Catella Investment Management – Haarlem

Case Study Affordable Housing

Affordable and Sustainable Housing in Haarlem

PROJECT:
Affordable housing

COMPANY:
Catella Investment Management

LOCATION
Haarlem, the Netherlands

Challenge

Our goal is to investment in pan-European residential. We are an Article 9 fund and strive for the best energetic performing buildings. The fund combines this environmental goal with a social target of affordable housing where >80% of the portfolio should be below the median market rent. To combine the environmental and social target with the at least 5% return requirement from our investors is the main challenge for the fund.

Overall, we see that affordable / social housing is a real challenge to combine with high environmental needs as there are high costs involved while the returns are below average. Although there is a big housing shortage in Europe, we see an even bigger need for affordable / social housing, where there is no positive business case without subsidies.

Solution / Approach

In Haarlem, Netherlands we did an office to residential conversion. The old office building has been completely stripped and most materials have been recycled while saving a lot of embodied carbon by re-using the concrete structure. The Asset is now completed and achieved the Dutch A+++ energy label resulting in 34 kwh / m^2 of CO_2 per year. It has >50% renewable true solar energy and geothermal heating. That is for the environmental part.

On the social part the asset has commercial spaces on the ground floor, and all tenants have access to a gym, lounge and laundry area which helps to enhance social and healthy lifestyle while also ensuring we don't need 162 washing machines and dryers in the building. Of those 162 apartments we deem >55% of them to be affordable, 15% of all apartments meet the social housing requirements from the Dutch government which means that the tenant could apply for rental subsidies.

In the end we are able to make the business case work with the remaining 45% apartments which are non-regulated. By combing social, affordable and non-regulated housing together into one building we are able to combine E,S and G in a highly regulated market.

Results

The mix of:

- 15% social housing
- 40% affordable housing
- 45% non-regulated

Eventually worked for us in this specific case and in the highly regulated market in the Netherlands.

The apartments range from 59m^2 to 108m^2 and all received the A+++ energy label.

Outcome

On top of the realization of 55% of the apartments in the affordable housing segment we also focus on giving priority to former tenants in social housing that have outgrown their current apartments either in family size and/or household income to help create new space in social housing units for those that really need them the most. In this specific case we have reached out to social housing providers and known leasing agents that then have been able to grant their tenants early access to the pre-letting of this asset.

From a social aspect, the asset also contains a gym, laundry and social area with access for all tenants. The asset is centrally located in Haarlem with most amenities and a bus station within 1-2 min walking distance of the asset.

The asset is heated with >50% of renewable energy sources with the heating from a geothermal heating source and optimal use of the available rooftop space with solar panels.

Finally, we also changed the parking garage to a bio-based structure with re-usable steel and wood instead of concrete. This change reduced the embodied carbon of the parking garage alone by >50%, with no impact to the amount of parking spaces realized and/or the cost involved to build.

All-in-all, this can only work thanks to dedicated people that want to go the extra mile, step out of their comfort zone and try something different, something new.

It needs careful thinking in the planning phase of how a project should look like and where savings can be made and that starts already in the design where the environmental aspect is now often included. We still see that a good mix of affordable units is missing as returns are often the main driver to get these projects started and/or sold.

It’s our view that some deregulation and/or incentives are needed to get new building constructed for the housing that is so desperately needed. Without these additional units the rental prices are only set to increase further driving unaffordability.

CER III Fund strives to combine Environmental and Social goals with attractive investor returns

Company

The Catella European Residential Fund III is active in 9 countries. As an Article 9 fund we strive for achieving carbon neutrality in operations by 2030 while combining this environmental goal with an 80% affordability quote based on the median market rent and alignment with investors on the financial goals.