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focus



Community Finance: A Win-Win for Investors and Our Community

New Zealand's acute housing deficit is one of the country's most pressing social and economic challenges. A shortage of affordable homes has fuelled skyrocketing property prices and soaring rents impacting thousands of New Zealanders, particularly low and middle-income families. Equally, genuine impact investment opportunities in New Zealand, that allow investors to address a tangible and pressing need while also earning a financial return, are rare. Community Finance provides the bridge between investors, who want to make a positive difference with their capital, and Community Housing Providers, who utilise this capital to deliver affordable housing solutions across the country.

...New Zealand property prices are eye-watering...



New Zealand's acute housing shortage

On any measure, New Zealand property prices are eye-watering. At its core, this reflects a property market where demand far outstrips supply. The average house price costs around nine times the average household disposable income. To put that in perspective, in 2000 this was around five times, and in the United States there's a lot of talk about a housing affordability crisis because they've hit four times. They have nothing on us.

This undersupply has led to steep rental increases and home ownership becoming unattainable for many. For low-income families and individuals, the situation can be dire - many struggle with rent payments, live in overcrowded or substandard housing, or face homelessness.

Government efforts have struggled to fully address the scale of the problem. The supply of social housing is insufficient, and private sector developers typically focus on more profitable higher-end properties. This is where Community Finance has stepped in, with a mission to support the delivery of more accessible housing solutions at scale.

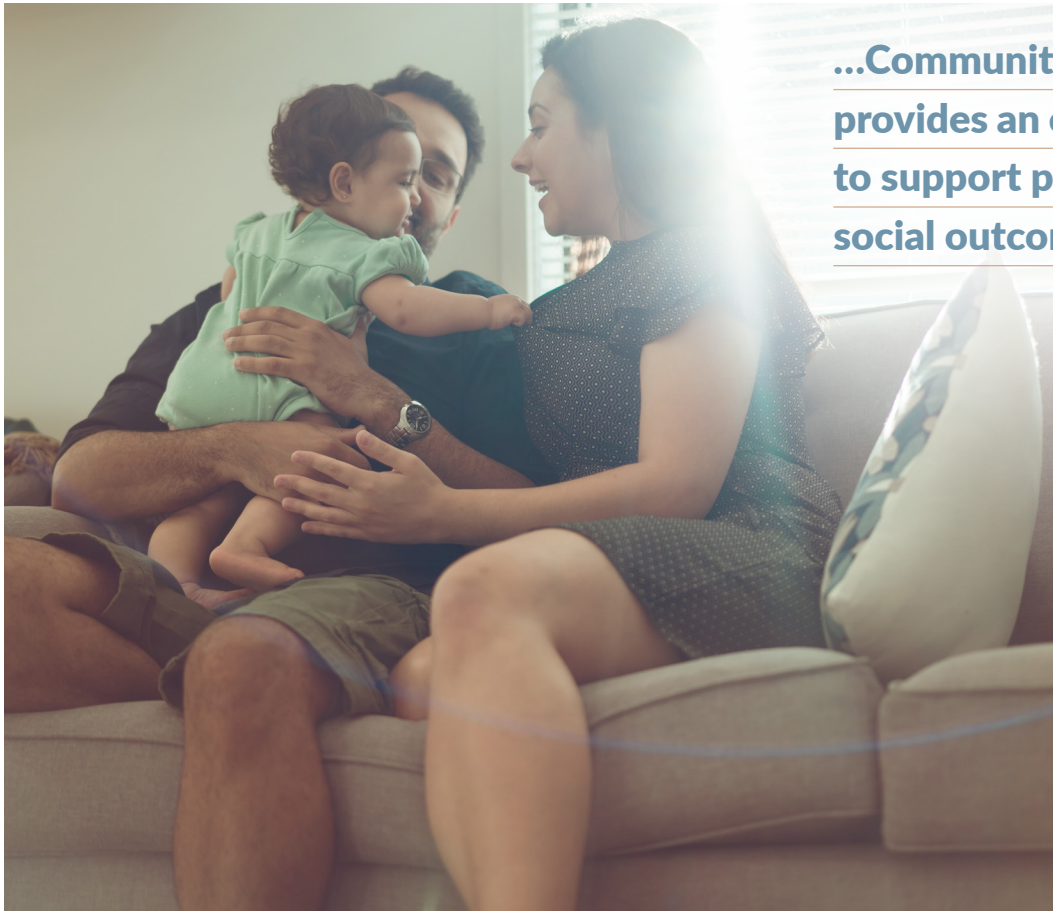
How does Community Finance help?

"Community Finance builds the bridge between money and need, allowing our investors to make financial returns, while enabling positive social outcomes and empowering leading charities to make a lasting difference in our communities."

*James Palmer, Chief Executive,
Community Finance*

Community Finance is a social enterprise founded in 2019 that works on the principle that financial returns and positive social impact do not need to be mutually exclusive. It provides the link between investors - including KiwiSaver providers, organisations, and individuals - and leading charities which are also registered Community Housing Providers (CHPs).

For CHPs, Community Finance provides finance to help deliver affordable homes to those in need. Community Finance works with leading CHPs throughout the country who have a proven track record, robust balance sheets, and strong governance. Partners so far include The Salvation Army, CORT Community Housing, Ōtautahi Community Housing Trust, Penina Trust, and Emerge Aotearoa Housing Trust. To date,



...Community Finance provides an opportunity to support positive social outcomes...

Community Finance has lent more than \$165 million through its bond programme.

For investors, Community Finance provides an opportunity to support positive social outcomes, growing the supply of affordable and social housing while earning a financial return. This financial return is underpinned by the strength of the CHPs' balance sheets, plus government funding (Income Related Rent Subsidy and the Operational Supplement) which ensures that the CHPs receive a return on their investment in new housing while still offering affordable rents to tenants.

So far, Community Finance has primarily facilitated individual bonds for specific CHP projects. The need, however, is substantial. Community Finance is only getting started. It is looking to how it can scale up the funding it provides along with the impact it makes. In November it plans to launch the Social Housing Funding Agency, a single issuer that will expand the bond programme and provide finance to multiple CHPs at scale.

Another innovation is the Positive Property Fund. The fund is managed by Positive Capital (which also manages Community Finance), and offers

residential investment which benefits from both long-term, 25-year government funding and the tenancy and property management expertise of leading CHPs. The fund will co-invest alongside CHPs further enabling these organisations to lift their investment in public housing.

Community Finance is also exploring opportunities to leverage its model into areas that provide environmental benefits and promote home ownership.

The opportunity

"After working for nearly 20 years in the community housing area we have seen first-hand the on-going benefits of ensuring every family in New Zealand has a safe and affordable place to live.

We are delighted to be backing Community Finance and we encourage other impact investors to do the same, to help increase affordable housing supply. Impact investment like this delivers financial returns and positive outcomes for New Zealand. The time is now for genuine impact investment."

Sir Stephen Tindall, co-founder of the Tindall Foundation

**...Hundreds of families now
have stable, affordable homes...**



Community Finance's innovative financial solutions are already being felt across New Zealand. Hundreds of families now have stable, affordable homes, which has a ripple effect on other areas of life, such as health, education, and employment. By aligning capital with purpose, Community Finance has demonstrated that housing affordability isn't just a government responsibility but one that can be tackled through collaboration between the public, private, and not-for-profit sectors.

Community Finance's solutions provide opportunities for those wanting a genuine impact investment. Its range of investment options will

expand and scale with time. If you'd like to learn more about potentially investing with Community Finance, please speak with your Forsyth Barr advisers. They can provide further information about the specific opportunities available.

Please note that, today, Community Finance investments are only open to persons who are "wholesale investors" under Schedule 1 of the Financial Markets Conduct Act 2013. Community Finance, however, does continue to grow and innovate, and may facilitate retail investment offers in the future.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

0800 367 227

[forsythbarr.co.nz](https://www.forsythbarr.co.nz)