Un nouveau modèle économique pour les investisseurs privés ?

Attractivité du système AIS pour la promotion immobilière

Xavier Mertens
May 9, 2018
Shouldn’t everyone have a home, the support of caring neighbours, and opportunities for a healthy, promising future?
Inclusio is an impact investment vehicle established to respond to this need.

**Financial return for the shareholders**
- Capital invested in low risk real estate investments with guaranteed rent
- Dividend in line with common real estate investments
- Potential liquidity as of IPO (expected in 2019/2020)

**Provider of housing solutions**
- Brings affordable housing to the market
- Promotion of the social reinsertion of fragile publics
- In some cases, social support from a local social service provider
- In collaboration with public authorities
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V. Hurdles
Rising demand for affordable housing

- **Belgian population is expected to grow by 780,000 inhabitants (+7.0%) by 2030 with higher growth in Brussels (+12.4%)**

**Expected population growth (2016 – 2030) in key cities (per arrondissement)**

- **30% of Belgian households have less than € 20,000 disposable income**

**Disposable income of households (2010*)**

- **Average rent has increased by 20% (2004-2013)**
- **A large portion of Belgian households cannot afford a rent of 500€**
- **Sustained demand for affordable housing**

*Source: Statbel.fgov.be household budget research, no update since 2010*
Social housing solutions in Belgium are unable to cope with demand

- Social housing in Belgium represents about 310,000 housing units across all 3 regions, providing accommodation to about 8% of Belgian households (and more in large cities such as Brussels and Antwerp)

- Social housing is a very significant portion of the Belgian rental housing market: approximately 23% of rental units are social housing units

<table>
<thead>
<tr>
<th>Entity</th>
<th>% of tenants in total population</th>
<th>Stock of social housing units (units)</th>
<th>% of social housing on total stock</th>
<th>% of social housing on total rental stock</th>
<th>Number of households on “waiting list”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brussels</td>
<td>60%</td>
<td>39,492</td>
<td>7%</td>
<td>14%</td>
<td>44,000</td>
</tr>
<tr>
<td>Flanders</td>
<td>29%</td>
<td>150,903</td>
<td>7%</td>
<td>21%</td>
<td>120,436</td>
</tr>
<tr>
<td>Wallonia</td>
<td>34%</td>
<td>117,200</td>
<td>9%</td>
<td>25%</td>
<td>39,000</td>
</tr>
<tr>
<td><strong>BELGIUM</strong></td>
<td><strong>32%</strong></td>
<td><strong>307,595</strong></td>
<td><strong>8%</strong></td>
<td><strong>23%</strong></td>
<td><strong>203,436</strong></td>
</tr>
</tbody>
</table>

- Social housing is predominantly provided by regional institutions:
  - Société du Logement de la Région de Bruxelles Capitale / Sociétés Immobilières de Service Public (Brussels)
  - Société Wallonne du Logement / Sociétés de Logement de Service Public (Wallonia)
  - Vlaamse Maatschappij voor Sociaal Wonen / Sociale Huisvestingsmaatschappijen (Flanders)

- These institutions are overwhelmed by demand and must allocate most of their available resources to the renovation of existing housing

- Political awareness but lack of public resources to increase stock of housing and meet demand

→ “Social Real Estate agencies” (AIS/SVK) could contribute to meet demand, through partnerships with private owners
Private actors contribute to affordable housing through social real estate agencies

Key features of “Agence Immobilière Sociale/Sociaal Verhuurkantoor”

- Form: non-profit organizations
- Receive subsidies from regions or municipalities
- Generally small-size agencies (generally 5-6 employees)
  - Brussels: 23 agencies, 4,000 housing units
  - Flanders: 50 agencies, 8,350 housing units
  - Wallonia: 30 agencies, 4,374 housing units

Objectives & function

- Provide housing to low-income persons with rent below market, through the private sector
- Agencies acting as intermediary between occupiers and private owners
  - Agencies sign single contracts with owner and sub-let to occupiers: any difference on rent is supported by agencies through subsidies
  - Guaranteed occupancy and income for owners

Regulation

- Agencies must be approved and are regulated by regional decrees
- Key conditions:
  - Buildings to meet key quality requirements
  - Regulated rents
  - ...but some flexibility on other conditions between owners and agencies

Example: maximum monthly rents per unit in Brussels as per regional decree (Yr. 2017)

<table>
<thead>
<tr>
<th>Type</th>
<th>Max payable by occupier</th>
<th>Max payable to asset owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>336 €</td>
<td>428 €</td>
</tr>
<tr>
<td>Apartment 1 bedroom</td>
<td>388 €</td>
<td>497 €</td>
</tr>
<tr>
<td>Apartment 2 bedrooms</td>
<td>453 €</td>
<td>574 €</td>
</tr>
<tr>
<td>Apartment 3 bedrooms</td>
<td>543 €</td>
<td>697 €</td>
</tr>
</tbody>
</table>

Note: *Housing data are regional, so more accurate data are to be found in appendixes;
Some need more than affordable housing

<table>
<thead>
<tr>
<th>NEED</th>
<th>SOCIAL ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable housing &amp; social support</td>
<td>• Lack of social and economic integration</td>
</tr>
<tr>
<td></td>
<td>• Time and resources to combine family and work</td>
</tr>
<tr>
<td></td>
<td>• Socially and economically excluded</td>
</tr>
<tr>
<td></td>
<td>• Lack of psychiatric follow-up</td>
</tr>
<tr>
<td></td>
<td>• Difficulties to live autonomously</td>
</tr>
<tr>
<td>Affordable housing only</td>
<td>• Financial dependence</td>
</tr>
<tr>
<td></td>
<td>• Time constraints and financial dependence</td>
</tr>
<tr>
<td></td>
<td>• Financial dependence</td>
</tr>
</tbody>
</table>

- Non qualified immigrants
- Single parent families with low income
- Homeless
- People with psychiatric difficulties
- Job-seekers
- Students
- Workers and young couples with low income

Confidential
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The mission of Inclusio is to promote social reinsertion through housing solutions and effective support.

**Enriching housing solution**
- Renovated/newly built building
- Selected location
- Proximity to public transport and social facilities

**Fragile segments**
- People or communities who cannot afford market prices
- People who need social support besides housing
- Non-profit organisations

**Effective social service**
- From AIS/SVK or ASBL/VZW or other type
- Provide multidimensional innovative services for social reinsertion that are effective and proven

**Mission of Inclusio**
Promoting and enabling social reinsertion of fragile segments of the population by:

1) Bringing volume of housing solutions to the market: affordable units, renovated or newly-built
2) Cooperating actively with social service providers with proven and effective social reinsertion methods (applicable to min 25% of projects)

**Social reinsertion impact dimensions**
- Education
- Childcare
- Healthcare
- Access to housing
- Personal finance
- Mobility
- Professional insertion
- Autonomy
Operational model: key features

Inclusio’s assets are managed by social real estate agencies (or public institutions)

Social real estate agencies as intermediaries between owners and occupiers

**OWNER**
- Inclusio
- Owner must meet minimum requirements
  - Provide quality housing (specific criteria)
  - Accept below-market rent
  - No say on occupier profile
  - Long term lease
  - Subsidies

**TENANT**
- Social Real Estate Agency or public institution
- Long-term lease or management contract *(min 9 years)*

**SUB-TENANT**
- Occupier
- Occupiers benefit from valuable AIS/SVK offer
  - Quality housing
  - Affordable rent (social)
  - Various social services
  - Mediation in case of late rent payments
  - General support

**Excellent value proposition from agencies**
- Guaranteed monthly rent payment
- 100% occupancy – long term
- Real estate maintenance
- Professional management

**Occupiers must abide by rules**
- Contribute to asset maintenance
- Pay rent (affordable)
- Open communication with social real estate agency
Inclusio has received the B Corp Certification for its impact-driven business model

What are B Corporations?
- “B Corp is to business what Fair Trade certification is to coffee”
- B Corps are certified by the nonprofit B Lab
- They have to meet rigorous standards of social and environmental performance, accountability, and transparency
- Represents a growing community of more than 1,000 Certified B Corps from 33 countries and over 60 industries
- B Corps are working together toward 1 unifying goal: to redefine success in business

What is in it for Inclusio?
- It certifies that Inclusio offers a positive vision of a better way to do business
- Access to a network of more than 1,000 companies sharing the same goal of improving society by the power of business
- The B Corp certification is also a way to monitor and improve our impact and our reporting of it

B Corporations are a way to transcend the contradictions between the ineffective parts of the social sector and myopic capitalism.
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16 assets under management

1

**Bon Pasteur (Evere)**
- Newly built in 2013
- 38 units in 2,480 m² (net)
- 2 buildings with a common garden in-between
- 15-year single lease and management contract with AIS Hector Denis
- Diversified mix of tenants from different origins and income

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Acquisition cost * € 5,928,363
Fair value (current) € 6,469,000
Average monthly rent per housing unit ** € 513

2

**Sermon (Ganshoren)**
- Acquired in 2015, fully renovated in 2014
- 10 units in 578 m² (net)
- 9-year renewable single lease and management contract with AIS Baita
- 6 units aimed at the reinsertion of homeless people with ASBL/VZW Infirmiers de Rue
- 4 units aimed to be rented to a mix of tenants in need of affordable housing
- Winner of the Prix Convergences Europe 2014

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Acquisition cost * € 1,190,607
Fair value (current) € 1,251,000
Average monthly rent per housing unit € 432

Notes: *Including registration rights (12.5%) and /or VAT (21%)  **Excluding rent related to retail areas and parkings
16 assets under management

3-4

**Palais/Verboekhoven (Schaerbeek)**
- Acquired in August 2016, built/renovated in 2002
- Long lease (emphytéose) with the Schaerbeek municipality until 2030
- 13 apartments, 1325 m² (net)
- Large apartments to be occupied by families

<table>
<thead>
<tr>
<th>Acquisition cost *</th>
<th>€ 2,202,983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value (current)</td>
<td>€ 2,231,000</td>
</tr>
<tr>
<td>Average monthly rent per housing unit</td>
<td>€ 605</td>
</tr>
</tbody>
</table>

5-13

**Citydev Portfolio (Jette, Brussels-city and Molenbeek-Saint-Jean)**
- Acquired in August 2016
- 35 housing units + 1 retail unit
- Multiple buildings/houses across various locations in Brussels

<table>
<thead>
<tr>
<th>Acquisition cost *</th>
<th>€ 5,352,857</th>
</tr>
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<tbody>
<tr>
<td>Fair value (current)</td>
<td>€ 5,610,000</td>
</tr>
<tr>
<td>Average monthly rent per housing unit **</td>
<td>€ 541</td>
</tr>
</tbody>
</table>

Notes: *Including registration rights (12.5%) and /or VAT (21%)  **Excluding rent related to retail areas and parkings
16 assets under management

**Peter Benoît, Neder-Over-Heembeek (Brussels)**
- Acquired in December 2016
- 12 housing units + 3 retail units

Acquisition cost *: €1,937,000
Average monthly rent per housing unit **: €425

**Brigade Piron, Molenbeek-St_Jean**
- Acquired in September 2017
- 20 housing units

Acquisition cost *: €2,514,000
Average monthly rent per housing unit **: €503

Notes: *Including registration rights (12,5%) and /or VAT (21%)  **Excluding rent related to retail areas and parkings
16 assets under management

Vijfstraten, Sint-Niklaas
• Acquired in March 2018
• 8 housing units

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost *</td>
<td>€ 1,325,000</td>
</tr>
<tr>
<td>Average monthly rent per housing unit **</td>
<td>€ 473</td>
</tr>
</tbody>
</table>

Notes: *Including registration rights (12.5%) and /or VAT (21%)   **Excluding rent related to retail areas and parkings
2 projects under joint venture

Den Indruk (Bruges)
- JV signed in June 2017, project under development
- 13 flats for disabled

<table>
<thead>
<tr>
<th>Acquisition cost (estimated) *</th>
<th>€ 1,800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly rent per housing unit **</td>
<td>€ 456</td>
</tr>
</tbody>
</table>

Ekla (Molenbeek-Saint-Jean)
- JV signed in December 2016, project under development
- 91 housing units + 1 retail unit

<table>
<thead>
<tr>
<th>Acquisition cost (estimated) *</th>
<th>€ 15,265,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly rent per housing unit **</td>
<td>€ 500</td>
</tr>
</tbody>
</table>
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Our pipeline of projects under negotiation

<table>
<thead>
<tr>
<th>Location of projects</th>
<th>Lettre d’intention signée</th>
<th>Négociation avancée</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Brussels</td>
<td>19,6</td>
<td></td>
</tr>
<tr>
<td>A Brussels</td>
<td>11,1</td>
<td></td>
</tr>
<tr>
<td>C Flanders</td>
<td>1,3</td>
<td></td>
</tr>
<tr>
<td>D Flanders</td>
<td>2,2</td>
<td></td>
</tr>
<tr>
<td>E Walloon region</td>
<td></td>
<td>1,8</td>
</tr>
<tr>
<td>F Brussels</td>
<td></td>
<td>6,8</td>
</tr>
<tr>
<td>G Walloon region</td>
<td></td>
<td>7,8</td>
</tr>
<tr>
<td>H Brussels</td>
<td></td>
<td>19,3</td>
</tr>
<tr>
<td>I Walloon region</td>
<td></td>
<td>2,5</td>
</tr>
<tr>
<td>J Brussels</td>
<td></td>
<td>1,9</td>
</tr>
<tr>
<td>K Brussels</td>
<td></td>
<td>15,2</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>49,4</td>
</tr>
</tbody>
</table>

TOTAL: 40,1
Our pipeline of projects under negotiation

**Projet A (Brussels Capital Region)**

Project of 123 apartments to develop east of Brussels, subject to permits.

Tenant: two AIS

Estimated total cost of development: 19.6 million EUR

**Projet B (Brussels Capital Region)**

Two residential sites to redevelop into +/- 51 apartments and 1 retail unit, in the east of Brussels.

The permits have still to be obtained.

Tenant: one or two AIS

Estimated cost of redevelopment: 11.1 million EUR
Our pipeline of projects under negotiation

**Projet C (Gent)**

The contemplated transaction concerns the acquisition of a building with 7 apartments/flats and 1 retail unit
Tenant: HuurinGent
Total acquisition cost: 1,4 million EUR
Notarial deed fixed in May 2018

**Projet D (De Eiken – Eeklo)**

Project to be developed by Inclusio
Inclusio has signed a provisional acquisition agreement, under the condition precedent that a building permit for 15 apartments is obtained.
Tenant: SVK Meetjesland
Total cost of development (est.): 2,3 million EUR
Our pipeline of projects under negotiation

Projet E (Ottignies)
The contemplated transaction relates to the acquisition of a building with de 17 flats located in Ottignies
Tenant: AIS du Brabant wallon
Total acquisition cost : 1,8 million EUR
Notarial deed to be signed in May 2018

Projet F
Project to be developed by Inclusio.
The contemplated transaction relates to the acquisition of an office building, to be redeveloped into a residential project of +/- 40 apartments
Tenant: AIS ASIS
Total redevelopment cost (est.): 6,9 million EUR
Our pipeline of projects under negotiation

Projet G (Auflette – Cuesmes)

The contemplated project consists in the redevelopment of two old school buildings located on the site of the previous ICET- provincial school, into 68 apartments
Tenant: still to be defined
Total cost of redevelopment (est.): 7.8 million EUR

Projet H (Brussels Capital Region)

The transaction under negotiation relates in the ‘turnkey’ acquisition of 106 apartments/flats, 4 small retail surfaces and 1 small office and 77 parking-spaces
Tenant: One or two AIS of the Brussels –Capital Region
Total acquisition cost (est.): 19.3 million EUR
Our pipeline of projects under negotiation

Projet J (Stembert – Verviers)

Inclusio is under negotiation for the acquisition of a redevelopment project of military barracks into 20 apartments.
Tenant: AIS Logeo
Coût total d’acquisition estimé : 2,5 million EUR

Project I (Beughem – Schaerbeek)

The contemplated transaction relates to the acquisition of a building with de 20 flats and 1 small retail unit located in Schaerbeek
Tenant: AIS Etudiante (16 units) + AIS ASIS (4 units)
Total acquisition cost (est): 1,9 millions EUR
Notarial deed to be signed in May/June 2018
Our pipeline of projects under negotiation

Project K (Antares – Woluwe-Saint-Lambert)

The contemplated transaction relates to the acquisition of an existing office building of +/- 7,000 m², to be rencoverted into apartments/flats
Project to be developed by Inclusio
Tenant: AIS Woluwe-Saint-Lambert
Total cost after redevelopment (est): 15,2 millions EUR
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Source reasonably priced sites !!

**Context:**
- Inclusio is an impact investing company, hence:
  - a positive social impact is a prerequisite
  - combined with a reasonable yield on acquisitions/developments
- Open competition with private developers who will go for lot per lot sales and can afford paying much higher prices for sites !

**Potential tracks of solution :**
- When public sector sells a site: introduce as a condition of the sale that the developer will have to develop 30 - 40 - 50 % of the site as affordable rental apartments
- Assign regularly the “charges d’urbanisme” into rented affordable apartments
Parking ratio’s

Context:
- Present RRU foresees in parking ratio’s that are completely outdated in comparison with present new mobility solutions: bicycles, metro, bus, tram, etc
- Whereas very few tenants in need of affordable housing do have cars…(+/- 10 - 20%)

Potential tracks of solution:
- Drastically reduce number of parking spaces for affordable housing buildings
Surface norms for apartments to be reexamined

**Context:**
- Present RRU foresees into minimum surface norms that are too generous in comparison to international standards
- Whereas most people on the waiting lists of the Social Housing Corporations are lodged in shameful conditions...

**Potential tracks of solution:**
- Reduce surface norms in RRU!
Higher rents for energy efficient lodgings

**Context:**
- Since 2015 new buildings have to be built “passive” in the RBC-Region;
- Hence a significant additional cost for the developer/investor
- Whereas the rent that is paid by the AIS to the owner is identical for energy efficient buildings and old buildings

**Potential tracks of solution:**
- Enforce article 16 §2 of the “Arrêté du Gouvernement” sur les AIS (17/12/2015):
  This article foresees in the possibility to have a higher rent for energy efficient - Passive lodgings, but has not been put into force till now!
Redirect a larger part of the public policies towards affordable rental apartments for the medium class

**Context:**
- Most existing public policies aim at subsidizing the acquisition of apartments for the medium class people (e.g.: Citydev, Fonds du logement)
- The sole public sector/private sector cooperation for affordable rental apartments is with the AIS/SVK’s sector, that aims predominantly to the lower incomes

**Potential tracks of solution:**
- Launch think tank: how increase the support to more affordable rental apartments ?
- Quid launching an “AIS” that specialises into apartments/flats for medium class (like in Gent and Kortrijk) ?
- Quid allow private sector to set up cooperation with other public actors, like the social housing companies, in order to bring to the market additional affordable rental apartments ?
Our goal is to have a lasting impact on the lives of people experiencing a difficult social situation.

And see many smiles on hundreds of faces that have been through difficult times.
Contacts

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