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VENN PARTNERS WELCOMES MOODY'S Aa1 PROVISIONAL RATING ON BONDS TO BE ISSUED BY PRS FINANCE PLC UNDER THE PRIVATE RENTED SECTOR GUARANTEE SCHEME

A £3.5 billion Government guaranteed bond programme, to provide long term loans for new purpose built homes in the private rented sector that will attract strong interest from institutional investors

Scheme now open for applications and Venn has received a strong response from potential borrowers

Venn Partners, recently appointed as delivery partner to the UK Government's Private Rented Sector Guarantee Scheme, welcomes Moody's Investor Service's award of a provisional Aa1 rating on the bonds to be issued by its wholly owned subsidiary PRS Finance plc under that scheme.

PRS Finance plc will issue UK Government guaranteed bonds in order to finance lending to selected PRS operators. The rating of the bonds is directly linked to Moody's rating of the UK Government.

Such Government guaranteed bonds are typically priced at a modest spread pick-up from Government bonds of the same maturity and are expected to attract strong interest from a variety of long-term institutional investors such as insurance companies and pension funds, seeking long-dated high-grade assets to match their long-dated liabilities. The Scheme is able to issue bonds of up to 30 years, with the maturities of the bonds matching the maturity of the loans that PRS Finance plc will make to PRS operators.

Many institutional bond investors are searching for better returns given that government bond yields in a number of developed countries have been pushed lower by investors seeking a mix of safety and income amid economic uncertainty as well as by organised central bank bond buying in areas such as the Eurozone where many government bond yields have fallen to record lows.

Venn Partners is currently working on the first bond issue by PRS Finance plc, which is likely to be launched this autumn. It is expected that PRS Finance plc will become a regular issuer over the next few years, targeting to raise at least GBP 3.5 billion for the PRS sector.

Since the Scheme was announced at the end of last year, Venn Partners has been increasing the awareness of the funding available and has held discussions with a broad range of eligible and prospective regional, national and international PRS operators. Following these soundings, Venn Partners recently opened the Scheme to formal applications.

To date there has been a very positive response in the Scheme, with over 130 potential borrowers expressing their interest, underlining the interest in this nascent sector of UK housing and the attractiveness of the financing available.

The aims of the Scheme are to accelerate the growth of investment in the private rented sector by institutional property investors by providing them access to long term loans that will increase the investment viability of projects to develop new private rented sector homes, initially for £3.5bn with an option to increase it up to £6.5bn.

The Scheme is targeting large-scale purpose-built private sector projects worth over £10m, which will be held within the Private Rented Sector for the length of the guarantee. Venn has seen proposed projects with values ranging up to £350 million.



Aside from its role as the delivery partner on the Private Rented Sector Guarantee Scheme, Venn has also been active in more traditional real estate lending markets in Europe, having arranged over £1 billion of commercial real estate loans and recently established a €500 million Dutch residential mortgage lending platform.

Gary McKenzie-Smith, co-founder and Managing Partner of Venn Partners, comments:

“We are delighted to have secured this provisional Aa1 rating for the bonds to be issued under the PRS Scheme, as this will be a key requirement of raising attractive term financing for PRS operators and delivering genuine scale into this important market initiative. It represents an important milestone in the roll-out of the Scheme, and an important message to borrowers as we open the Scheme to formal applications. We look forward to the inaugural issue from PRS Finance plc later this year.”

Paul House, Head of Commercial Real Estate and Managing Partner of Venn Partners, added:

“This is certainly a positive development and we believe that with our real estate and credit underwriting expertise, capital markets track record and strength of investor relationships we can ensure the Scheme’s bond programme is a strong success. Institutional investment is key to achieving improving standards and tenant choice in the private rented sector, which is critical to help address the UK’s overall housing needs. Equally important is ensuring enough borrowers access the Scheme and we are delighted at the strong response from a range of property investors keen to access the funding for their Private Rented Scheme projects.”

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