



Félagsbústaðir
Þönglabakka 4
109 Reykjavík

2020 Social Bond Impact Report

Be it a small family or a disabled person, everyone has the right to housing. Reykjavík Social Housing (RSH or Félagsbústaðir) owns, operates, and maintains affordable housing for individuals and families. By providing affordable housing, RSH improves the livelihood of thousands of people and improves society by increasing equality. Félagsbústaðir issued 5,455 ISK m in 2020, all of which were allocated to affordable housing before year end.

In 2019, RSH issued Iceland's first Social Bond with the sole purpose to finance affordable housing. The net proceeds from the Social Bonds have been allocated either to the construction of new housing, purchasing of existing housing, and refinancing of existing loans. The issuance of Social Bonds has helped RSH on its course to increase its housing by 600 units during the period 2018 to 2022.

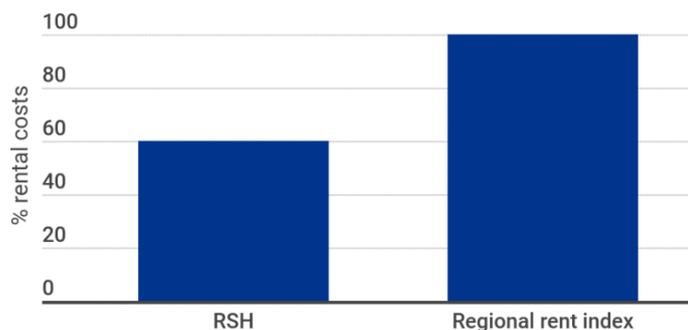
This Social Bond issuance was among the first social issuances to be listed on a stock exchange in the Nordics. RSH is proud to be a pioneer and contribute to the region's sustainable development and play its part in increasing equality.

Affordable housing

The net proceeds from the Social Bond issuance were used to finance both new and existing Eligible Projects, i.e. affordable housing. Affordable housing is intended to serve the housing needs of Targeted Social Groups, including low-income and socially vulnerable individuals and families, elderly people, individuals with disabilities, and a qualified segment of the homeless individuals.



RSH provides its tenants with considerably lower rent compared to the market average in the region around Reykjavík. In 2020, the differential of rental costs compared to the regional rent index was 60.2%, that ratio was 60.7% last year. This lower rent remains the critical factor in providing affordable housing and increasing equality.





Based on this comparison of rent and other factors, described in the Methodology chapter, the savings per inhabitant, is estimated to be ISK 327,000 per year or approximately ISK 1,073,000 per household. RSH managed to serve 328 applications or 17.8% of its waiting list, a ratio it remains committed to increasing. RSH's number of housing units was approximately 2,904 (including 33 staff facilities) at year-end 2020. The estimated amount saved by RSH inhabitants has increased as the regional rent index has seen larger rent increases than in the average rent collected by RSH.

Number of housing	Total housing financed by the Social Bond	Refinanced	New housing	
2020	219	102	117	
2019	448	408	40	
Financing (ISK m)	Total 2020 allocation	Refinancing	New financing	Refinancing ratio
2020	5,455	2,001	3,454	37%
2019	6,265	5,449	816	87%

Methodology

The average rent per square meter (m²) was estimated according to the weighted average rent for different apartment size segments in the region, using data from Iceland's registry office (newest data is for the year 2019). The same estimation was conducted for RSH's rent per m² based on its database. RSH's rent per m² was then adjusted to represent the same number of square meters as the regional benchmark. The share of underserved tenants is estimated by using Reykjavík Velstat data, where the waiting list is the average number of approved applications on the waiting list over the reported year. The amount of offering is calculated using data from RSH, which shows the number of offerings at the end of 2020.

To estimate the financial impact, a housing index was created using size category, according to the weighted average size of RSH housing. The average apartment is estimated to house 3.02 persons. The difference in rental prices for the Icelandic housing market and RSH's housing is multiplied by the number of funded buildings and the number of persons they house. The financial impact per habitant per year is approximately ISK 327,000 using this method. These results are in its nature indicative, and further statistical analysis is needed to estimate the range of impacts, as they can be higher or lower depending on other variables.

Methodologies were benchmarked to relevant international guidelines.¹

KPMG ehf. was appointed by Félagsbústadir to advise on calculation methodology and calculate the social impact of the Eligible Projects which are aligned to the Social Bond Framework. All data was provided by Félagsbústadir. KPMG's engagement was not bound by any assurance standards nor provided an opinion.

¹ ICMA's Working Towards a Harmonized Framework for Impact Reporting for Social Bonds, June 2020