Frequently Asked Questions

HomeNow REIT

HOMENOW
www.homenowuk.com

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Frequently Asked Questions

How does the business model work and generate returns?

(1) Resident applications can only be approved once their income, affordability, and credit information has been thoroughly reviewed.
(2) Residents are then given a house price and rental budget; they can choose any property that meets our criteria.
(3) If the property is approved, HomeNow purchases it and pays net income to the REIT investors.
(4) HomeNow shares a third of any uplift in the value of the property with our Residents at the end of their five year Assured Shorthold Tenancy (AST). The uplift is net of acquisition costs and any other incurred costs over the five year investment period. Historical analysis shows that in >80% of quarters since 1992 this would have given a resident a 5% deposit toward purchasing the property.

We mitigate the risks associated with our model by:

(1) **High Rental Premium:** Rents are typically 20% over market comparisons.
(2) **Fixing Rent:** Rent is fixed for 5-years (2024 acquisitions are a minimum 7.5% gross yield)
(3) **Reduced Costs:** Performance to date evidences that our Residents will pay for costs to preserve their share of the uplift in value.
(4) **Flexible Exit:** After 5 years if the resident is unable to or doesn't wish to buy, we can sell on the open market.

Does the HomeNow model work if house prices do not rise or fall?

Our return to investors increases with the residential property market, however investor returns are preserved by the high rental yields achieved. We will not buy a property unless we first agree a suitable rent and fix our mortgage rate for each property. You can see how the investment performs based on the performance of the property market and anticipated rental yields over five years below.

	House Price Performance over 5 Years					
Performance	-10%	Flat	10%	15%	20%	30%
Expected IRR	0.69%	5.32%	9.07%	10.24%	11.74%	13.47%

What are my funds used for?

Your funds are used to buy properties for carefully selected residents. We buy a property and fix the monthly payments over 5 years sharing a third of the uplift (after costs) with the Resident. Residents pay a premium for this opportunity, and we never buy a property without agreeing rent and establishing the debt costs. We then pay you a share of the rent after costs and your two thirds share of the uplift when the property is sold.

What happens if House Prices Fall?

If House Prices fall the return to investors may still be positive. HomeNow has flexibility on whether to sell, extend or rent out property in our portfolio, further details are outlined in the question below.

How does HN mitigate risk?

HomeNow has five key areas of risk, which we look to mitigate as follows:

(1) Deployment: if funds are not quickly deployed investors returns will be reduced and opportunity costs will be incurred. HomeNow mitigates this via the provision of a liquidity facility funded by the Management Company which will enable an aggregate investment of £500,000 to be deployed with immediate effect.
(2) Leverage: We have strict interest coverage ratios in place to ensure our rent is greater than 125% of our interest payments. Our current leverage across the portfolio is 60%. Currently debt is secured against an individual property and fixed for 5 years (3 out of 24 properties bought to date have been funded by variable rate mortgages). At the four year point an assessment will be made whether to sell the property to the tenant, on the open market or to extend to the resident- avoiding the risks associated with a fire-sale.
(3) Rent: our rent collection performance to date across the portfolio is 100% paid and on time. Rent is secured against an AST (Assured Shorthold Tenancy Agreement) and is set at a 7.5% gross yield to achieve a target net income of 6.5%. HomeNow take out insurance for non-payment of rent to allow us time to take possession of any delinquent tenants. To date this has not been necessary.
(4) Cost: any maintenance costs paid by HomeNow are taken from the Residents share of any uplift at maturity. All Residents to date have opted to pay for costs to preserve their share of the uplift, as maintenance costs charged by HomeNow are likely to be significantly more expensive due to administration fees and the costs associated with using a limited panel of trusted experts. HomeNow put in place emergency cover and buildings insurance for large cost items. To date HomeNow has spent £0 on maintenance across a portfolio of 24 properties.
(5) Economic environment: investor IRRs are likely to be positive even if house price growth is -10% over five years assuming rent and costs are as projected. In the event house prices have not increased sufficiently to generate a deposit for a mortgage we expect the majority of residents to opt to extend until the value has risen enough to earn a 5% deposit (with majority investor consent). We will also have the opportunity to operate a property as a standard buy to let rather than a forced sale. Historical analysis shows that rental growth should mean that market rent has exceeded our fixed rent by this time.

When are my funds deployed?

The first £500,000 raised will be deployed immediately via repayment of the liquidity facility provided by the Management Company. Investment funds will therefore be generating income and capital growth from the closing of the investment.

How are my funds deployed?

Your funds will be invested into HomeNow Investments LP, these funds will then be invested into a Real Estate Investment Trust (REIT) managed by HomeNow to buy property for Residents. This structure has been set up to reduce Corporation Tax to 0% on property income.

What are the fees on my investment?

Our fees are as follows:

1. **50% discount for platform investors to 0.6%** upfront on each property purchased.
2. **50% discount for platform investors to £540** annual asset administration fee (charged per property)
3. **40% discount for platform investors to 6**% on rental performance (income only)

Per £10,000 invested we expect the portion of fees to be:

1. One Off Upfront fee £132 (1.32%) – only paid on purchasing a property yielding 7.5%
2. Annual Property Management: £34 (0.34%)
3. Performance Fee: £60.11 (0.6%) – calculated on rent paid to investors.

These are based on current levels of leverage and fixed interest costs.

Why is this investment structured as a REIT?

A REIT is a recognised property investment company that encourages investment into property rental businesses by reducing the corporation tax paid on net rental income to 0%.

How does HomeNow differentiate itself from other REITs?

HomeNow operates as a normal BTL fund and uses it's REIT status to achieve exemptions on corporation tax. This is not to be confused with listed REITs which have significant listing costs and requirements. HomeNow has a proven track record with real assets producing real returns. Our analysis shows that comparable REITs are currently delivering a below 5% returns, we are targeting an IRR in the 10-15% range.

How do you use leverage?

HomeNow does not use leverage to increase returns on new property acquisitions, our agreed rental yields are high (7.5%) and currently leverage is used to diversify the portfolio and acquire new properties. Whilst we could leverage up to 75%, we will only do so where it makes sense for investors. Currently we fixed the interest rate for five years against an agreed monthly rent.

How do you manage property?

We have been managing property since our first acquisition in 2020. Because our Residents feel like homeowners they look after their property and take responsibility for any maintenance. Emergency cover and building insurance is managed by HomeNow on behalf of the Resident.

What happens at the end of five years?

In five years', time we will aim to sell to the Resident who can use their share of the uplift as a deposit contribution by way of a rental refund. If this is not possible, we can extend the tenancy and recalculate the rent, sell the property on the open market, or find new scheme residents for the property. If we need a quick solution we can rent the property on the open market, however we aim to confirm any exit with the Resident at the 4.5 year mark.

How will you remain competitive as mortgage rates fall?

The HomeNow product is competitive as there are very few solutions for families to get on the housing ladder without a deposit. Any decrease in mortgage rates is unlikely to affect the demand for HomeNow as this will not affect the Residents ability to save for a deposit. A decrease in mortgage rates has a direct impact on the pricing of HomeNow rent - cheaper borrowing costs can result in a reduction of the HomeNow rent to maintain the attractiveness of the HomeNow product. Residents are also willing to pay a premium to market rent to receive an opportunity to share in any increase in value in the property with us. We are always looking at the market to ensure we remain competitive.

Why do you fix rent?

When we designed the product initially, we undertook national polling through a company called CT Group. Residents favoured a fixed rent, security, and stability similar to a five-year fixed mortgage. We designed our product to meet these requirements and offset the risks associated with this approach. Whilst we have a small proportion of our properties on variable rates, the vast majority are leveraged with fixed interest rates over five years. We are able forecast the rent needed to achieve an attractive yield and our premium to market rent provides a buffer against market rental inflation. If we extend in 5 years we will benchmark the rent in line with the market, debt costs and a 95% 20-year mortgage.

Who is HomeNow?

BOMAD Investments Limited (trading as HomeNow) is authorised and regulated by the Financial Conduct Authority (firm reference number 822295). BOMAD Investments Limited (No. 11307331) is a limited company registered in England and Wales with its registered office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG.

What is HomeNow's track record as a fund manager?

Over the past three years we have delivered regular income to our investors, all of which was re-invested at their request. House Prices have grown on average by 20.4% from 2020-2023 across the UK.

What are the benefits of investing in HN?

HomeNow has a track record of delivering regular income and has benefitted from 20.4% house price growth from 2020-2023. We provide a strong return profile secured against residential property, whilst achieving our social object of making home ownership more accessible. Most investors chose between a return or 'doing good'; we think you can do both, whilst investing in an asset class that historically has been a hedge against inflation.

Being a Homeowner has many benefits including:

- Family stability
- Increased education levels
- Improved mental well-being
- Improved financial well-being
- Building communities.

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