

Why property has a place in impact portfolios

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This blog, by Karen Shackleton, originally appeared on [Mallowstreet](#) and is reproduced here, with their permission.

I recently read a [moving blog](#) written for St. Mungo's by one of the homeless people that the charity has been helping.

Scott had previously had a successful career in the financial services and IT sectors. In his account, he calmly describes his downward spiral to homelessness. This makes for a difficult read for anyone working in financial services – how fragile our comfortable lives can be!

Fortunately, when St. Mungo's stepped in, things turned around for Scott. Not only did they offer him a safe place to sleep, but they helped him rebuild his career.

He finishes by writing: "Now, I have my own flat which I was able to furnish – a place to call home – and I have recently started a new job as a data analyst at an engineering company." A heart-warming success story!



For me, this was the motivation that inspired me to launch [Pensions for Purpose](#) as well as agreeing to be chair of impact property manager, Resonance.

The idea that an institutional investor could invest in residential property, lease it to a charity which in turn worked with people like Scott to help to rebuild lives – whilst earning a reasonable, risk-adjusted return – made enormous sense for a pension fund.

Property is an ideal asset class in an impact portfolio, because the investment and its use can be largely separated. This is why we are now seeing impact funds in residential property being developed that could potentially:

- House the homeless
- Provide accommodation for disabled living
- Offer homes to ex-offenders
- Establish housing for ex-military
- Help vulnerable women (e.g. victims of domestic abuse)
- House young people who are leaving care

This isn't just a question of providing accommodation. Many of those in the above groups will need specialist support and counselling, which is why partnerships with organisations that specialise in this (such as St. Mungo's) are so important.

Many of these organisations are capital-poor, so partnering with an investor group that can act as a patient investor, providing those in need with a safe space to live, is invaluable to their work.



The rental income (often paid via benefits) provides the investor with a secure income stream that generates the financial return on the investment, along with any capital gain from selling the property when the time comes.

Commercial property investment can also work in this way. Last year, I met one of the trustees of [FirstLight](#) who work with ex-military and ex-emergency-services personnel. FirstLight run cafés around the country to bring in income, with discounted drinks for military clientele. They offer additional services such as counselling, as well as a meeting point for making new friends.

The trustee observed that she would far rather be paying rent to a responsible investor who understood her goals and challenges, than for a purely commercial landlord.

Property investment can also be effective on a global scale.

Many developing countries, where small businesses are struggling to survive in an often corrupt environment, would place a high value on paying rent to a responsible and trustworthy landlord.

It seems to me that pension funds' impact investments in property have enormous potential. We are only just beginning to see pension funds showing interest in this style of investment but with such good news stories to share, like Scott's, that interest is bound to grow.