

European real estate with a higher aim: social infrastructure

Sustainability and social issues are an increasing priority for investors and public institutions alike. Within real estate these topics are particularly salient, running through the design and development of cities and how they can foster more inclusive, safer and greener communities. Identifying ‘social infrastructure’ as an asset class can contribute to these aims. By bringing impact-focused private capital to the social infrastructure space, the community and environmental performance of real estate assets can be markedly improved.



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Buildings and services with a civic and social purpose underpin our economies. At Franklin Real Asset Advisors, we define these physical assets as social infrastructure. Examples of social infrastructure include hospitals, schools, affordable housing and buildings related to justice, emergency and civil services.

A 2018 report by the European Long-Term Investors Association (ELTI) highlighted the importance of social infrastructure: “High-quality social infrastructure provides benefits to individuals and communities and improves social cohesion...”¹. But in recent years, governments across Europe have been struggling to meet the growing demand for these building blocks of strong communities. Now this gap between need and supply is providing an opportunity for institutional investors.

Investing for financial and social impact

Social infrastructure assets offer a dual opportunity to institutional investors: long-term returns and the chance to make a positive contribution to local communities.

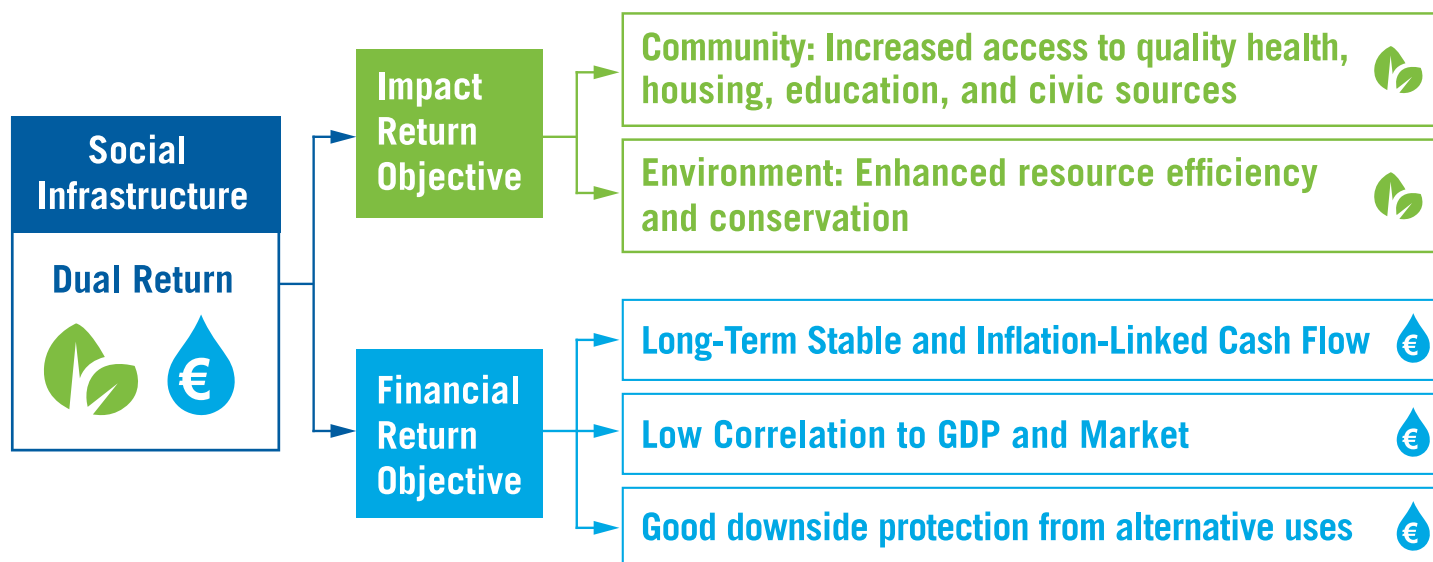
In many instances, social infrastructure investments are naturally aligned with both financial return and the social and environmental impact on the local community. Each reinforces the other. Renovations that improve the utility of the space for tenants and visitors can both improve the quality of services and increase the value of the asset. Investing in social infrastructure with a focus on impact can not only yield market-rate returns, it can also create financial resiliency that improves financial results.

We believe that social infrastructure as an asset class will continue to grow in size and relevance for investors aiming at both a financial and an impact return. The need for more and better social infrastructure is clear, as are government efforts to encourage private investment in its delivery. This growing asset class will allow property investors to diversify their portfolios. In order to achieve this dual objective, investors should look for strategies built on integrated impact management models and diversified across the different sectors within social infra.

FOOTNOTE

¹ Source: Boosting Investment in Social Infrastructure in Europe. Report of the High-Level Task Force on Investing in Social Infrastructure in Europe. Lieve Franssen, Gino del Bufalo and Edoardo Reviglio. January 2018.

Social Infrastructure: an Opportunity for Financial and Impact returns



Source: Franklin Templeton. For illustrative and discussion purposes only.

Find out more: www.ftinstitutionalemea.com/socialinfra

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