

case study

NEW MARKET FUNDS

What is the mission behind New Market Funds?

Governments and the non-profit sector are coming up short when it comes to tackling challenges such as providing people with affordable housing. We need new, market-based approaches that can deliver at scale.

For co-ops and non-profits, having access to sufficient equity is often the most significant barrier to building new affordable housing. New Market's Rental Housing Fund brought five foundations together to achieve the scale and impact that none of them could do on their own. The foundations provided much-needed early-stage financing to cover operational expenses, which allowed New Market Fund to set up the NMF Rental Housing Fund.

We are the first investment fund in Canada that brings commercial investors to the table to partner with non-profit and cooperative housing operators to develop new affordable housing units.

The targeted annual return for fund investors is 6%, net of fees, including a 4% quarterly distribution. To protect affordability of rents, we set a maximum on returns that the fund's properties can generate. In exchange, investors receive significant risk protection, as we invest in stabilized multifamily properties and our partners provide a large amount of higher-risk (subordinated) capital on each deal. This further mitigates risk for fund investors.

What is your impact?

The goal for the fund is to invest in 8 to 12 projects, ultimately creating a total of 750 affordable rental housing units in Vancouver, Toronto and other Canadian cities. The first investment in four housing developments will bring to market 358 rental homes for families, the elderly and people living with mental illness. On average, the units are affordable to households earning only 70% of an area's median income.

How do you do it?

We finished raising capital for the fund in the spring of 2017 with \$24.7 million committed. Roughly half the capital came from private and community foundations; the other half was from institutional investors and family offices. The fund's structure allows us to bring in more capital by unlocking opportunities for our investors that are not otherwise available in the conventional market.

As an example, we invested \$11 million in four new housing developments in Vancouver. This is approximately 9% of the \$120 million combined value of these projects. Our investment was key to moving the project into the construction phase. The goal is for co-op and nonprofit partners to pay down mortgages and build their equity in the properties from rental income over the first eight years of operations, then buy out the projects from the fund.

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In the words of Garth Davis, Managing Director, New Market Funds

Select Investors:

The Bealight Foundation

HAMILTON COMMUNITY FOUNDATION

La Fondation McConnell Foundation

TRICO

LAWSON FOUNDATION

Vancity Community Foundation

Tides Canada

The Michael Young Family Foundation

