

AEDEX/IPD SOCIAL HOUSING PROPERTY INDEX SETS EUROPEAN TREND

Aedex has set a trend in the world of real estate indexes with its Aedex/IPD Social Housing Property Index. Involving 50 housing corporations, and responsible as of 2007 for over 800,000 homes with a total investment volume of more than €70 billion, the Aedex/IPD Social Housing Property Index is the second largest index worldwide to be facilitated by the IPD. At present, Aedex is expanding the Index with commercial property. In the coming period, this will add billions of euros in invested capital to the projects monitored by the Aedex/IPD Social Housing Property Index.

For a number of years, the Dutch housing corporations – and their investment policy in particular – have been the subject of public debate in the Netherlands. Since the liberalization of the sector in the mid-1990s, corporations have

been required to give extensive account of their investment policies and there has been considerable pressure to raise efficiency levels. The corporations are regularly reproached for not building on an anti-cyclic basis. But thanks to the Aedex/IPD Social

Housing Property Index, which allows third parties to monitor the performance of participating housing corporations, this assertion can be refuted. In 2005, the turnover of renewal within the corporation portfolios amounted to 3.8% of total invested capital



Duivenstraat in the portfolio of Dudok Wonen Hilversum.

PHOTO: DUDOK WONEN HILVERSUM, HERMAN VAN DOORN

– a figure made up of the total disinvestment volume (sale and demolition) combined with new investment activities (acquisition and new construction of homes). In addition, during the last few years the corporations have on balance become net investors in their portfolio, while the private and institutional markets for rental homes have for a number of years shown a trend towards net disinvestment. Furthermore, the equity activity of housing corporations has consistently risen in recent years – from 1.3% in 1999 to 3.8% in 2006.

Aedex Databank Vastgoedtaxaties

Aedex is actively involved in the further improvement of the quality of the index at various levels. In the first place, this extends to the appraisals that form the base of the index. From the outset, the participants and the assessors have worked with the same appraisal software, but up until now, assessment was done on a decentralized basis: Aedex merely received the resultant data. However, there turned out to be considerable quality differences between the various assessments. To address this issue, in 2006 Aedex introduced the Aedex Databank Vastgoedtaxaties (Aedex Property Appraisals Databank). Within this program, Aedex not only gathers the assessment information on a centralized basis, but it also validates all input and develops benchmarks based on this information. These benchmarks are made available to both the housing corporations and the real estate (investment) community at large. This way, Aedex increases transparency in the market.

Honing definitions

At the level of direct returns, in other words operational management, Aedex also places consistent emphasis on process improvement. In collaboration with Index participants, Aedex has developed a program aimed at fine-tuning the definition of various income and debit entries. This has resulted in considerable improvements to the commensurability of the various findings, particularly in the area of cost types.

Aedex Colleges

Another Aedex initiative introduced in May 2006 was a range of new training programs: the Aedex Colleges. It had become apparent that housing corporations frequently experienced difficulties in incorporating their experiences with the Index within their policy cycle. With the colleges, Aedex offers support in the form of a complete package of product-orientated trainings from intermediate (MBO) to postgraduate levels. These trainings are open not only to housing corporation employees, but to all market parties. After all, it is crucial that all parties dealing with housing corporations in the market have a solid understanding of the considerations that corporations work from and of the resultant policies. The Aedex Colleges program promotes and facilitates improved collaboration between housing corporations and other market parties.

Measuring business returns

In the coming period, in addition to the monitoring of real estate returns, Aedex intends to focus on measuring business returns – in other words the returns calculated against the total company level. >>



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Aedex

Stichting Corporatie Vastgoedindex, Aedex, is responsible for the Aedex/IPD Social Housing Property Index, the annual financial performance survey of the Dutch housing corporations. This survey is conducted fully independent of government, financiers, supervisory bodies, individual participants and their collective interest groups. 50 corporations have participated in the current publication, responsible for a total of 800,000 homes. This is equal to one-third of the total housing portfolio operated by Dutch housing corporations.

MORE INFORMATION

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PHOTO: HET OOSTEN AMSTERDAM

De Meander in the portfolio of Het Oosten Amsterdam.

In contrast with other property indexes facilitated by IPD, which only measure the total sum of real estate investments, Aedex aims to also provide insight into the influence of investment in non-property assets, financing structures and overhead costs on the total business returns of the corporations. Aedex will start measuring business returns in 2007.

Dividing social and commercial activities

In addition to their social responsibilities, housing corporations are also involved in various commercial activities. As a result of EU regulations, corporations are increasingly expected to make a clear division between their social and commercial undertakings. The European Commission holds the view that commercial activities may no longer be carried out with public backing. In addition, as of January 1, 2006, the commercial activities of housing corporations are subject to corporate tax, which further necessitates the clear definition of social versus commercial undertakings (and of the real estate portfolio).

A result of these developments is that commercial activities will require an alternative financing construction to what was formerly the usual norm. This could well lead to closer collaboration between the housing corporations and the international capital market, and to the further integration of corporations' commercial activities within the institutional property market. A result of this will be considerable changes over the next few years to the way in which corporations supply information to the capital market – a development in which Aedex/IPD Index figures will play a key role.

New governance structure

In response to these developments, Aedex has decided to adapt its governance structure. As of 2007, Jan Doets, former CEO of ING Real Estate, and Henk Hilverink, former Chairman of the Board of Vesteda, have become members of the Aedex supervisory board, which also includes Piet Eichholtz, Professor of Finance and Real Estate at the University of Maastricht, and

Dick Hamersma, former Board Member of the Nationale Woningraad, the Legal precursor of Aedes. Willem van Leeuwen, the Chairman of Aedes, has presently withdrawn from the Board. The new governance structure is evidence of Aedex' understanding of and response to the importance of current developments.

Trendsetter in Europe

Since its establishment, the Aedex/IPD Social Housing Property Index has developed into a model for comparable funds in various European countries. Two years ago, eight Swedish housing corporations in municipal ownership decided to place their municipal housing projects in a property index. The first index product was privately presented in 2005, and was further developed in successive years. In the United Kingdom, Aedex is collaborating with several large English housing corporations on the development of a property index for social housing agencies. The index has met with an enthusiastic response on the part of the initiating corporations, who expect various advantages from its development. In Germany, a property index dealing with the residential market is also in its early stages. This is an interesting development, as in Germany a substantial portion of the rental sector is in private ownership. In addition, Germany has a contracting population, which has consequences for the housing market. It therefore comes as no surprise that here too, parties are interested in the establishment of a housing index, which will be initiated in 2007. The first figures are expected to be made public in mid-2008. <<