



Press release

12 September 2011

DERWENT LIVING PARTNERS WITH AVIVA INVESTORS IN £45 MILLION STOCK TRANSFER

(London): In a landmark move, and a first ever for the UK housing sector, Aviva Investors has agreed a £45 million deal to fund the transfer of 839 properties from Home Group to East Midlands housing provider Derwent Living.

The funding was provided by the Aviva Investors REaLM Social Housing Fund which is part of the asset manager's Return Enhancing and Liability Matching (REaLM®) strategy. The strategy aims to address the current underfunding issue being experienced by UK pension schemes by hedging against inflation risks and generating returns in excess of liabilities.

Peter McCormack, Derwent Living's Chief Executive, said:

"Derwent Living is the first ever housing provider to acquire direct investment of pension fund money for social housing in this way. It's a catalyst transaction which we believe will benefit the whole UK housing sector – allowing other Registered Social Landlords to seek similar funding.

"This funding is particularly significant as it comes at a time when it is increasingly difficult to secure money from banks to provide much needed affordable housing.

"This is a new source of long-term funding without imposing financial covenants. The nature of the deal opens up the possibility of attracting a different source of long-term funding to the banks and bond markets. The nature of the pension fund investment ideally compliments the requirements of affordable housing."

The move will further strengthen Derwent Living's offering across the Midlands. 865 of the properties acquired are in Derby – Derwent Living's core area for social housing. It will enable Derwent Living to provide an even more effective service locally in terms of maintenance and repairs.

"All of the properties will fit perfectly with our current stock," said Peter. "The transferred homes are located in Lincolnshire, Derby and across Derbyshire."

Derwent Living gained the housing stock from Home Group in a competitive tender process during 2010.

Derwent Living is already an innovative organisation. In 2005, together with Aviva Investors, it launched the first ever UK property fund investing solely in student accommodation. Derwent Living was also one of the first providers to gain investment from external sources to provide market rent properties in Derby.

Mark Jones, Derwent Living's Head of Treasury, who worked on the transfer, said:

"This deal opens up more opportunities for our organisation. Aviva Investors was attracted by our offering as the housing sector is seen as solid and long term. What makes Derwent Living particularly attractive is that while our core stock is social housing – we have a good record with non-social housing stock too.



“Derwent Living believes there is a natural link between pension funds and housing providers. The pension funds want something long term with indexed-linked structures. We have found that pension funds are turning to the housing sector because there is a lack of long-term investment. The housing sector is a safe bet. In short, companies like Aviva Investors are looking for something solid and long term.”

Peter added: “The aim is to increase our capability to create more affordable housing. This deal increases Derwent Living’s current affordable housing stock by 25%. Derwent Living was awarded an allocation under the HCA’s affordable housing programme and hope to fund it through Aviva Investors. Our whole plan is to grow the social core of our business and provide much needed affordable housing for more people. Lack of significant public grants means that we will do this with our own private resources.”

Nigel Rule, fund manager for the **Aviva Investors REaLM Social Housing fund** commented:

“Pension funds have the appetite and capacity to fund very significant investments where all the value is in the cashflow. Social housing ticks just about every box for such investors. We see this model as a very competitive source of funding and entirely complementary to bank lending and the bond markets.”

Ian Blleloch of Chaco Limited brokered the deal and Savills acted for Home Group.

Ends

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Aviva plc

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*Based on 2010 published life and pensions PVNBP on an MCEV basis, total investment sales and general insurance and health net written premiums, including share of associates' premiums.

Derwent Living

Derwent Living is a not-for-profit organisation providing affordable living to suit a range of lifestyles. Formed in 1964, Derwent Living works with customers to build thriving communities where people want to live. Derwent Living manages more than 15,000 properties in the Midlands, South Yorkshire and the South East. Derwent Living's property portfolio includes: affordable housing, student living, easy Living homes to rent or buy, retirement living, and specialist housing.

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