

AUTUMN 2023

Sustainable Housing Outlook



Introduction

It gives us great pleasure to present the fourth edition of RITTERWALD's Sustainable Housing Outlook to coincide with the European Federation for Living (EFL) conference in Belfast, Northern Ireland, kindly hosted by Radius Housing.

Since our third edition last Spring, in which we specifically addressed sustainability reporting frameworks, the EU published its final version of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS). Both impact social and affordable housing providers across Europe. The UK government on the other hand has recently softened the timeline to accomplish its climate goals. Progress on climate-related disclosures remains a priority for the financial sector. The recently published Disclosure Framework by the Transition Plan Taskforce illustrates this priority.

Last September RITTERWALD published, jointly with EFL, an overview of the current and forthcoming regulatory sustainability landscape.

In this fourth edition of the Sustainable Housing Outlook, we focus on the role of social and affordable housing providers in sustainable urban development. City living has become very popular for households of all ages and incomes. All major cities across Europe have persistent shortages of social and affordable housing. Additional supply of housing for keyworkers such as nurses, teachers, police, and firemen are essential to keep our cities running 24/7. Urban redevelopment (also referred to as brownfield development or urban regeneration) is more complex than building on the green fields in the suburbs and countryside. To address the housing shortage, we must do both, however from a sustainability perspective we should allocate more resources to brownfield development.

The first contribution in this edition addresses the EU Green Deal. This can be seen as the big umbrella for the EU's climate ambitions that impacts on all sectors of the economy, including sustainable urban development. Selected programs and funding models are explained.

To make sustainable urban development more tangible, in the second contribution we feature two Dutch cities that for their urban redevelopment and regeneration approach called on the Amsterdam office of RITTERWALD for support. The downtown project in Rotterdam dealt with high street regeneration: how to turn a commercial street from no-go into a must visit. While the urban growth strategy project in Zoetermeer dealt with the redevelopment challenges of a 60-year new town. Overall, Dutch housing and planning professionals have built an impressive track record with sustainable urban development both in cities and towns, a challenge in a country with a high population density and scarce land, that for 25% is below sea level.

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Find the RITTERWALD EFL Report for download here.

In the UK, the sustainable (re)development agenda is robustly supported by the publication of the Levelling Up White paper by the UK Government in 2022, that turned into the Levelling-up and Regeneration Bill and became law from 26 October 2023. The UK has seen regional inequalities increasing over time, especially within cities and towns outside southeast England. In the paper the Government has highlighted the issues and challenges, and the need to create opportunities for economic prosperity and a higher quality of life across all the UK.

Urban (re)development plays a key role to reduce spatial inequalities through towns and city centres regeneration. The third section of this outlook gives a glimpse of how it is handled.

As we have in previous editions, we feature the host country of the bi-annual EFL Conference, Northern Ireland, one of the four parts of the UK. We focus on the role of social and affordable housing providers in the implementation of the urban (re)development agenda. Moreover, we feature the urban regeneration efforts of the City of Belfast and the role of social housing provider Radius Housing.

RITTERWALD continues to expand its sustainability related services. By regularly raising the bar for the ESG metrics through our Certified Sustainable Housing Label (next update in 2024), we keep ourselves apprised of the sustainability reporting requirements of different -financial- stakeholders engaging with social and affordable housing providers: high quality ESG data management remains key.

Finally, you will find ESG news from RITTERWALD's clients and holders of the Certified Sustainable Housing Label as well as the new version of the sector specific Sustainability Reporting Standard in the UK. In this final section we will also inform you on our new partnerships in our sustainability offers.

As always, we welcome your comments on this fourth edition.

1 Sustainable urban development in the EU

European Green Deal

The European Green Deal embodies a set of policies developed from 2019 by the European Commission to tackle Climate Change in the EU. The EU aims to become the first climate neutral continent by 2050, with a first milestone in 2030 when the EU should have cut its net greenhouse gas emissions by 50% compared to 1990 levels. To accomplish its goals, the EU focuses on different themes dealing with social and economic transitions.

The Cohesion policy is the EU’s most pronounced investment policy. Some initiatives are linked to urban development and regeneration. It contributes to the priorities set by the European Commission on European sustainable development. The Cohesion Policy targets all regions and cities in the European Union to create a smarter, greener, connected, and social Europe, and to bring Europe closer to its citizens by supporting locally integrated development strategies. To reach these goals and address the diverse development needs in all EU regions, €392bn – almost a third of the total EU budget – has been allocated for Cohesion Policy for 2021–2027.

Different programs and actions have been set up to support sustainable urban development:

European Urban Initiative (EUI)¹

The EUI is funded by the European Regional Development Fund (ERDF), an EU structural and development fund to transfer capital from wealthy regions into investments in infrastructure and services in poor regions. The ERDF budget for the 2021–2027 period is €450m and aims to support innovative urban projects improving capacity and knowledge transfer, policy development and the promotion of sustainable urban development.

SNAPSHOT

Kerkrade (Netherlands)

Super Circular Estate – First Circular sustainable Social Housing Estate for 100% Material and Social Circularity

Challenges:

Demolition of vacant 1960s social housing high-rise buildings due to poor condition, young’s urban migration and ageing population.

Urban redevelopment achievement:

Re-use of 95% of the materials of one building demolition to build four housing units, bring back former tenants to the neighbourhood, provide a circular water regime, and create a social service centre.

URBACT IV²

The URBACT IV (2021–2027), succeeds the previous cooperation programs set by the EU to share best practices and transfer knowledge between European cities. URBACT promotes both vertical and horizontal integration, where collaboration is valued across several governance levels (regional, national, EU) and tackles challenges in a holistic way embedding environmental, social, and economic dimensions.

¹ <https://www.urban-initiative.eu/what-european-urban-initiative>

² <https://urbact.eu/who-we-are>

SNAPSHOT

Birmingham (UK)

Challenge:

improving communication between the Birmingham Council and their inhabitants to optimally allocate the -limited- urban regeneration financial resources available.

How URBACT good practices

helped: Based on the best practice example of Łódź (Poland), Birmingham appointed mediators representing the local authority and the regeneration target area. This integrated management allows a participatory process, saving time and resources in urban redevelopment that do not meet the population's needs.

International Urban and Regional Cooperation (IURC)³:

The IURC is an EU-funded program dedicated to enhancing cooperation between EU and non-EU partner cities or regions. Case studies show successful pairing of cities from different continents, sharing knowledge and best practices on ecological transition, urban renewal, social cohesion, and innovative carbon neutral systems.

SNAPSHOT

Milan – São Paulo case study (Italy/Brazil)

The two cities created a comparative study on their own urban regeneration policies to withdraw best practices on their planning and methodologies, especially regarding brownfield redevelopment.

Strategic and sustainable public space development guidelines were established, co-designing a roadmap for future regeneration projects with social and sustainability objectives in mind.

https://www.iurc.eu/wp-content/uploads/2023/07/1.-IURC_LA_Sao-Paulo-Milan_Case-Study.pdf

New European Bauhaus⁴

Initiative linked to the European Green Deal and aiming to make European cities more beautiful, sustainable, and inclusive with a €50m budget. Assumption is that Green Deal is a technical and cultural challenge. Buzzwords: innovation and imagination. Eligible projects should embody the values of sustainability, inclusiveness, and aesthetics to the very maximum extent of ambition. Four identified themes: circular economy and carbon neutrality, preservation of cultural heritage, adaptation of buildings for affordable housing and regeneration of public spaces.

SNAPSHOT

Aalborg East (Denmark)

From Isolated to Inclusive

Up until 2015, the area of Aalborg East was deprived, and many homes were vacant due to insecurity and dissatisfaction with the neighbourhood. The collaboration between the business community, housing associations and the municipality resulted in regenerating the area. Redesigned outdoor spaces, improved public lighting,

new services and shops were developed. More than 2,000 social homes were included in the (re) development alongside private homes to promote diversity in the neighbourhood.

Key highlight:

No homes were demolished, and no residents displaced.

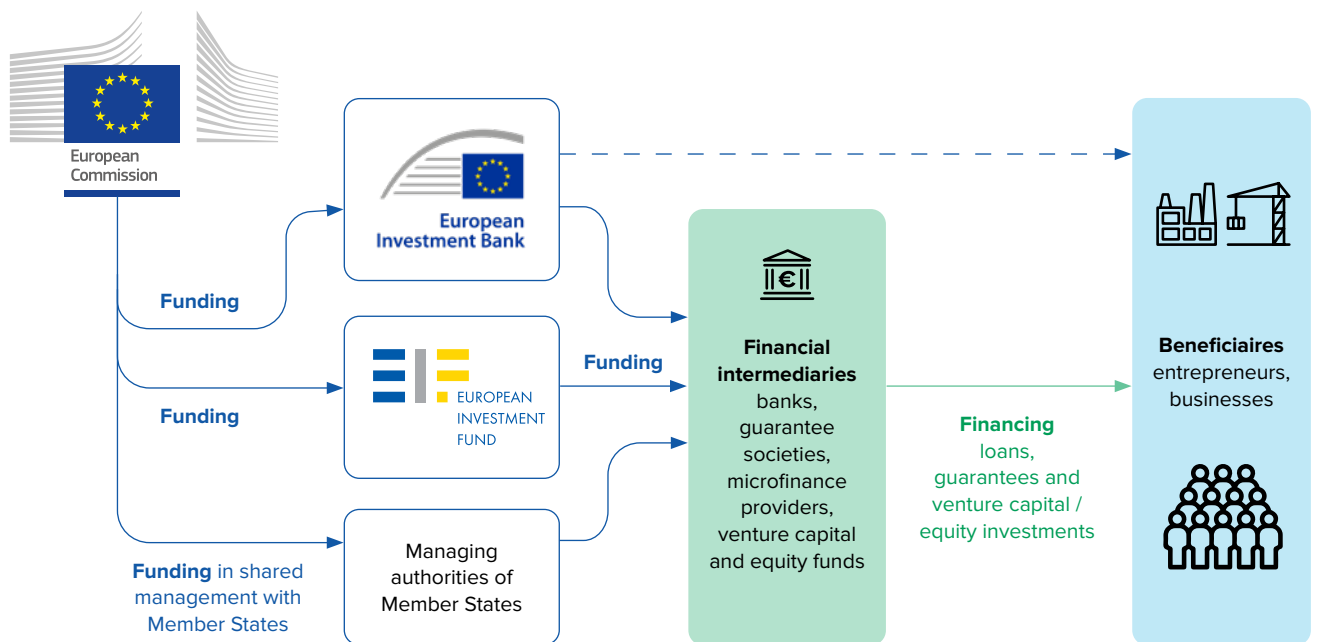
<https://2023.prizes.new-european-bauhaus.eu/application/26544>

³ <https://www.iurc.eu/>

⁴ https://new-european-bauhaus.europa.eu/about/about-initiative_en

EU Financial instruments

One key challenge in ambitious urban (re)development projects remains the funding solution. The EU provides funding for projects that make life in urban areas more sustainable. The EU provides funding through different initiatives that fall under 3 categories (see figure 1): equity and debt, loan guarantees and venture capital, and capacity building and risk sharing facilities.



The European Investment Bank (EIB)'s funding decisions are driven by EU policies – such as the Cohesion policy mentioned previously. The EIB dedicates 20% to 30% of its lending to build resilient cities for future generations, construct social and affordable housing and provide sustainable urban services (mobility). It provides direct support by lending to businesses as well as providing indirect financial support, acting as a mediator to financial intermediaries in mixed funding scenarios.

Housing provision is a primary responsibility of the member states. EIB finances eligible projects through loans, investment platforms and EIB Advisory, to answer housing needs and improve social housing buildings' energy efficiency issues.

Both the European Investment Fund (EIF)⁵ and EU-member managing authorities (can be national, regional, or local government) operate with intermediaries to provide financing to different types of organisations, in line with EU strategic objectives. The EIF essentially focuses on Europe's small and medium-sized businesses (SMEs) while start-ups, micro companies, and larger businesses can all benefit from the managing authorities of member states' advice.

Figure 1:
Funding opportunities by the EU
Source: European Commission

⁵ https://www.eif.org/what_we_do/index.htm

Target group	INVESTMENT LOAN <ul style="list-style-type: none"> • Housing associations • Cities and municipal companies • Approved/regulated social and affordable housing providers 	DIRECT FRAMEWORK LOAN <ul style="list-style-type: none"> • Housing associations • Cities and municipal companies • Approved/regulated social and affordable housing providers 	 <p>European Investment Bank</p> <p>Financial Products</p>
	<ul style="list-style-type: none"> • Direct loan for a specific investment project or programme • All investment components identified/ appraised up-front 	<ul style="list-style-type: none"> • Finances a three to five-year slice of an investment programme • Multi-scheme investment that meets defined criteria, including those not completely prepared at time of signing 	
Target group	FRAMEWORK LOAN VIA AN INTERMEDIARY <ul style="list-style-type: none"> • National and local promotional banks • Dedicated financial organisations backed by governments • Commercial banks 	INVESTMENT PLATFORMS <ul style="list-style-type: none"> • National and local promotional banks • Dedicated financial organisations backed by governments 	ADVISORY <ul style="list-style-type: none"> • Any client
	<ul style="list-style-type: none"> • Facility for financing housing associations • Relies on a good intermediary that applies financing criteria agreed with the EIB 	<ul style="list-style-type: none"> • An umbrella framework under which different financing products can be used within the platform, tailored to different sizes or types of housing project • Different sources of co-financing can be combined, including national or EU grant funding • A national promotional bank can apply thematic focus to windows under the platform: e.g. focusing on energy efficient housing or housing prioritised according to specific urban or social criteria 	<ul style="list-style-type: none"> • URBIS is already used in Ireland and Poland, and is under discussion in Malta. • It helps countries to pilot social housing programmes or design innovative financing approaches to social housing

Figure 2:
EIB financial products for social and affordable housing providers
Source: Source: EIB

2

RITTERWALD and sustainable urban development

As part of its service offer, in the Netherlands RITTERWALD has built a track record with sustainable urban development. We would like to share two case studies, a high street regeneration in port city Rotterdam and the urban growth strategy and implementation plan in the former new town Zoetermeer. Both case studies provide lessons for other countries including the UK and its Levelling Up agenda. Specific high-level lessons include:

Take enough time

Successfully restoring the physical and social fabric of local communities does not happen overnight. On the contrary it will cost you some sleepless nights. It takes energy and dedication. Take it therefore step by step. Do not rush but keep the momentum going. The process when delivered is very rewarding.

Work with the best

Engage only dedicated professionals and volunteers. Skill sets can be learnt, commitment is required from the start to the end. Being street wise will help. Community leadership should be empowered to inform the supply chain (planners, designers, architects, social workers, retailers) to bring them to the next level. It is a team effort.

A comprehensive approach is the only way to success

There is no Dutch (or British) approach in urban regeneration. The only approach is comprehensive and inclusive: engage all stakeholders (also -expected- opponents), balance physical and social-cultural aspects, think of maximising the mixed-use potential, and celebrate small successes regularly.

Plan first, budget second

This last lesson may surprise the reader, but it tells something about the facilitating role of government. We have never come across a well thought through and implemented plan without a professional debate on the required budget. However, we have seen the opposite: funds allocated upfront without a good plan in place. In our experience that is a guarantee for failure.

CASE STUDY 1

Rotterdam West-Kruiskade – high street from no-go to must-visit⁶

Situation (in 2010): A no go high street with drug dealers and users on almost every street corner. Dilapidated properties. In bars and ‘specialist’ independent stores the main business model was selling drugs. Many storefronts did not invite customers to come in. Unique multi-generational family-owned stores (hardware, butcher, bakery, seafood) were struggling because their city-wide customers no longer wanted to visit them.

Goals: Improving safety and spurring local economic development. In other words, giving the street back to the local storeowners, visitors, and residents. To accomplish this goal, a 10-year implementation scheme was put in place prepared by local government (planning and police department), a major housing association, and the local business association. Implementation was managed by local alliance representing all stakeholders.



⁶ https://www.ritterwald.de/temp/2210_Rotterdam-Paper-Hereijgers_Journal-Urban-RegenRenewal.pdf

Outcome (in 2020): a must visit multi-cultural high street close to central station that thrives again due to economic revitalisation of commercial and residential properties and successful public private partnership. Today street management is primarily conducted by local business association through the area’s designation as a business improvement district. While it is a success, everyone must stay alert: a project like this will never be finished.

Success factors: securing public and private engagement in a binding agreement, support from retailers, strong dedicated leadership, decisiveness through direct access to enforcement leadership through city Marshall (intermediary between city and police responsible for the tipping point), act and move quickly from the start, and local intelligence on the ground.

CASE STUDY 2

Zoetermeer – sustainable urban growth strategy for new town

Situation: Zoetermeer was developed as a new town that celebrated its 60th anniversary in 2022. It is now home to 127,000 people. Since 2017 RITTERWALD supports its urban redevelopment strategy. For decades the city’s growth took place in the surrounding green fields. Therefore, capacity building did not fit the purpose of the ‘brownfield’ urban redevelopments challenge. Also, the city was reluctant to lead pro-active real estate stakeholder management.

Goals: RITTERWALD was asked to educate civil servants in urban redevelopment practices and prepare a 10,000 homes City Deal (Stadsbouwakkoord) with housing associations, private developers, and institutional investors. RITTERWALD hosted master classes for 200 civil servants, including city council members and commissioners, organised bi-monthly meetings for all civil servants with engaging high-level public and private sector motivational speakers. And finally activated stakeholder management through market consultations.

Outcome: A City Deal to deliver 10,000 new homes on brownfield sites and the launch of a permanent public private professional network with over 15 companies.

Success factors: Public leadership, long term commitment from real estate industry and external pressure to act and outperform the city benchmark.



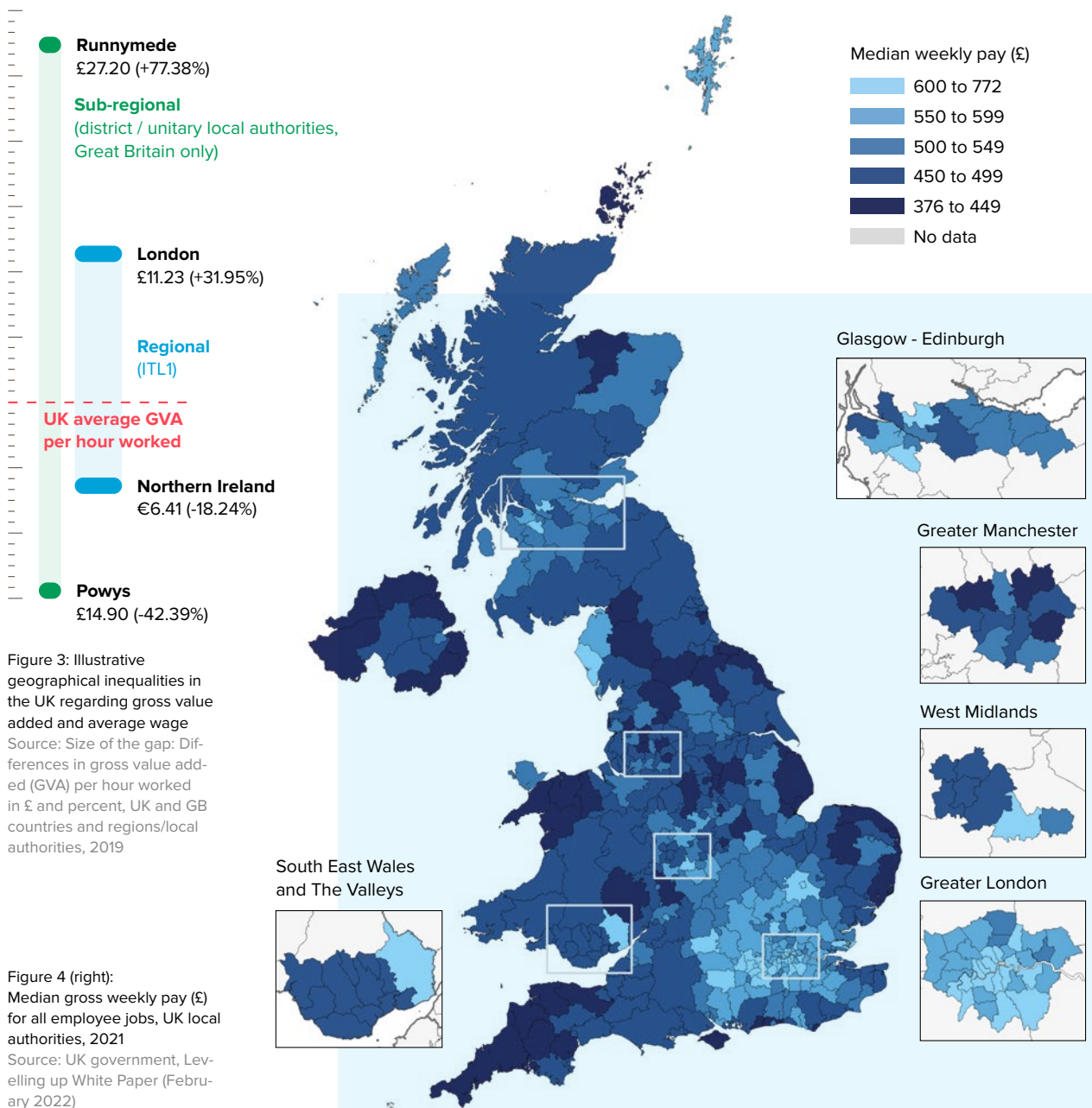
© Ardito / Jan-Evert Zondag

3 Levelling Up creates new momentum in United Kingdom

Levelling Up Policy

Geographical post-industrial disparities have characterised the UK over the past 50 years. This is illustrated in the difference between Northern Ireland and London as figures 3 and 4 show.

The UK Government’s Levelling up initiative aims to develop policies addressing the regional disparities in economic prosperity and quality of life across the country⁷. Reducing inequalities between the different regions it is argued will promote greater economic growth and opportunities in areas that have historically



⁷ <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

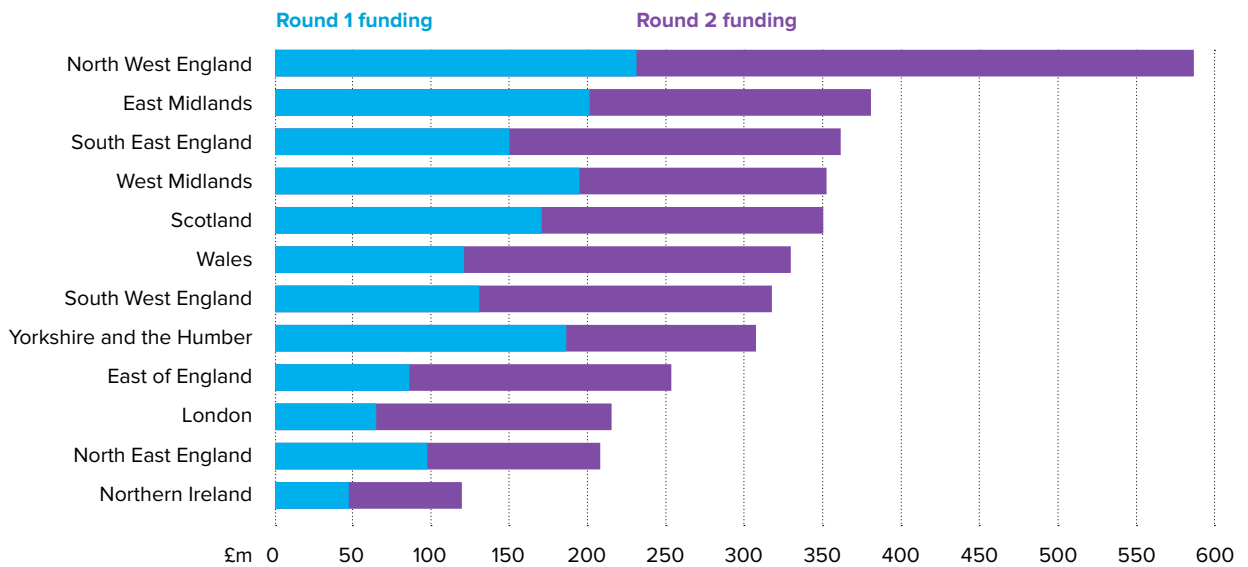


Figure 5: Levelling Up Fund regional distribution rounds 1 and 2 (in £m)
Source: Department for Levelling Up published by BBC

lagged such as Northern Ireland, Wales, and Northern England. The policy encompasses a wide range of measures and investments designed to boost infrastructure, education, skills development, job creation, and overall well-being in less affluent regions. To do so, the UK government unlocked a £4.8bn budget (Levelling Up Fund, LUF) to allocate to various projects across the country as figure 5 shows.

Four medium-term missions are described as the guiding objectives:

1. Boost productivity, pay, jobs and living standards by growing the private sector.
2. Spread opportunities and improve public services.
3. Restore a sense of community, local pride and belonging.
4. Empower local leaders and communities through devolution deals in England.

Social and affordable housing is impacted by each mission, directly by the last two. The government intends to increase people’s satisfaction and engagement with their own town to restore local pride. One measure refers to regeneration and promises to support the delivery of more sustainable housing alongside revitalising traditional high streets that have fallen behind in terms of physical condition and long-lasting vacancy rates.

SNAPSHOT

The High Street Task Force

Set up in 2019, the High Streets Task Force contributes to supporting communities and local authorities by providing information, advice, training, knowledge, and data to regenerate activity

centres. Their 2022–2023 report elaborates on the next priorities for successful High Street revitalisation, with local capacity development via partnerships at the forefront of the recommendations.

<https://www.highstreetstaskforce.org.uk/media/d4vfnk3u/annual-report-2023.pdf>

SNAPSHOT

Feasible Regeneration

Unleashing the potential of the UK's cities

The UK Urban Futures Commission set the agenda for Urban Regeneration in the UK with their publication on “Unleashing the potential of the UK’s cities” in September 2023. The report describes a practical approach to unlock sustainable, social, and economic growth while tapping into the (re)development of UK’s cities.

The report was co-authored by The Royal Society for Arts (RSA), Manufacturers and Commerce and Core Cities UK.

Main recommendations:

- New local prosperity plan, built up by a city coalition of a broad range of stakeholders, to grow the assets of one city sustainably
- New delivery architecture, encompassing public, private and civil society actors, to activate local capacity and capability
- New financing ecosystem heavily relying on the private sector to finance city regeneration by making use of joint ventures and special purpose vehicles, as well as publicly capitalised investment funds.

https://www.thersa.org/globalassets/_foundation/new-site-blocks-and-images/reports/2023/10/ukuf-final-report-and-annexes/uk-urban-futures-report-2023-v3.pdf

As figure 6 shows, UK government has made available dedicated funds to local leaders to support a hand-to-hand approach, namely the Levelling-Up Fund, the Towns Fund, the Community Ownership Fund, and the UK Shared Prosperity Fund. One should also keep in mind that local authorities are undergoing a -post Covid- financial crisis. Last September, the City of Birmingham, the second largest city in UK, declared itself bankrupt. More local authorities face serious gaps in their annual budget which will affect the progress in their urban redevelopment plans.

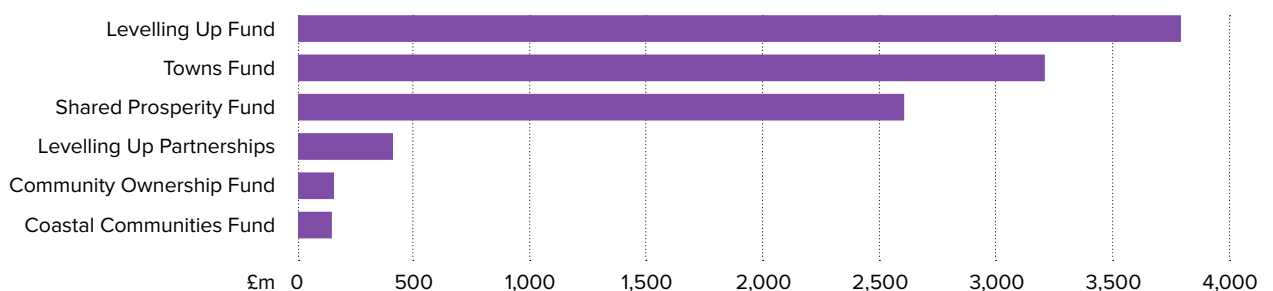


Figure 6: UK Government fund contribution to local authorities (in £m)
Source: Department for Levelling Up, Housing & Communities, Our Long-Term Plan for Towns (October 2023)

Levelling Up Northern Ireland

Unlike the rest of Ireland, Northern Ireland has suffered from the private sector industrial activity (e.g. shipbuilding) declined post WW2. Until now, the UK government has allocated £121m of funding through the Levelling Up Fund to Northern Ireland (see figure 5) £40m during round one, and £71m during round two (10 projects in 11 councils). This investment is aimed at helping cities to preserve local public assets, regenerate town centres and high streets, invest in cultural and heritage assets, and upgrade local public transport.

One example is the Maghera Regeneration Project in Mid Ulster that received £9m from the Levelling Up Fund in round 2. The council intends to renovate public spaces and transform the town centre with new paving, street lighting, planting, and street furniture, and address substandard footpath widths, poor pedestrian access, and traffic flow issues. Other elements in the project will go towards boosting outdoor recreation and biodiversity through the creation of a new wetlands park.

In addition it is proposed to revitalise local business through the creation of a new business park at a former High School site, which remains earmarked by the Council to address a gap in the availability of land for light industrial use.

Homes England redirection to urban regeneration

Earlier this year, Homes England, a government agency tasked with accelerating the pace of house building and regeneration across England (and in London working in partnership with the mayor), published its five-year strategic plan⁸ covering the period to 2028. Sponsored by the Department for Levelling Up, Housing and Communities (DLUHC), the agency uses its powers, expertise, land, and capital to support housing providers in the creation of sustainable homes and to bridge the gap between public and private sectors.

The strategic plan builds on the Levelling Up White Paper to set out Homes England’s objectives (see figure 7) to emphasise. The importance of regeneration going forward. Homes England’s CEO Peter Denton, recognised the need for housing associations to fully immerse themselves in urban redevelopment, tackle energy efficiency, placemaking and developing affordable housing.

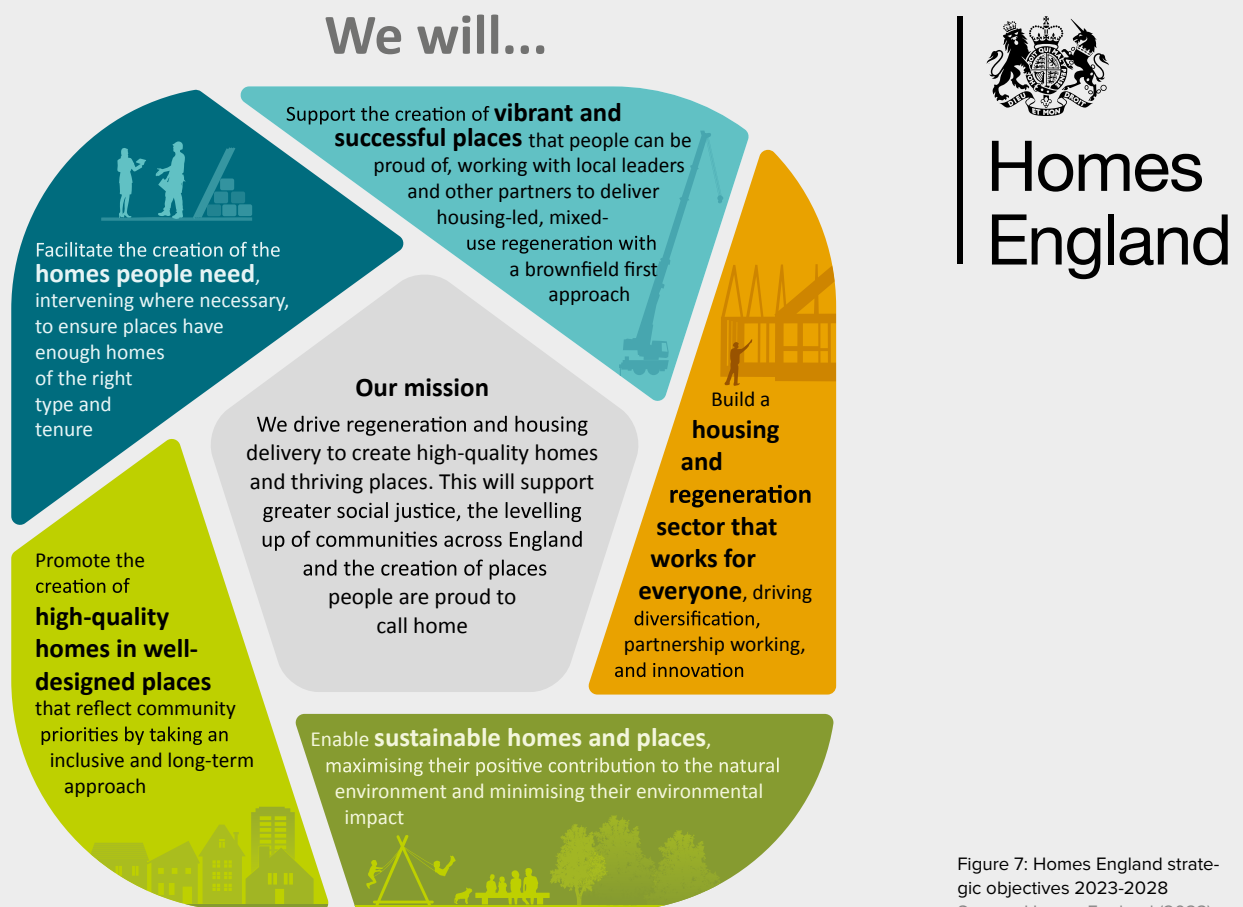


Figure 7: Homes England strategic objectives 2023-2028
Source: Homes England (2023)

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1159274/Homes-England-strategic-plan-2023-to-2028.pdf

Aligned with the publication of the strategic plan, the Housing and Regeneration agency also announced in June 2023 the use of the Government’s Affordable Homes Programme (AHP) 2021–2026⁹ to fund replacement of homes as well as building new affordable homes. The reshaping of the AHP aims to improve the balance between investing in existing or new homes. Homes England also specifically targets urban (re)development with the launch of the £1bn Brownfield, Infrastructure and Land Fund (BIL)¹⁰ in July 2023. The fund is available for organisations with eligible brownfield regeneration activities (such as land acquisition, transport infrastructures, placemaking), as well as for Homes England to develop their own strategic proposals.

Place based impact investing (PBII)

As the Levelling – up White paper highlights the UK is a country, although not alone, of entrenched place-based inequalities. The need for more public investment is undeniable but will only be part of the solution. With the costs of the Levelling Up agenda estimated to exceed £1 trillion over the next 10 years, there is a clear need for the mobilisation of private capital alongside public investment. Since the publication of the White Paper Place-Based Impact Investment (PBII)¹¹, an initiative by The Good Economy, the Impact Investing Institute and Pensions for Purpose, there is growing interest in directing private impact capital to under-invested places.

In the PBII White Paper, place-based impact investments are defined as: “Investments made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development”.

Because place-based impact investment requires a comprehensive approach, the following sectors have been defined as key to PBII: social and affordable housing, small and medium enterprise (SME) finance, clean energy, infrastructure, regeneration, and natural capital.

In the Levelling-up White paper, the UK Government lobbied the Local Government Pension Scheme (LGPS) to invest 5% of its assets in projects that support local communities, noting it could unlock an additional £16bn of investment into the UK economy.

Until now PBII has worked in 4 so called Innovation Labs, focusing on unlocking LGPS funds: (1) Association of South Essex Local authorities (finance related net zero challenges), (2) Manchester City Council (social housing re-provision in the context of estate regeneration), (3) Bath (providing affordable homes for local families and key workers in an expensive market) and (4) Dunoon/Scotland (innovative funding models for major community-led regeneration project).

In September 2023 the PBII Network has been extended to bridge the gaps between institutional investors and local authorities, and drive Place-Based Impact Investment in the UK. It is a pioneering collaboration between 11 institutional investors and 11 local authorities, supported by The Good Economy, the Institute of Economic Development, and the Impact Investing Institute. The PBII Network will act as a knowledge community, catalyse the diffusion of innovative PBII approaches and provide a voice for local government and private investors to influ-

⁹ <https://www.gov.uk/government/news/turbo-boost-for-estate-regeneration-with-major-change-to-the-affordable-homes-programme>

¹⁰ <https://www.gov.uk/guidance/brownfield-infrastructure-and-land-fund>

¹¹ <https://www.impactinvest.org.uk/wp-content/uploads/2021/05/Place-based-Impact-Investing-White-Paper-May-2021.pdf>

ence market and policy developments.¹²

Currently, only a very small fraction of UK pension money is invested directly in the UK in sectors that could drive more inclusive and sustainable development. An exception is the Greater Manchester Pension Fund (GMPF) that makes a 5% allocation to local investments that positively benefit Greater Manchester and the North West. The Good Economy was commissioned an independent assessment of the place-based impact of Greater Manchester pension fund's local investment portfolios.¹³

The Impact Investing Institute highlights a number of place-based impact investment projects on its website.¹⁴ Moreover, the Institute also published the report 'Fostering Impact: an investor guide for engaging communities in place-based impact investing'¹⁵. It addresses investors, developers, and stakeholders who want to enhance their impact and financial performance by forging partnerships with local communities through meaningful engagement.

¹² For more information and participating local authorities and investors see:

<https://thegoodeconomy.co.uk/news/pbii-network-launched>

¹³ If you want to know more:

<https://thegoodeconomy.co.uk/news/groundbreaking-report-on-local-impact-of-investments-released-by-gmpf>

¹⁴ <https://www.impactinvest.org.uk/our-work/iii-case-studies/place-based-impact-investing/>

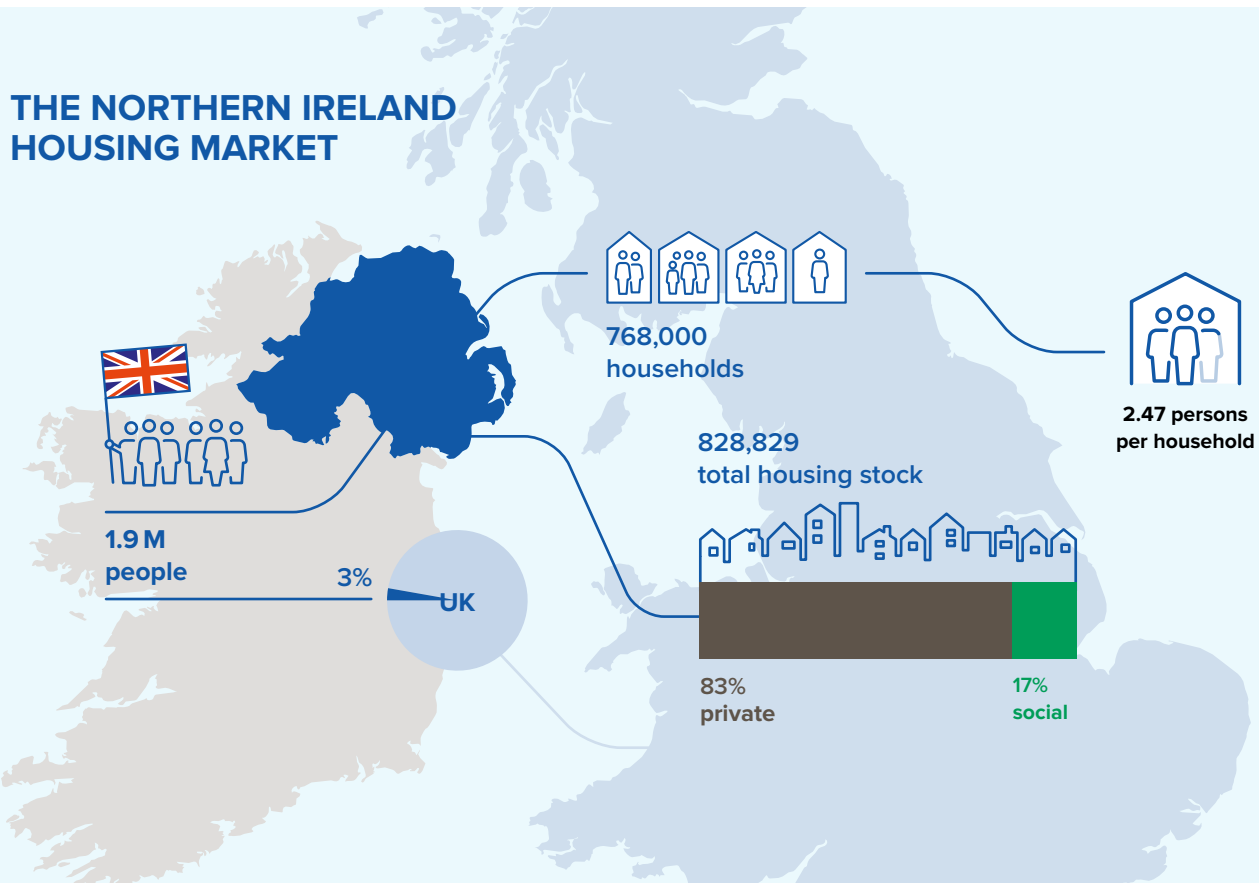
¹⁵ <https://www.impactinvest.org.uk/resources/publications/community-engagement-guide/>

4 Northern Ireland

Understanding the Northern Irish Social Housing Sector

The population of Northern Ireland in 2021 is about 1.9m – about 3% of the UK (67.7m) – with about 768,000 households, broadly 2.47 people per household.

Social housing in Northern Ireland, developed in parallel to the post war growth of Council housing in the UK, played an important role at the end of the 60’s with the start of The Troubles period, also known as the Northern Ireland conflict. Protests started in Belfast, pointing to employment and housing discrimination of the catholic minority by the protestant majority. Following the start of the protests, the Housing Executive Act was enforced in February 1971 and gave birth to the Northern Ireland Housing Executive (NIHE).



In October 1971, the NIHE took over local housing responsibilities from the 61 local councils. The NIHE engaged in improving the housing conditions across Northern Ireland by building new homes and renovating or demolishing unfit dwellings. In addition, the Northern Ireland Federation of Housing Associations (NIFHA) was created in 1977 to represent the -now- 20 Registered Housing Associations active in Northern Ireland.

Sustainability is an important issue and four housing associations (see figure 9) already publish or plan to publish annual ESG reports, with Radius Housing and Choice Housing both now reporting against the UK Sustainability Reporting Standard (SRS)¹⁶.

¹⁶ Based on publicly available information

Figure 8: Northern Ireland housing associations represented by NIFHA
Source: NIFHA



	Link to ESG reports
Choice Housing	https://www.choice-housing.org/media/5422/esg-2021-2022.pdf
Connswater	https://www.connswater.org.uk/documents/annualreports/ConnswaterESG2023.pdf
Radius Housing	https://www.radiushousing.org/assets/documents/esg-brochure.pdf
Apex	Planned for 2023

In 2023, about 17% of the total housing stock in Northern Ireland is social and affordable rented homes, provided by the NIHE and Registered Housing Associations. 60% of which is owned and managed by the NIHE, and the remaining 40% belongs to housing associations as figure 10 shows.

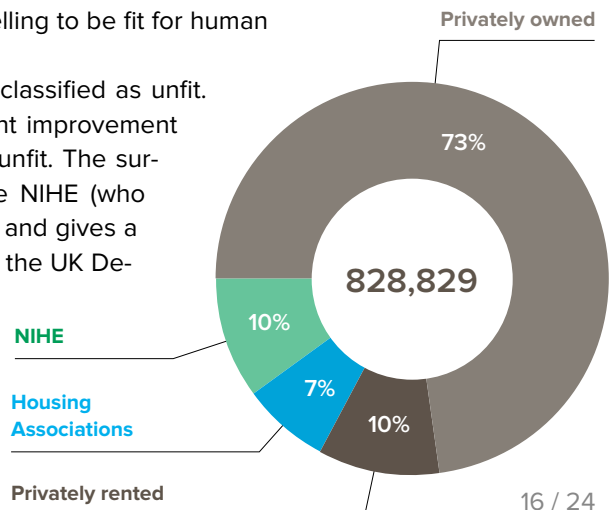
Physical condition of the housing stock

The NIHE is in the process of producing its 13th edition of the Northern Ireland housing condition assessment, the first edition was published in 1974. The assessment aims at providing reliable and consistent data regarding the “fitness” of Northern Ireland housing stock. The statutory minimum fitness standard developed by the government defines the criteria for a dwelling to be fit for human habitation.

In 1974, 20% of the homes in Northern Ireland was classified as unfit. The last survey conducted in 2016 indicated a significant improvement in the standard of housing with 2% of homes classified unfit. The survey provides directions for future investments from the NIHE (who have a similar role to Homes England in Northern Ireland) and gives a glimpse of how well Northern Ireland performs regarding the UK Decent Homes Standard. Indeed, Northern Ireland adopted the standard in 2004, aiming for the entire social housing stock to meet the standard by 2010. The challenge was mostly one for the NIHE, because it owned the oldest social housing stock. In 2016, 8% of the social housing stock failed the Decent Home Standard, compared to 11% for the previous assessment in 2011.

Figure 9: Links to Northern Ireland housing associations' ESG reports
Source: Housing Associations' websites

Figure 10: Northern Ireland at a glance
Source: NISRA, Department for communities



The number of households on the social housing waiting list continues to rise, reaching 45,105 in March 2023 (44,426 in March 2022). Housing stress remains a preoccupying issue. Amongst the waiting list, 32,633 households are considered in housing stress compared to 32,000 in the previous year.

In a policy response to the housing crisis in Northern Ireland, the Department for Communities (formerly Department for Social Development) set up the Social Housing Development Program (SHDP), to provide funding to housing associations to build new homes across the region. While the SHDP budget and grant applications are the responsibility of the Department for Communities, the administration of the programme was delegated to the NIHE. The latter issues a ‘letter of support’ to housing associations for each new scheme, thereby confirming housing-need.

Another important challenge faced by Northern Ireland regarding its housing stock is the pathway to net zero. A report published in May 2023¹⁷ by the Forum for a better housing market found that 75% of the Northern Irish total housing stock is below EPC rating band C.

In 2021, the NIHE published a report evaluating the cost to retrofit NI dwellings to EPC band C or B. Retrofitting to a band C would cost £2.4bn, with a mean cost of £6,200 per dwelling, while a band B retrofitting would cost £9.2bn, with a mean cost of £15,600 per dwelling¹⁸.

To contribute to the UK Net-Zero emissions 2050 target, Northern Ireland Assembly approved the Climate Act in 2022, which sets out the decarbonisation targets for the region. In response to this legislation the Northern Ireland Executive developed the “Path to Net Zero Energy” action plan, which details several measures contributing to decreasing carbon emissions by 48% by 2030 and become net-zero by 2050. The action plan states the ambition to create a multi-year Energy Efficiency Programme with a fabric first approach to housing retrofit.

Policy frameworks in urban regeneration in Northern Ireland

In 2013, the Northern Ireland Executive developed the Urban Regeneration and Community Development Policy (URCD), a ten-year framework to tackle geographical disadvantages and build sustainable communities. The URCD acknowledged that the shift from traditional employment to a service economy produced inequalities between urban and rural zones, the latter witnessing disinvestment, and an increase of poverty. The framework mentions objectives, that today resulted in several urban regeneration projects undertaken by local authorities:

- Tackling area-based deprivation
- Making towns and cities more competitive
- Linking up areas of need and areas of opportunity

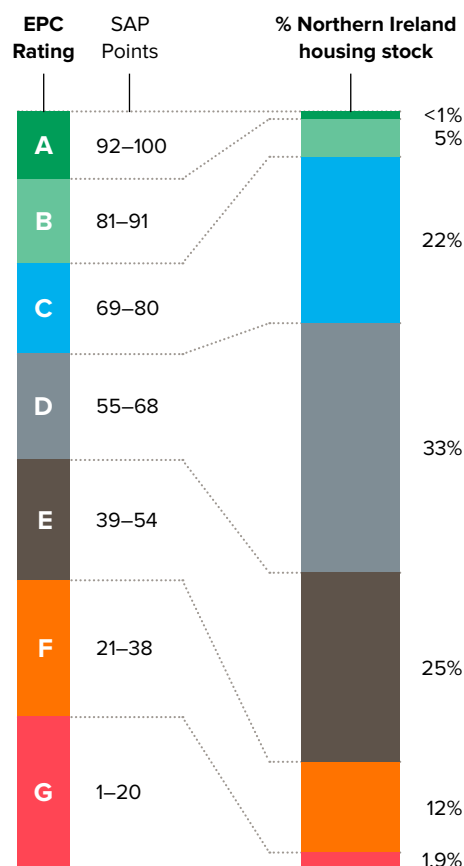


Figure 11: EPC rating of Northern Ireland's housing stock
Source: Forum for a better housing market, the route to low carbon homes

¹⁷ https://indd.adobe.com/view/publication/637da5bf-03e8-472f-9e71-7a3845cf19ef/1/publication-web-resources/pdf/Forum_for_better_housing_AW.pdf

¹⁸ <https://www.nihe.gov.uk/getattachment/90c9994b-d514-4c11-b4d6-a98c9aad223f/Cost-of-carbon-savings-in-Northern-Ireland-s-housing-stock.pdf>

The Levelling-Up policy in the UK also supports investments received by Northern Ireland through the City and Growth Deals, and the Levelling-Up Fund. Part of these investments are dedicated to urban regeneration:

- Belfast Region City Deal (BRCD)
- The Derry-Londonderry and Strabane Region City Deal
- City-Deal unlocking investment in regeneration to transform Strabane town centre
- Mid-Southwest and the Causeway Coast and Glens Growth Deals
- Levelling up fund investing £49m in 11 projects across Northern Ireland: Regeneration of the Daisyfield Sports Hub in Derry-Londonderry, regeneration of public spaces in Omagh, Glengormley and Antrim

CASE STUDIES in the Belfast area

Belfast Region City Deal (BRCD)

The Belfast Region City Deal signed in December 2021 was the first City Deal implemented in Northern Ireland to boost economic growth and job creation across the region. It bridges the funding from the UK government, Northern Ireland Executive, BRCD partners and the private sector, together reaching over £1bn.

One key part of the BRCD deals with tourism and regeneration. Regenerating towns and city centres in the wider Belfast area has the potential to create business and social centres where people can live, work, and meet, enhancing the attractiveness of the region. Projects supported by the BRCD include, but are not limited to, the Bangor Waterfront project or Newry city centre regeneration project.

Housing associations (re)development projects

Radius Housing

Northern Ireland-based housing association Radius Housing commenced the brownfield regeneration project on the old Gas Works site in the centre of Belfast in 2022/23. The £13m project will yield 94 social housing units, of which 50% are single family homes and almost all are EPC A. The rest, mainly apartments are at EPC B.

Clanmill Housing

The Loft Lines housing development in Belfast promises the construction of 778 new homes in Belfast’s city centre. The project is the outcome of the collaboration between private and public actors: Lacuna Developments, L&G, Watkin Jones, the private actors, and the NIHE, the Department for Communities and Clanmill Housing on the public side. As a result of the partnerships, 81 social housing units should be included in the (re)development of Belfast’s Titanic quarter.

- UK Government
- Northern Ireland Executive
- BRCD partners
- Private sector

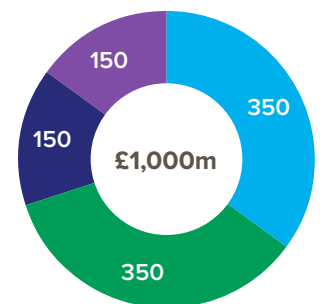


Figure 12: Belfast Region City Deal sources of funding
Source: BRCD



Source: Lacuna Development

5 ESG News

UK Housing Associations



Best Practice Meeting UK holders Certified Sustainable Housing Label 5 July 2023

On July 5, RITTERWALD organised a best practice meeting among UK label holders, kindly hosted by Metropolitan Thames Valley. Both positive and negative performances from the housing providers were highlighted across the ESG dimensions (such as energy consumption, production of renewable energy, support services to tenants, materiality analysis, and recruiting young talent among others). Insights about data management processes were shared, and the first review of RITTERWALD cooperation with the ESG data platform of Azeus Convene UK was explored with great enthusiasm.



Link Group

The completion of Riverside Dalmarnock project in Glasgow's east end unveils 562 homes for social and mid-market rent as well as affordable home ownership. The partnership between Link Group and McTaggart Construction Ltd is an example of large-scale urban regeneration combined with sustainable housing delivery, meeting both the current and future needs of local community. Housing minister Paul McLennan congratulated the successful use of the Sustainability Linked Loans (SLLs) secured by Link Group to increase the number of sustainable and affordable homes in Scotland¹⁹.



Wallsall Housing Group 23 September 2023

Jo Shields, head of sustainability and ESG at WHG shared her experience on working with the Convene ESG platform during an interview with Azeus Convene²⁰. The video shows how the successful partnership between RITTERWALD and the ESG data gathering platform eased the certification process of RITTERWALD's Certified Sustainable Housing Label (CSHL). WHG became a CSHL for the first time in July 2023. WHG also published its first sustainability report²¹ this month.



Clarion Housing Group published sustainability report 8 September 2023

Clarion Housing Group has published its sustainability report for the year 2022–2023²². The report is structured around Clarion's new sustainability strategy which sets out aspirations for the Group to create net zero carbon homes, to encourage biodiversity, and to do everything it can to eliminate fuel poverty, all whilst generating more than £3bn in social value by 2050.

¹⁹ <https://www.scottishhousingnews.com/articles/link-demonstrates-sustainability-credentials-to-minister>

²⁰ <https://www.azeusconvene.co.uk/hubfs/ESG/Webinar/Video%20Q%20and%20A%20-%20Arturo%20and%20Jo%20Shields%20-%201%20Sept%2023/FINAL%20Arturo%20Jo%20QA%20with%20subtitles.mp4>

²¹ https://www.whg.uk.com/wp-content/uploads/2023/09/Sustainability_Report_2022-23-1.pdf

²² <https://www.clarionhg.com/sustainability>



Peabody

18 October 2023

The release of Peabody's new sustainability strategy 2023–2026²³ highlights the work of the housing provider towards their 2050 net-zero ambition. For the next three years, Peabody intends to focus on green homes and communities, creating a sustainable business and making space for nature by working hand in hand with its residents. Progress on energy efficiency and tackling mould and damp are high up in the sustainability agenda.



PfP Capital rebranded in 'Thriving Investments'

12 April 2023

PfP Capital, Places for People's investment fund, was rebranded 'Thriving Investments'²⁴ to embody the company's ambitions to create thriving communities and deliver large-scale regeneration projects, with sustainable, high-quality homes at their centre. Earlier this year, Thriving Investments acquired igloo Regeneration, a leading regeneration focused developer of sustainable mixed-use neighbourhoods.

Bromford.

Bromford secured new sustainable investors

21 September 2023

Bromford secured new sustainable private placement from three investors (both new and existing) based in the UK and North America²⁵. The £100m private placement follows a £75m sustainability linked revolving credit facility that Bromford secured with ABN AMRO in June 2023 and a £50m sector-first innovative funding partnership with L&G Investment Management in August. It is the second deal to be printed from Bromford's updated Sustainable Finance Framework which was published in June 2023.



Stonewater secured new funding from Lloyds Bank

14 August 2023

Stonewater increased the value of its existing home development facility from £125m to £200m and transitioned the facility to a sustainability-linked loan²⁶. The new agreement with Lloyds Bank will be measured against three key performance indicators (KPIs) to receive covenants on its funding. The first KPI relates to retrofitting its existing stock to at least an EPC rating of C earlier than 2030. Another KPI will look to increase the energy-efficiency standard of its new homes to beyond minimum planning regulations, while the third one will look to achieve a higher rating within the independent SHIFT Sustainability framework.



Orbit Group published Sustainability Report

27 September 2023

Orbit Group published its 2022/2023 sustainability report showing progress against its sustainability commitments²⁷. Key improvements include reducing its carbon footprint by 14% (38.5% against its 2018/19 baseline), introducing its first sustainability-linked financing facility and delivering £19.2 million worth of social value to its customers. Orbit also achieved its ISO14001:2015 certification for its environmental management system by the British Standards Institute (BSI).

²³ <https://www.peabodygroup.org.uk/media/3v4p0yhh/peabody-sustainability-strategy-23-26.pdf>

²⁴ <https://www.thrivinginvestments.co.uk/news/all-news/pfp-capital-changes-name-to-thriving-investments-as-it-targets-delivery-of-20-000-high-quality-homes-across-the-uk/>

²⁵ <https://www.bromford.co.uk/news/latest-news/2023/september/bromford-secures-100m-investment-with-uk-and-us-investors/>

²⁶ <https://www.stonewater.org/news/press-releases/stonewater-secures-200m-from-lloyds-bank-to-invest-in-homes/>

²⁷ <https://orbitgroup.org.uk/media/news/2023/september/orbit-shares-progress-against-sustainability-commitments-in-latest-report/>

Highlights ESG Landscape

CSRD/ESRS

In July 2023 the EU published its final version of the European Sustainability Reporting Standards (ESRS)²⁸, rooted in the Corporate Sustainability Reporting Directive (CSRD). The CSRD aims to improve transparency in sustainability reporting while the ESRS outlines how companies should report on environmental and social impacts relating to their business and their value chain. It is expected that the ESRS will affect 50,000 companies including large and medium-sized social and affordable housing providers. A company needs to comply when at least 2 of the following 3 criteria apply: more than 250 employees, turnover exceeds €40m, balance sheet exceeds a total of €20m. Overall, the ESRS is underpinning the EU's sustainable finance agenda (Green Deal) and the EU taxonomy. The ESRS were adopted by the European Parliament in October 2023 and will apply from January 2024 onwards.

IFRS S1/S2

The International Sustainability Standards Board (ISSB), a standard setting body established under the IFRS Foundation (International Financial Reporting Standards), released IFRS S1 and S2 as global climate-related disclosure standards²⁹. The standards, in the form of non-financial information are designed to meet with mandatory financial disclosures and cover climate transition and emissions. IFRS S1 and S2 were released on 26th June 2023 and their adoptions are so far voluntary and are expected to become mandatory by 2028.

TPT

The Transition Plan Taskforce (TPT)³⁰, a UK based organisation with endorsement from ISSB and GFANZ, published a Disclosure Framework for Transition Planning in October 2023. The framework is a gold standard to guide companies in the production and publication of their climate transition plans. It entails three main categories: ambition setting, action plans and accountability. Thanks to standardised transition plan disclosures, investors will be able to access the

information they need to finance the transition at the speed and scale required to meet national and global net-zero ambitions.

UK SRS version 2.0

In line with the evolving reporting landscape, the UK Sustainability Reporting Standards (SRS) for housing has been updated to the 2.0 version³¹. SRS v2.0 places a greater focus on sector priorities, with specific questions aimed at improving transparency around net zero commitments, the management of damp and mould, and equality, diversity, and inclusion (EDI). Adopters will now need to adhere to a 'comply or explain' approach in their responses if they are unable to report against all criteria. Additionally, Adopters of the UK SRS will now be expected to report year-on-year results to demonstrate their ESG performance over time.

RITTERWALD EFL Sustainability Report³²

As a dedicated member of the Finance and Investment Group of the European Federation for Living³³, pan-European strategy consultancy RITTERWALD has presented an insightful and timely sustainability report on the development and implementation of pathways to reduce carbon emissions in residential assets.

The report shows the fast evolving regulatory and compliance landscape within the EU and the UK. One of the key drivers of decarbonisation is the emergence of mandatory climate-related disclosures. The report provides guidance to social and affordable housing providers on compliance with current and future sustainability reporting directives and standards: CSRD/ESRS in EU and SECR and CFRD in UK.

²⁸ https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en

²⁹ <https://www.ifrs.org/groups/international-sustainability-standards-board/>

³⁰ <https://transitiontaskforce.net/>

³¹ <https://sustainabilityforhousing.org.uk/uk-housing-esg-framework-updated-in-response-to-sector-priorities-and-fast-moving-sustainability-reporting-landscape/>

³² <https://www.ritterwald.de/en/news/sustainability-reporting-for-social-and-affordable-housing-providers-across-europe>

³³ <http://www.ef-l.eu/>

Ireland: Report Environmental Leadership of Housing Alliance

RITTERWALD's Ad Hereijgers spoke at the launch of the report 'Providing environmental leadership in social housing to advance climate action goals'³⁴. The event took place on September 2023 in the historic venue of the Royal College of Physicians in Dublin. The report was authored by sustainability consultancy, SustainabilityWorks, and commissioned by the Housing Alliance (6 approved housing bodies owning/leasing 36,000 dwellings with €5.7bn in assets) and funded by the Housing Agency (government agency).

Ad Hereijgers addressed a key issue highlighted in the report, how approved housing bodies in Ireland unlock sustainable capital finance. To finance a just transition, it is necessary that in addition to public loans from the Housing Finance Agency, approved housing bodies are being enabled to unlock sustainable private finance for their growth and retrofit ambitions. This requires identifying ways to increase debt capacity for feasible climate transition planning, and high-quality data management to comply with sustainability reporting frameworks CSRD/ESRS. However, to demonstrate environmental leadership approved housing bodies should start by incorporating intrinsic ESG values across the entire organisation.

Australia: ESG Reporting Standard for community housing

ESG reporting standard for Community Housing is a CHIA-led initiative (Community Housing Industry Association), supported by Housing Australia to catalyse consistent, transparent, and quality reporting on the community housing sector's ESG credentials³⁵. The Standard is modelled on the UK SRS and was developed by SGS Economics and Planning, RITTERWALD, and Paxon, in consultation with 28 community housing organisations and over 20 stakeholders in the finance and investment community. Since the standard was launched by Housing Minister, the Hon Julie Collins in March 2023, there are 20 early adopters and supporters (status mid-October 2023). A multi-disciplinary Steering Group was established in April 2023 to guide the implementation process, and RITTERWALD's Ad Hereijgers is a dedicated member of the Steering Group.

³⁴ <https://housingalliance.ie/decarbonising-social-housing/>

³⁵ <https://www.communityhousing.com.au/environmental-social-and-governance-esg-reporting-standard>

RITTERWALD partnerships

imug | rating

For its external verification of the Certified Sustainable Housing Label, we are working together with sustainability rating agency **imug rating**, a German-based wholly owned subsidiary of European Ethifinance³⁶.

www.imug-rating.de/en/

convene | esg

Certified Sustainable Housing Label with data platform **Convene ESG**, a UK subsidiary of Singapore stock-listed global software company Azeus. We replaced the Excel spreadsheet a web-based version of the 50+ ESG criteria catalogue, the engine of the label certification process. This is more user-friendly, provides the possibility of internal knowledge sharing and permanent access to year-round data management. New label holders and most of the current label holders at annual review have started using the Convene ESG platform.

www.azeusconvene.co.uk/esg

lookthrough

Climate Transition Planning with software company **Lookthrough**, a Swiss based AI-driven SaaS subsidiary of global operating company Novarca³⁷. Climate transition planning shows the pathway to net zero taking into consideration the carbon emissions of the housing stock having regard to decarbonisation measures, including timing, cost, external dependencies (electric power grid) and tenant engagement. The analytical software of Lookthrough interrogates a data base including a CRREM (Carbon Risk Real Estate Monitor) based partway to net zero. Using the extensive database drawn from the real estate owner, supply chain partners in the real estate industry, machine learning and artificial intelligence, the tool provides output including properties at risk of becoming stranded assets, based on life cycle component replacement and upgrades. Moreover, the reporting options available via Lookthrough comply with sustainability reporting requirements.

www.lookthrough.com/esg

³⁶ <https://www.ethifinance.com/en>

³⁷ <https://www.novarca.com/>

RITTERWALD is a pan-European real estate consultancy, incorporated 12 years ago in Germany. We are committed to supporting the social and affordable housing industry. RITTERWALD is a dedicated member of the European Federation for Living (EFL) and actively participating in the Finance and Investment Group and the European Digitisation Group.

RITTERWALD's team with 35+ consultants are providing sustainability related services to housing providers across Europe, of which an important one is ESG accreditation through the Certified Sustainable Housing Label (CSHL). The sustainability related services complement RITTERWALD's wider business consulting services, corporate sustainability strategies, business optimisation, organisational change, corporate growth, and restructuring. RITTERWALD's team combines extensive knowledge of residential real estate and housing, business process re-engineering and corporate strategy.

Since the issuance of the Certified Sustainable Housing Label late 2019, the focus on ESG has grown steadily creating a rising demand for sustainability related services among clients across Europe. In all cases RITTERWALD enables its clients to demonstrate and enhance their ESG credentials.



In 2019 RITTERWALD launched its Certified Sustainable Housing Label

ESG Accreditation

Certified Sustainable Housing Label and Sustainable Housing Assessment (captured product for bond aggregators, banks, and funds).

External assessment ESG Report

In the UK, RITTERWALD is offering external assessment of ESG report (against SRS) for its Label holders

Assurance provider services

for borrowers who must measure and report on sustainability performance targets towards their lenders.

Climate Transition Planning

Corporate pathways that show how to achieve reduction of energy consumption and carbon emissions through a variety of retrofitting measures where technically feasible and economic effective.

Sustainability Strategy

(Double) materiality analysis to support priorities and transitions to net zero.

Sustainable Finance

Finance frameworks for preparing issuance of Green, Social and Sustainability bonds (ICMA compliant) or raising sustainability-linked loans (LMA compliant).

Early 2023 RITTERWALD co-founded HYSTAKE Investment Partners, a pan European investment boutique. HYSTAKE focuses primarily on balance sheet (re)structuring by:



- **Advising** on tailor-made and long-term capital allocations
- **Advising** businesses and investors on corporate, portfolio and investment strategy issues as well as increasing ESG requirements
- **Accompanying** transactions M&A, restructurings, and refinancing measures.



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