

A SOCIAL RETURN ON IMPACT (SROI) STUDY for an Affordable Housing Investment

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In 2022, Mergence Investment Managers acquired a controlling equity stake in a portion of the innovative affordable rental housing group, Live Easy, through the Mergence Infrastructure and Development Equity Fund I.

Live Easy is one of South Africa’s largest affordable housing rental lifestyle brands, with a current 3,500 units over 10 building complexes in prime locations between Johannesburg and Pretoria in Gauteng, and with an additional 1,000 units under development. The focus is on the “gap market” in the affordable housing segment, aiming to close the divide between social housing and privately owned homes. Providing for the gap market is highlighted as important in the National Development Plan.

Live Easy was co-founded 12 years ago by entrepreneurs James Huff and Jeffrey Froom with the introduction of the original “nano units” concept.

Aso-called “nano” comprises an average 18 m2 home, with a kitchenette and bathroom. The average rental is around R3,500 per month and is therefore affordable to those within the R10,000 to R20,000 monthly income bracket.

The Live Easy tenant age profile ranges predominantly between 21 and

30 years of age. Many are in their first jobs or professions, with around 30% earning less than R15,000 per month and a further 40% earning less than R20,000 per month. They need accommodation that matches their aspirations and has easy access to their place of work.

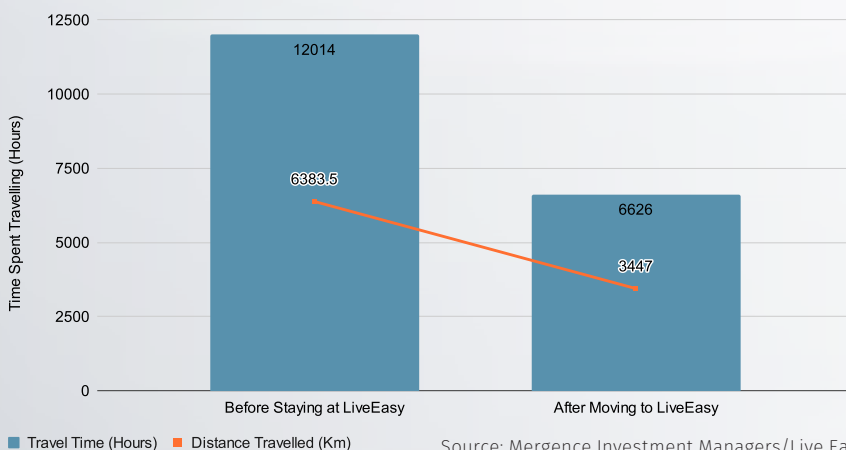
Live Easy provides a solution to this segment of customers who are price-sensitive but demand an upmarket look and feel lifestyle with quality finishes, a variety of amenities and 24-hour security. It is particularly attractive to young women who make up 60% of the tenant profile.

The buildings are located where tenants can easily access main transportation to desirable nodes and business hubs. Each Live Easy building provides amenities not usually associated with this price range: 24/7 security, biometric access, workspaces with wi-fi, lounges, chill areas, playgrounds, open spaces, retail shops, laundromats, salons, gyms and creches. This allows for a fully integrated affordable housing solution that offers tenants a “live, work and play” benefit and convenience, as well as a distinct “cool factor”.

By deliberately focusing on the conversion of existing buildings, Live Easy has a smaller environmental impact than constructing apartment blocks from the ground up. It further plays a key role in revitalising buildings that otherwise may have gone into severe decline.

Through the investment made by Mergence, Live Easy has already impacted the lives of thousands of tenants. Buildings in Johannesburg and Pretoria are fully let with a long waiting list for units and upwards of 5,000 queries per month across the Live Easy portfolio.

TRAVEL TIME AND DISTANCE SAVINGS



Source: Mergence Investment Managers/Live Easy

THE INVESTMENT CASE

Within the affordable housing sector, the Mergence approach is to invest in companies that:

- * Facilitate the provision of safe, affordable housing in the low-income and affordable market
- * Increase the availability of units near transport hubs to facilitate growing mixed-income communities
- * Improve the quality of life for tenants with an average rental of R3,500 per month.

We identified Live Easy as a first-of-its-kind initiative in South Africa, a prime mover in offering