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Housing New Zealand issues the first sustainability bond for the New Zealand market

Housing New Zealand (HNZ) recently issued \$500 million of a new 7.5-year Sustainability Bond, the first bond issue of its type for a public sector entity and the New Zealand market.

HNZ Board Chair Adrienne Young-Cooper welcomed the issue and said the Crown agency was taking a leading role in the issuance of a Sustainability Bond which is a first for the New Zealand market, as is the alignment of this bond with the United Nations Sustainable Development Goals.

The bond was issued on 28 March 2019 at a yield of 2.247% and lifted HNZ's total market debt to \$1.45 billion (made up of \$1.30 billion medium term notes and \$0.15 billion commercial paper).

Offshore investors accounted for 21% of the final allocation, up from 11-14% seen in prior bond issues, and the book included new names with specific Environmental Social and Governance (ESG) mandates which adds diversification to HNZ's investor base.

"The proceeds raised from the Sustainability Bond issue are earmarked for expenditure that has positive environmental and social outcomes, including building homes that meet certain green criteria as well as homes that incorporate mobility and accessibility considerations into their design," says Mrs Young-Cooper.

"Key environmental and social outcomes are driven by HNZ's Environment Strategy and Customer Strategy and the issue is aligned with HNZ's Sustainability Financing Framework (released 8 March 2019), detailing eligible expenditure categories and the process for managing proceeds."

This latest bond issue is part of a long-term borrowing programme which is contributing most of the finance for HNZ's largest investment in its building programme for decades as it increases the scale and pace of delivering new homes.

From June 2018 to June 2022 HNZ will invest \$5.6 billion in its housing stock, resulting in a net increase of 1,100 additional state homes each year for that period, with the financing also being used for a renewal programme to significantly upgrade most of HNZ's older housing stock.

Mrs Young-Cooper says the reporting requirements for the Sustainability Bond will be released alongside HNZ's Annual Report.

HNZ plans to continue issuing in this format, as well as honouring its commitment to the market to add supply to two of the three bonds already issued.