Going for Gold in Affordable Housing Investments

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Part 1 of 2 – See our next newsletter for the second part

Presumably, affordable housing investment is not as sexy as putting-up a brand new and shiny office building, but it makes a lot of sense. A lot of business sense. And it is dramatically cheaper, less risky, and still offering amazing yields. Demand is huge; offer is low and expected to dwindle in the years to come. To the trained eye, opportunity lies everywhere, waiting to be discovered and exploited in a financially rewarding way.

Investing in affordable housing does not mean exploiting people's distress and making unashamed money out of it. It is about seizing the opportunity to provide less well-off people with decent housing conditions at a reasonable price while offering sustainable and above average yields to investors. It is also a great way to diversify a property portfolio, mitigate exposure to market trends, and globally reduce investment volatility.

Contrary to what we find in continental Europe, residential investment in England has not been very popular so far except 1) at individual level where it became an obsession fuelled with cheap credit, and 2) for very few and specific major investors because of historic reasons, especially in inner London. Mostly, professionals in the property business have long preferred commercial and infrastructure investments rather than residential ones, focusing on quick added value and disposal rather than sustainable and high yields in the long run. Maybe the bonus structure was an incentive to go for quick profit instead of sustainable growth, betting investor's money on an ever-increasing property market in the belief managers would outwit their competitors in this hot-potato game at a huge scale. We have experienced the consequences of this state of mind over the last couple of years.

The French have a saying that goes "Paris and the French desert". It means much of everything comes from and goes back to Paris, and for good historical reasons: the French railroad infrastructure is "star-shaped" with Paris being the nucleus.

Similarly, I could say “London and the English desert” as everything seems to evolve around the City and financial activities in this country. At least this is the idea the financial community has.

But France is more than Paris, England is more than London. People live all over the country, and housing needs are everywhere. The average family income is lower outside of London, but so are property prices.
When going for existing property assets, it doesn’t take long to find opportunities at rock-bottom prices, offering great yields. Refurbishing is then the opportunity to incorporate eco-friendly materials and technologies, restructure the asset and globally add value to the operation.
When going for new builds, new technologies and better project management allow to drastically reduce the timescale of the operation while offering better quality construction and a longer lasting investment, this globally providing better value for money.

As far as investors are concerned, it is only a question of being motivated and finding the right team to bring this kind of Endeavour to fruition. This is easily achievable through a new property investment fund focusing on yields rather than immediate added-value, incorporating ethics through the use of sustainability materials and the focus on community care.
We are in the realms of Responsible Investment for the good of asset owners, investment managers and our communities at large.

Poune Asset Management is capable of setting-up such an investment fund, and manage it or find the team to do it for investors.

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