



Society of Actuaries in Ireland

Private rental sector - A vital part of the future of the real estate market

Thursday, 12th September 2019

Disclaimer

The views expressed in this presentation are those of the presenter(s) and not necessarily those of the Society of Actuaries in Ireland or their employers.

12 September 2019

Private rental sector - a vital part of the future of the real estate market

Luke Powell, Senior Investment Specialist – Real Estate

For Professional Investors Only – Not for public distribution

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Overview

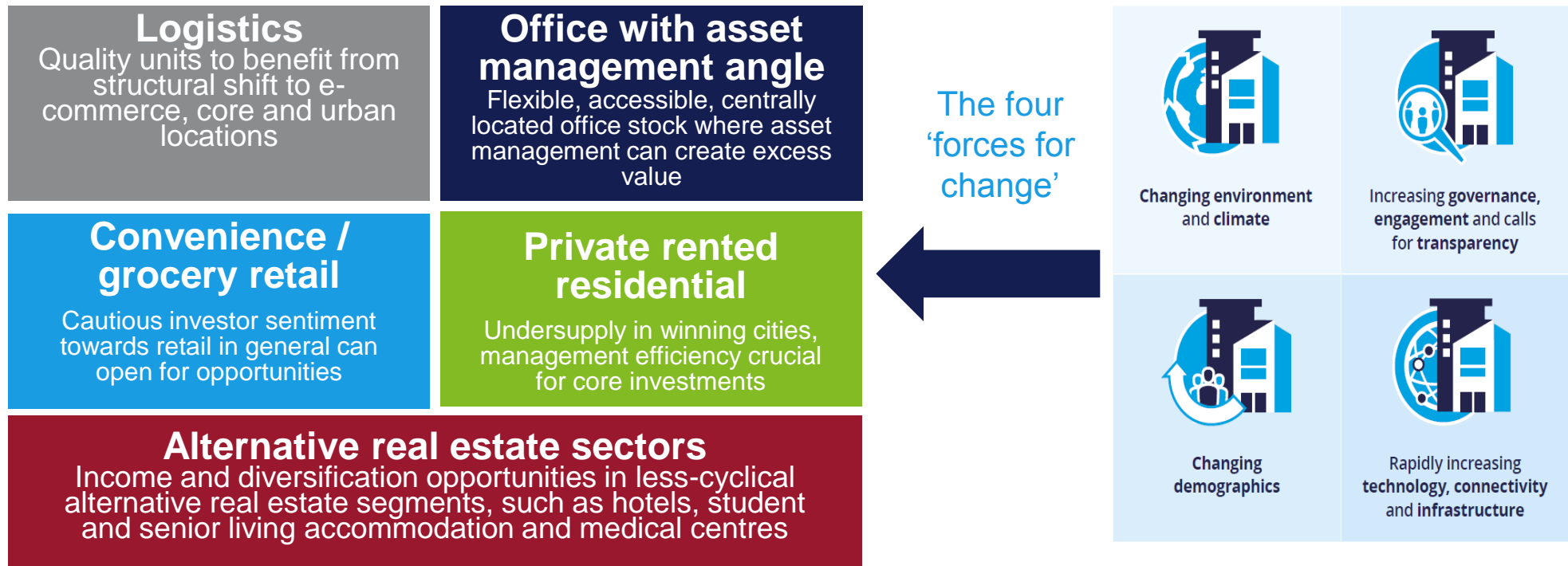
Residential real estate benefits from structural change

- There is profound change taking place in the composition of the real estate market
- Residential real estate is growing in importance
 - Demographic change in 'winning cities' is driving demand
 - Shortage of suitable supply
- It is vital to create stock with the right characteristics
- There is scope to convert redundant commercial properties into residential stock
- Residential real estate can be a very attractive source of reliable income with reduced capital value volatility

Source: Aberdeen Standard Investments, 31 August 2019

European real estate market

Structural change is affecting the composition of the market

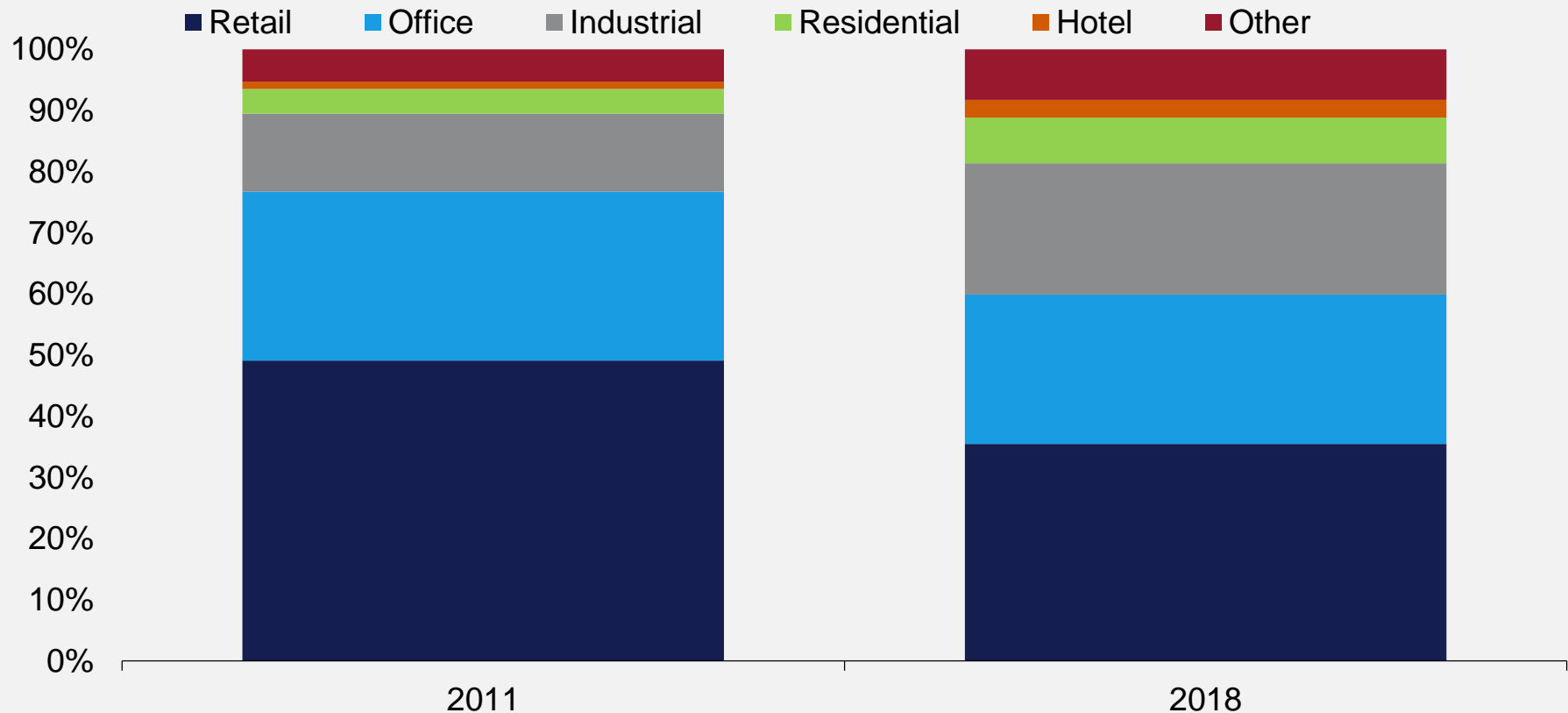


Source: Aberdeen Standard Investments, August 2019

Sector breakdown of the UK real estate market

Massive structural change

MSCI UK Annual Universe by Sector 2011 & 2018

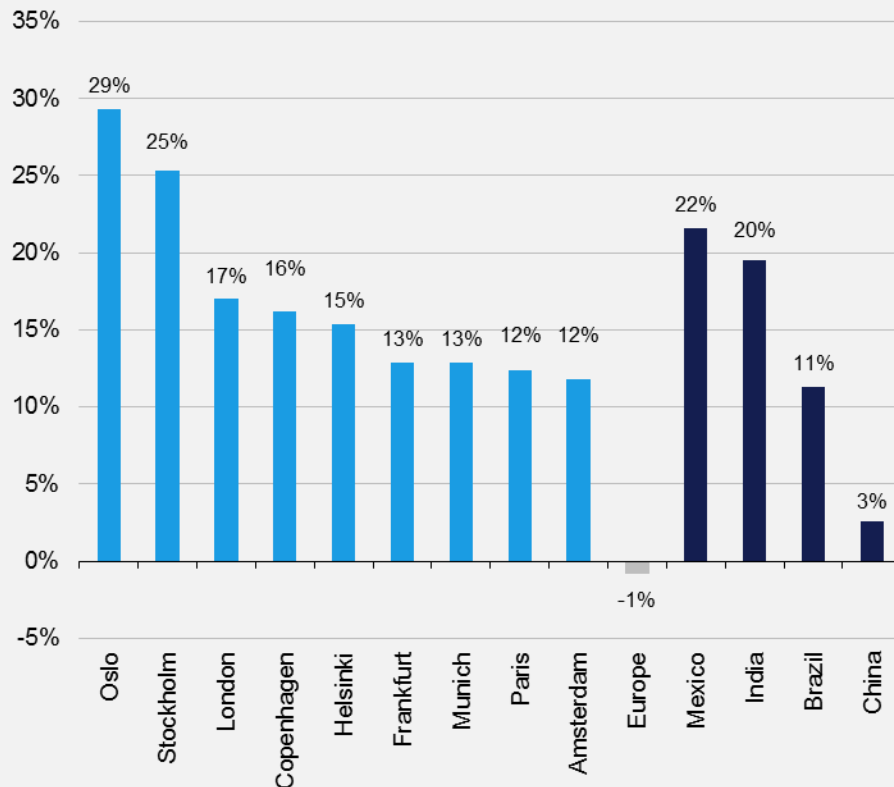


Source: IPD/MSCI, May 2019

Urbanisation and demographic change

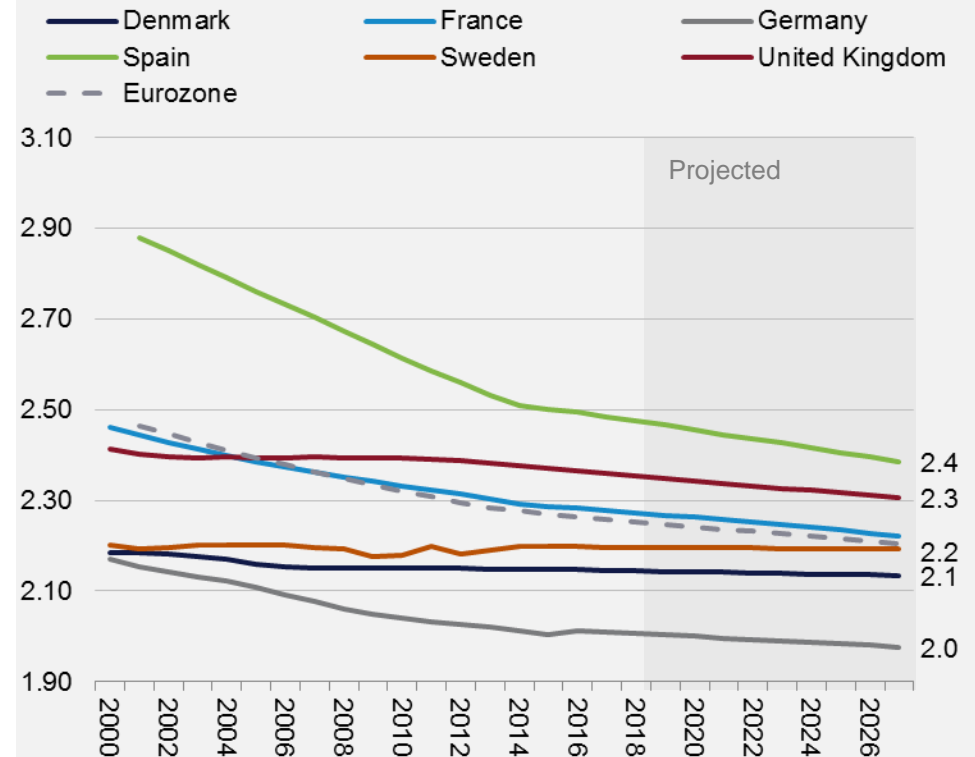
Strong demand for residential real estate in 'winning cities'

Projected population growth 2015 - 2035



Source: United Nations 2018, World Urbanisation Prospects

Average number of persons per households

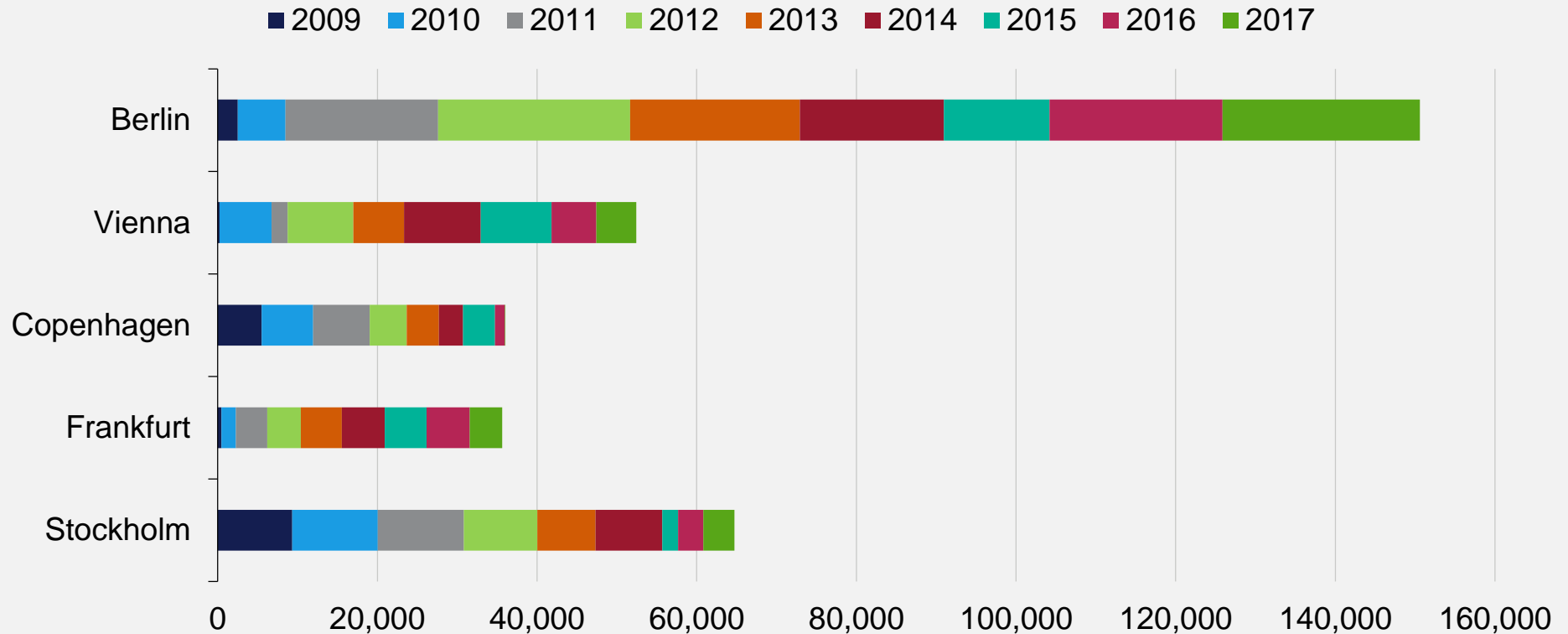


Source: Oxford Economics, September 2018.

Supply of new residential stock is not keeping pace with demand

Supply-demand imbalance creates an opportunity

Cumulative shortfall of housing units across Europe



Source: national statistics agencies, Aberdeen Standard Investments, 2018

A shortage of residential stock – making the news

Residential shortage is now a major political issue across Europe's winning cities

Paris: life in a storage cupboard has never been so expensive

'Amsterdam housing unaffordable for people on lower incomes'

Which London mayor candidate will fix the capital's housing crisis?

Both immigrants and IT startups suffer in Swedish housing shortage

Copenhagen boom to add to housing woes

Germany cities struggle with housing shortage

HOUSING CRISIS 'IS THREAT TO LONDON'S INDUSTRY'

Source: Various European newspaper headlines, 2016/2017

How to access the right kind of stock

Having the right kind of properties enhances returns



Copenhagen, Denmark

- There is not much high-quality, purpose-built space in the private rented residential market
- The right kind of stock has to be created:
 - Located in the right places
 - Quality design, low maintenance
 - Correct specifications for residential market and to reflect local characteristics
 - ESG standards are of increasing importance
- It's important to have development capability
- The target market for this kind of proposition tends to be young professionals

Source: Aberdeen Standard Investments, 31 August 2019

Start with **Triple A** locations

Performance will ultimately be determined by investing in suitable properties at affordable prices in places where people want to live

Affordability	<ul style="list-style-type: none">• Rents – average asking rents for two bed flats• Costs of commuting (eg annual travel pass)• Average earnings (typically >33% to housing costs a challenge)
Accessibility	<ul style="list-style-type: none">• Travel time to major place of work• Proximity to transport hubs• Future transport upgrades
Amenity	<ul style="list-style-type: none">• Retail – convenience and quality and vitality• Leisure facilities and green spaces (an established sense of place)• Schools and community facilities
Demographics	<ul style="list-style-type: none">• Population structure• Proportion of 20 - 40 year olds• Population growth 20 - 40 year olds
Housing Market	<ul style="list-style-type: none">• % In Private Rented Sector sector• Level of new development (starts and completions)• Large scale improvements to the area.

Source: Aberdeen Standard Investments, August 2019

Happy tenants = happy landlords

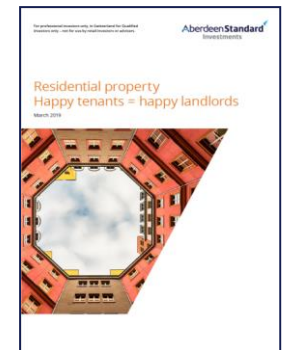
Keep your tenants happy and reduce the costs



Country	Typical lease duration	Typical turnover
Germany	11.8 years	8%
Sweden	10.0 years	10%
Spain	10.0 years	10%
Austria	8.5 years	12%
Netherlands	6.3 years	16%
Finland	5.0 years	20%
France	3.7 years	27%
Belgium	3.3 years	30%
UK	2.5 years	40%

Read more in our paper:

“Happy tenants = happy landlords”



Source: Aberdeen Standard Investments, March 2019

Creating high-quality stock in winning cities

Scale is key to reducing the gap between gross and net rents



Birmingham, UK



Vienna, Austria



Paris, France



Helsinki, Finland

Structural change creates opportunities

Convert redundant space into residential stock



Source: Aberdeen Standard Investments, August 2019

Regulation is a risk

Political pressure is mounting



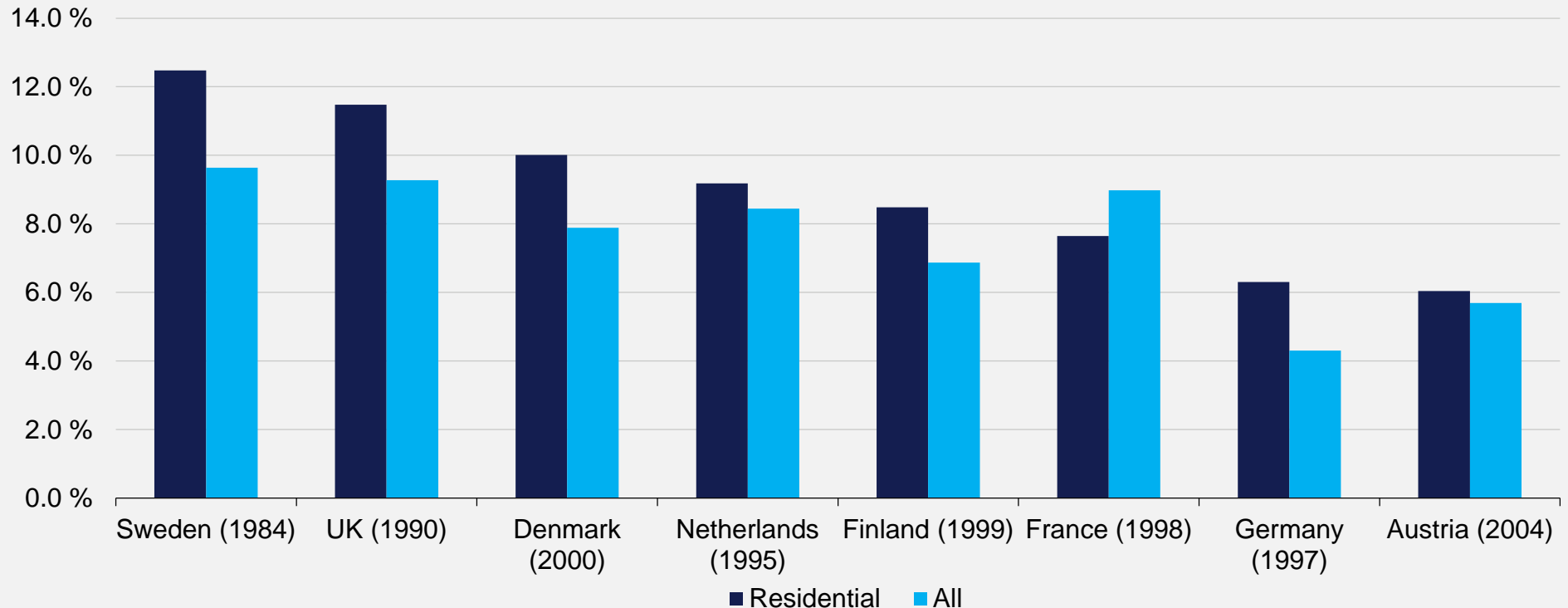
Source: Aberdeen Standard Investments, August 2019

Residential properties have outperformed over the long term

Minimal vacancy, very secure, stable income return with strong potential for rental growth

Historic outperformance for residential in most markets*

Total returns (%p.a.)



* Since index (IPD/MSCI) launch to end 2017

Source: MSCI, 2018; Past performance is not a guide to future results.

Conclusions

Residential real estate benefits from structural change

- There is profound change taking place in the composition of the real estate market
- Residential real estate is growing in importance
 - Demographic change in 'winning cities' is driving demand
 - Shortage of suitable supply
- It is vital to create stock with the right characteristics
- There is scope to convert redundant commercial properties into residential stock
- Residential real estate can be a very attractive source of reliable income with reduced capital value volatility

Source: Aberdeen Standard Investments, 31 August 2019

Appendices

A global real estate powerhouse

Committed to sustainable investing and providing innovative real estate solutions



Foley St, London



Lattasaari, Helsinki, Finland



Nishishinbashi, Tokyo



Avenue Hoche, Paris

- One of the largest European real estate investment managers of third party assets
- Direct Real Estate, Listed Real Estate, Multi-Manager & Commercial Real Estate Debt
- Specialist in-house resources add value, including; research, transaction management, development, tax, credit management and treasury
- Real estate investment presence in 18 offices including London, Edinburgh, Frankfurt, Paris, Stockholm, Copenhagen, Amsterdam, Hong Kong, Singapore and Boston
- A one-stop real estate solution for clients

€47.5bn* of real estate assets under management across UK, Europe, the US and Asia**

c.1,600 properties managed globally

Real estate team with c.270* investment professionals**

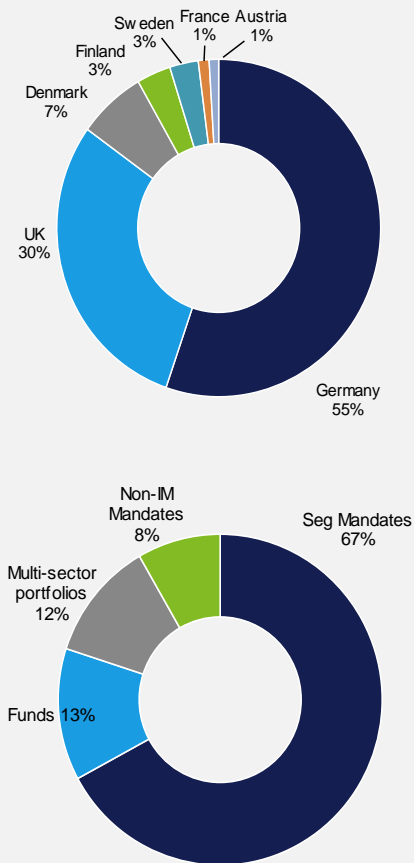
An exchange rate of £1:€1.1176 as at 30 June 2019 * The real estate AUM figure includes an element of commitments which may not yet be invested, including cash and holdings in real estate held in other classes. ** Staff figures are approximate and subject to change.

Source: Aberdeen Standard Investments, 30 June 2019

Our residential real estate track record

Two decades of investing into European homes

Residential AUM by geography and mandate type



Aberdeen Standard Investments residential capabilities

- Strong **residential track record** in Europe, investing in residential sector since 1998
 - AuM of €7.8 billion* in residential (incl. developments)
 - Invested on average more than €600m in residential properties per annum over the past five years
 - Among the largest European residential fund managers with excellent long-term relationships to owners, developers and brokers
- **177 residential properties*** with over 19,000 residential rental units under management in Germany, Austria, UK, France, Finland, Sweden, Denmark and Norway
- **50 forward commitments/developments** currently under construction, process overseen by experienced portfolio management and development management teams
- Experience of a large number of development projects throughout Europe
- Track record of managing >20,000 units combined in the Nordics
- Capabilities and experience in large variety of development project expertise from forward funding to conversion of commercial buildings to residential use

*Gross committed in current mandates and funds. Figures include all forward commitments where acquisitions have been signed and are under construction.
Source: Aberdeen Standard Investments, December 2018

For professional clients only – Not for public distribution

Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments

The views expressed in this presentation should not be construed as advice or an investment recommendation on how to construct a portfolio or whether to buy, retain or sell a particular investment. The information contained in the presentation is for exclusive use by professional customers/eligible counterparties (ECPs) and not the general public. The information is being given only to those persons who have received this document directly from Aberdeen Asset Managers Limited or Standard Life Investments Limited (together “Aberdeen Standard Investments”) and must not be acted or relied upon by persons receiving a copy of this document other than directly from Aberdeen Standard Investments. No part of this document may be copied or duplicated in any form or by any means or redistributed without the written consent of Aberdeen Standard Investments.

The information contained herein including any expressions of opinion or forecast have been obtained from or is based upon sources believed by us to be reliable but is not guaranteed as to the accuracy or completeness.

Copyright and database right Investment Property Databank Limited and its licensors 2018. All rights reserved. IPD has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use of or reliance on any of the information which may be attributed to it.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from marketing) any kind of investment decision and may not be relied on as such. Historical data and analysis, should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an ‘as is’ basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the ‘MSCI’ Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages (www.msci.com).

For professional clients only – Not for public distribution

FTSE International Limited ('FTSE') © FTSE 2019. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. RAFI® is a registered trademark of Research Affiliates, LLC. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Real estate is a relatively illiquid asset class, the valuation of which is a matter of opinion. There is no recognised market for property and there can be delays in realising the value of assets.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life Aberdeen*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life Aberdeen* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

* Standard Life Aberdeen means the relevant member of Standard Life Aberdeen group, being Standard Life Aberdeen plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

Aberdeen Standard Investments Ireland Limited is registered in Republic of Ireland (Company No.621721) at 2-4 Merrion Row, Dublin D02 WP23. Regulated by the Central Bank of Ireland.

DK-090919-98598-1