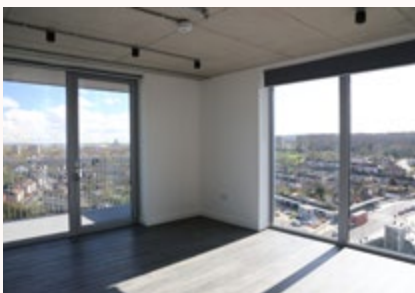
On a bright and blustery spring morning, we crossed London and travelled to the end of the Elizabeth Line at Abbey Wood station. Just a stone's throw from the station is Abbey Place, currently the largest standing asset in the CBRE Affordable Housing Fund, to which we have made a commitment of £40m as part of our UK impact affordable housing portfolio.

The area around Abbey Place currently feels somewhat windswept and remote, in spite of being within Zone 4. We learned that **the area is currently undergoing a transformation**, and Abbey Place is one of the first of many new buildings that will be instrumental in turning this neighbourhood into a new community. Significant investment and regeneration in the area is adding a huge number of additional residential properties, and being the first of these new properties as well as being **conveniently located**, Abbey Place is high demand.

The development is a multi-family construction, made up of two towers and a shared podium garden. One tower houses 72 flats which are being let at a discount of c.20% to market rate in the area. This ensures **genuine affordability**, with rents capped at 40% of the local median income. When these units were made available to the public, every single flat was let within 2 weeks, demonstrating the **high level of demand**. Originally, planning permission was for 90% private rented properties, but CBRE re-negotiated this to 30%, allowing for more shared ownership properties, which support people who could not otherwise afford to get on the property ladder. The second tower contains 173 shared ownership properties. Again, demand here has been impressive. At the time of writing around 135 units had already been sold with even more reserved, leaving only 20 to go.

We visited one of the still-vacant shared ownership homes to take a look. The property was full of natural light, with spectacular floor-to-ceiling windows providing views of the surrounding area. The **environmental credentials were of a high standard** (and are the same in the discounted rental properties) with an EPC rating of B and a centralised heating system. We also learned that solar panels on the roof help power the lifts and communal areas in the building, which reduces the service charge for residents.

After a quick trip across the **shared communal space** on the podium level, we ascended the rental unit tower to the roof terrace to admire the views across to Canary Wharf, and then hopped back onto the Elizabeth Line to visit our next destination.



72
DISCOUNTED
RENT HOMES



173
SHARED
OWNERSHIP
HOMES



**RIGHT NEXT TO
ABBHEY WOOD
STATION**



6%
RETURN OVER
7-10 YEARS

WOOD WHARF

After travelling 4 stops back towards Canary Wharf, we took a short walk to Wood Wharf. This is also a neighbourhood in development, the entirety of which is in the process of being **built from the ground up**. Our investment is in two towers which will jointly contain 294 regulated rent homes. Currently these are just beginning construction, with the intention to deliver the finished properties in 2026.

This investment presents a compelling case for **strong returns alongside positive social impact**. Wood Wharf is situated in the shadow of prosperous Canary Wharf, but is actually part of the London Borough of Tower Hamlets, one of the most deprived areas in London. We learned that within Tower Hamlets, an incredible 17% of households are on a housing waiting list, and the two towers being built will be populated entirely with people from this list, **delivering against a clear local social need**.

Unsurprisingly, rents are very high in the affluent Canary Wharf area, but within these towers, planning has mandated a rental cap to ensure affordability. CBRE have also assessed this against local median incomes to confirm rents are genuinely affordable. There are **several local amenities** right next to the towers, including a park, doctors' surgery, vet clinic, school, leisure centre and supermarket, making this is a highly practical place to live.

From a sustainability perspective, the properties will be EPC B rated, and although planning was agreed in 2013, they will be **constructed to a higher standard** in line with the 2020 building regulations.



294
REGULATED
RENT HOMES



NEW
COMMUNITY
AREA



LOCAL
AMENITIES



6%
RETURN OVER
7-10 YEARS



CONCLUSION

Our journey through Abbey Place and Wood Wharf offers a vivid snapshot of how **strategic investments in affordable housing can significantly impact and transform neighbourhoods**. Abbey Place exemplifies the pressing need for affordable housing solutions within reach of central London. Wood Wharf, poised to bring regulated rent homes to one of London's most deprived areas, represents a forward-looking approach to urban development, balancing economic viability with social responsibility. As we continue to expand our affordable housing portfolio, our focus remains on ensuring that **sustainable returns for WPF** are coupled with the benefits of growth and regeneration being accessible to all.

HOME SWEET (ECO-FRIENDLY) HOME: INVESTING IN AFFORDABLE HOUSING'S ENERGY REVOLUTION

There is a clear link between environmental and social impacts when it comes to housing: simply put, **homes with better environmental credentials are better homes for people to live in.**

One of our affordable housing managers, CBRE (WPF commitment of £40m), have been working with housing manager Waypoint on a retrofit programme at their development in Mildenhall. The retrofit programme aims to bring all 100 homes from an EPC D to a B, with works including the conversion of oil boilers to air source heat pumps and the installation of solar PV panels.

This work is necessary – with a current EPC rating of D, these homes were set to fail against upcoming regulatory requirements, which state that all new tenancies need to have an EPC rating of at least C by 2025 (and all existing tenancies by 2028). The existing heating system in these properties was close to the end of its economic life, and therefore replacing with like-for-like was not a practical solution.

This work began by piloting the programme in four homes, costing £30,000 per home. With utility savings of c.20% and a carbon saving of c.72%, CBRE's ESG team has estimated that the works conducted have the potential to save residents 36% on their heating bills. This represents **a significant saving at a time when there are significant cost pressures on residents, particularly regarding energy bills.**

Following the success of the pilot, CBRE will now be rolling out the programme to the remaining 96 units in the development, at a total cost of £3.3m. Due to carrying out the work in bulk, CBRE estimate that the installation time can be reduced from one week to two days, meaning residents can remain in their homes during the works, thereby minimising disruption. At the time of writing, 80 homes have now been successfully retrofitted!

In addition to the positive impacts for the residents, there are economic benefits for us as investors from this retrofit project as well. The £30k investment in each house helps **preserve value and ensures the investment meets future regulations** and as such continues to be income generating into the future.

CONCLUSION

In conclusion, the journey toward energy-efficient, affordable housing is not just an investment in bricks and mortar; it's an investment in a **sustainable future.**

The Mildenhall retrofit project exemplifies how combining environmental stewardship with economic foresight can create **living spaces that are not only more cost-effective and desirable for residents but also more profitable and resilient for investors.**



100
HOMES



IMPROVEMENTS
FROM
EPC D TO B



£3.3M
PROJECT



36%
SAVINGS ON
ENERGY BILLS



A home in the Mildenhall development, fitted with solar panels

BUILDING AFFORDABLE HOUSING FROM THE GROUND UP: REVISITING SALTDEAN TWO YEARS ON!

We first visited Saltdean site around 2 years ago, when it was just a muddy field on the edge of the South Downs, a few minutes outside Brighton. This site is held in the Man Group community housing fund. On our previous visit the sun had been shining brightly and we were able to enjoy the beautiful countryside. This time the site was shrouded in mist, but even this weather was not enough to disguise the **amazing transformation** that had been underway! Although the site is not scheduled to be fully finished until later in 2024, several homes are now close to completion, and with around 60 construction workers busy on site each day, the rest are not far behind.



There is a strong business case for this type of housing in this location. This development addresses a gap in the market and increases the provision of family-friendly housing. Also, Brighton is an expensive place for accommodation, and it's only getting more expensive.

The design and materials on the site are sympathetic to the origins of the development as a dairy farm, and the overall aesthetic of the national park outside. There will also be attractive communal areas, such as meadow planting, **to promote a feeling of community.**

STRONG ENVIRONMENTAL CREDENTIALS

Examples of the initiatives on site include:



- Net zero homes for key workers
- Air source heat pumps
- Solar panels for every rented home
- Monitored bird and bat boxes for biodiversity
- Sedum roofs for the car ports
- Communal EV charging

On our tour, we looked inside three partially completed properties, including one which had been specifically adapted to be accessible to wheelchair users. All the properties had been **constructed with a high-quality finish** and had high ceilings and large windows looking out on the surrounding landscape, creating an airy and spacious feel.

CONCLUSION

Despite the misty backdrop on our recent visit, it was clear on site that there is a **strong commitment to delivering a sustainable community that enhances the quality of life for its residents.**

This development demonstrates that by investing in these types of assets, we can earn the returns we need alongside delivering a positive impact for both people and the planet. As construction pushes ahead, we look forward to returning in due course to see the completed development!



71
NEW HOMES



MIXED TENURE
DEVELOPMENT



ENVIRONMENTAL
INITIATIVES



>8%
TARGET RETURN

CLIMATE – WHY DOES THIS MATTER?

As a Fund, we have set a target of net zero by 2050 for all our investment portfolios, but why does this matter for affordable housing? Simply put, **the world is changing, and our investments need to be ready to keep up, or we will lose out financially.**

Modern methods of construction are more efficient, as well as being environmentally beneficial. And developments which are sensitive to the climate are also more desirable for residents – for example an energy efficient home is less costly to run, and homes which have access to amenities such as EV charging are likely to be more attractive to buyers. Building homes to a high environmental standard also future-proofs properties against potential changes in regulation, minimising the risk of costly and disruptive retrofits being required. Although this portfolio mainly focusses on positive social impacts, we are also seeing significant environmental progress by our managers, and we will continue to hold them to account on matters related to climate risk.

The examples highlighted in this report show that the managers share our view, and that **properties with improved environmental credentials are an all-round winner**, benefitting people, the planet, and profits.



PEOPLE

Improved resident satisfaction, cheaper energy bills, better financial security



PROFIT

Residents less likely to leave or default on rent, properties future-proofed



PLANET

Reduced carbon emissions, biodiversity benefits

“ We’re getting people into more affordable and more every efficient homes ”

Ben Fruhman, Affordable Housing Fund Transaction Manager at CBRE, speaking in the Fund's [film about Purposeful Pensions](#)

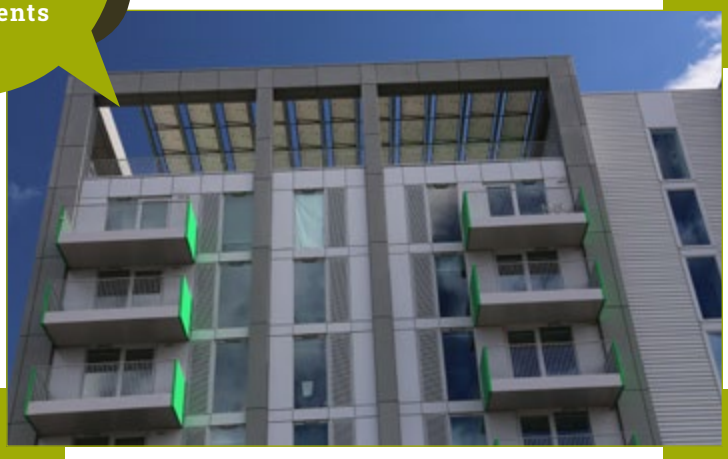
Modular housing uses zero-waste construction and innovative materials to minimise the environmental impact.



Communal heating and solar panels reduce service charges for residents



These are examples of environmental innovation from our own portfolio



Installation of heat pumps and solar panels future-proofs housing and saves residents on their energy bills.



FINANCIAL PERFORMANCE

This portfolio has a dual mandate, to achieve returns and to deliver positive impact. This report focusses on the impacts delivered by our portfolio, and financial performance is separately assessed alongside our other investment portfolios and for the Fund's assets as a whole. The performance target for this portfolio is to deliver returns in excess of CPI by 2-4% p.a. over a rolling 3-5 year period. Our portfolio has currently only been set up for two years, and is still in the phase of being built up, as money is invested up to our committed amount. It is therefore too early at this stage to make a meaningful assessment of investment performance for the portfolio as a whole. However, we are not complacent, and regularly discuss the progress of the housing developments and any financial concerns with our managers whilst the portfolio is being built up.

WOULD YOU LIKE TO SEE MORE?

As well as the case studies highlighted in this report, you can learn more about our approach to investing with impact on [our website](#). Watch our film, Purposeful Pensions, and join us on a site visit to a development right in our own backyard! You can also read about [our visit to a modular housebuilder factory](#), which is making houses for a development in our affordable housing portfolio.



[Learn more about our overall approach in our Purposeful Pensions Film](#)



The WPF team on a visit to a modular housebuilder



WPF team members at the Pensions for Purpose annual awards



In late 2022, we were delighted to win the Pensions for Purpose Impact Investing Award for our impact investing approach!

CONCLUSIONS

This report demonstrates that our UK affordable housing portfolio is delivering against its objectives, and we can see that our managers are delivering positive impacts for both people and the planet. On our site visits to some of our affordable housing investments, **we have been privileged to see this positive impact in action.** We will continue to monitor and report on our progress in this area. As a final note, we would like to thank our investment managers for supporting our enquiries in writing this report.



Our team




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