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FULL YEAR RESULTS: RECORD YEAR FOR LEGAL & GENERAL'S HOUSING PLATFORM AS IT CONTINUES TO EXPAND DELIVERY

In its full year results (to 31 Dec 2017), Legal & General Capital (LGC) announces that its Direct Investments portfolio increased by 28% to £1.45bn (2016: £1.137bn) and delivered an operating profit of £124m (2016: £121m). As part of this, in the housing sector LGC increased its assets under management to £588m (2016: £392m) as it continues to develop operating businesses to deliver its multi-tenure residential offering.

In 2017 LGC generated £369m of gross proceeds from transactions with a gross value of £1.2bn, through a combination of portfolio assets disposals and sales of funds. With all full disposals achieved at or above our target IRRs, demonstrating our ability to generate liquidity and profits for our shareholders, we have continued to recycle investment into new strategic UK real asset opportunities, with £668m committed or invested in investments across all the target sectors.

2017 was a record year for housing delivery, pipeline expansion, investment and returns. Legal & General's residential activities during the period and start of 2018 have included:

- In August 2017 LGC entered the later living market with the establishment of Inspired Villages Group (IVG) and the simultaneous acquisition of two schemes for c.£40m. Shortly after, LGC completed the acquisition Renaissance Villages, a business with four schemes, from Helical Plc, for c.£51m. Through these investments and its acquisition of a seventh site in Leeds Village in Kent last month, Legal & General aims to accelerate the evolution of what is the single most underserved housing sector. Legal & General believes that age-appropriate later living housing offers industrial scale reductions in health and care costs to the elderly through prevention and avoidance. An extraordinary market opportunity and market failure, within the UK there are 3.3m over 65-year-old home owners seeking to downsize, representing £820bn of housing wealth locked-up in homes no longer fit for purpose. Yet only 7,000 later living units are delivered annually and the over 65s population is projected to grow by 50% by 2033. While 17% of over 60s live in specialist senior housing in the US and 13% in Australia, for the UK this figure is only 1%.
- Legal & General Homes has started the building of the 1,000 new homes on its 250-acre site in Crowthorne and has acquired two further sites, located in Oxfordshire and Berkshire, to build around 2,000 additional homes. Specialists in the careful masterplanning of larger sites, Legal & General Homes, through these schemes, will provide a full range of housing options as Legal & General applies its multi-tenure approach to successfully speed up the delivery of much needed new homes for the UK and create more dynamic, intergenerational communities.

- During 2017 Legal & General continued to extend its Build to Rent portfolio through the acquisition of sites in three new cities - Leeds, Bristol and Birmingham. Launched as a £600m BTR JV between LGC and PGGM, and followed by an open-ended BTR fund, the platform is a successful collaboration between LGC and LGIM and now has an investment capability of around £1.3bn. In January 2018 it acquired its seventh site with the acquisition of land in the centre of Brighton, where it plans to deliver the city's first ever BTR scheme. Legal & General is improving standards across the rental market by delivering high quality, well managed, specifically designed accommodation in urban locations across the UK where people want to live. Using long term capital to address the chronic long term lack of housing supply and meet the increasing demand for affordable, quality rental accommodation, our award-winning BTR platform now has a pipeline of almost 2,000 homes, with the aim to have 6,000 in planning, development or operation by the end of 2019.
- CALA Homes delivered another strong financial performance building on its record results for its financial year ended June 2017. In the twelve months to the end of December, CALA delivered revenue of £776m and is ahead of the same period last year.
- During 2017 Legal & General Modular Homes continued to make strong progress, completing the transformation of its factory near Leeds and unveiling its first prototypes. It has since entered into pre-production phase in the factory, producing the first housing prototypes ever created using a moving assembly line. The modular housing industry is now beginning to spring to life in the UK and we are proud to be at the forefront of this exciting evolution.

Kerrigan Procter, CEO of Legal & General Capital, commented: “Looking at the societal challenges we face – specifically around the provision of affordable, quality housing that meets the needs of all demographics – it is time for business to embrace inclusive capitalism. As it stands we are going to be judged very poorly by future generations given we know the issues, we have the means to address these and we have chosen to do nothing.

“It is amazing that housing is not an institutional asset class in the UK. Investment-led growth drives productivity and increases real wages. Legal & General is using our long-term patient capital to reverse this market failure and deliver housing across all tenures, creating vibrant and healthy communities where people will want to live over the long term. To do this, we are challenging public perceptions of new homes by delivering a product that surpasses buildings of the past in terms of quality, efficiency and comfort, while ensuring the homes are carefully integrated into the community, providing much enhanced public realm, facilities and infrastructure.”

- Ends -

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PRESS RELEASE

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Notes to editors -

Legal & General Capital

Legal & General Capital (LGC) is the investment arm of Legal & General Group. Investing from Legal & General's £6bn principal balance sheet, LGC's purpose is to generate long-term shareholder value by injecting new capital into key sectors where there has been a shortage of investment and innovation. Focused on Housing, Urban regeneration and Clean Energy and SME Finance, these sectors reflect our aim to invest for the long term in economically and socially useful assets, to secure competitive returns and to create new asset classes for Legal & General's varied investment requirements, for our partners and for the wider marketplace.