£11.5m Acquisition Of A Regulated Social Housing Portfolio

Tuesday 18 April, 2017

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The Board of Civitas Social Housing PLC is pleased to announce it has exchanged contracts on the purchase of a portfolio of regulated social housing for a total consideration of £11.5 million ('the portfolio'). The portfolio includes ten care homes and 79 tenancies across the Midlands, managed by Inclusion Housing Association ('Inclusion'), which is regulated by the HCA. This portfolio was sourced off-market by Civitas Housing Advisors Limited ('CHA'), the Company's Investment Adviser.

The properties in this portfolio have been used to deliver care for over twenty years and are fully operational which, on completion, will immediately generate income with an initial net yield of 6.3%, based on the purchase price (excluding purchase costs). Completion is anticipated to be within two months.

Each of the properties within the Portfolio is subject to a 30-year lease arrangement with Inclusion Housing Association with rents adjusted annually by CPI+1% over the full period and Lifeways Community Care Limited ('Lifeways') providing the care.

Inclusion specialise in renting and operating social housing and currently manage over 1,200 properties across 59 local authorities. It provides principally specialist supported accommodation designed to meet a range of housing needs for adults with learning disabilities, mental health and acquired brain injuries. Support is given to tenants daily from specialist support providers with whom they partner.

Lifeways, a registered care provider regulated by the Care Quality Commission (CQC), specialise in providing support and care to a wide range of people with learning disabilities and other complex needs. Lifeways works with local authorities and clinical commissioning groups to structure accommodation and support packages tailored to individual needs. The Lifeways Group support more than 6,000 tenants and individuals and employs more than 10,000 staff.

The portfolio was funded through the Company's cash resources. In due course, it is intended that leverage will be applied to this portfolio in accordance with the Company's stated policy and it is expected that this will further enhance the yield achieved from this investment.

The social homes owned by Civitas are provided on a long-term basis to Housing Associations with a wide range of tenants who vary in age profile and in the level of support that each receives.

By acquiring these social homes, and working with Housing Associations, Civitas seeks for tenants to experience a stable, high-quality living environment that offers good visibility of tenure and further, the Company promotes 'additionality' by the provision of new equity capital that has the potential to be redeployed in the delivery of new social homes.

Civitas targets the objective of delivering sustainable returns to its shareholders by making socially relevant investments within the regulated social housing sector in England and Wales.

Amendments to corporate structure

Following advice, the Company will now hold its property assets directly or indirectly through special purpose vehicles rather than via the existing LLP structure. The effect of removing the LLP is to simplify the Group. The Company has entered into a Deed of Termination in respect of the LLP and made the corresponding administrative amendments to the Investment Advisory Agreement which is now termed the Investment Management Agreement. All other contractual arrangements under this new Investment Management Agreement including, fees, term and provision of services to the Group remains the same. Other than the potential to reduce administration costs there is no other economic effect to the changes.

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Notes:

Civitas Social Housing PLC is the first Real Estate Investment Trust offering pure play exposure to social housing in England and Wales. The Company is managed by Civitas Housing Advisors Limited. The Company is listed on the premium listing segment of the Official List of the Financial Conduct Authority and was admitted to

Company Contact:

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