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THE IMPACT OF EQUITY INVESTMENT IN AFFORDABLE HOUSING

SECTOR INSIGHTS REPORT

NOVEMBER 2025

Working in partnership since 2020, BSC and TGE have driven the impact agenda in social and affordable housing investment

Better Society Capital is the UK's leading social impact investor, investing for over 10 years into 21 funds and helping grow the social and affordable impact fund market to over £6bn.

The Good Economy is the go-to impact partner in the sector, working with 20+ residential asset managers on their impact frameworks and reporting.

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We are grateful to the six Investment Fund Managers (IFMs) that have contributed financially and non-financially to this report. These are:

Investment Manager	Investment Fund
CBRE Investment Management	CBRE Affordable Housing Fund
Edmond De Rothschild	Funding Affordable Homes
Legal & General	L&G Affordable Homes Fund
Man GPM	Man Community Housing Fund
Gresham House	Residential Secure Income (ReSi) LP
Thriving Investments	New Avenue Living Fund

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CBRE Affordable Housing Fund

FOREWORD

On behalf of Savills Affordable Housing, I'm delighted to introduce this inaugural report from The Good Economy and Better Society Capital on insights from the impact of the growing range of equity investment into social and affordable housing in England.

The Government has made it one of their stand-out commitments to deliver 1.5 million new homes during the course of this parliament. A substantial proportion of that 1.5 million will need to be affordable homes, across a range of tenures including social and affordable rent, and low cost home ownership, including shared ownership. Some have called for 90,000 new socially rented homes annually. Savills' own research suggests affordable housing needs across all tenures are around 140,000 homes annually – and this is growing as affordability reduces.

In the Spending Review earlier this year, the Government backed this commitment with both a substantial increase in funding for affordable housing and a long-term rent policy that should allow more investment to come forward.

Whilst all parts of the social and affordable housing sector welcomed the Spending Review, challenges remain for local authorities and housing associations in balancing the twin demands around new supply and meeting the needs of their existing stock. These challenges have led many traditional housing providers to realign their investment more towards their existing stock leading to reduced capacity for development and new build.

In the environment, the role for new sources of capital from equity investors will not only be central, it will be absolutely critical to ensure that the affordable homes the nation needs are able to be built.

As of 2025, institutionally funded RPs (*a term we use now to describe more accurately what has to date been framed as* "For Profit" RPs), have a growing stockholding, but still only own around 1% of the total social housing stock. But in the 2024/25 financial year, our estimate is that these RPs contributed almost 20% of new affordable supply, either through taking up section 106 allocations or delivering directly through grant funded developments.

At the same time, institutionally backed RPs are becoming more active in acquiring existing portfolios of stock, generating additional capacity for the selling RP to reinvest into new development. And a really exciting development is in the range and extent of the partnerships that these new providers are developing with traditional housing associations.

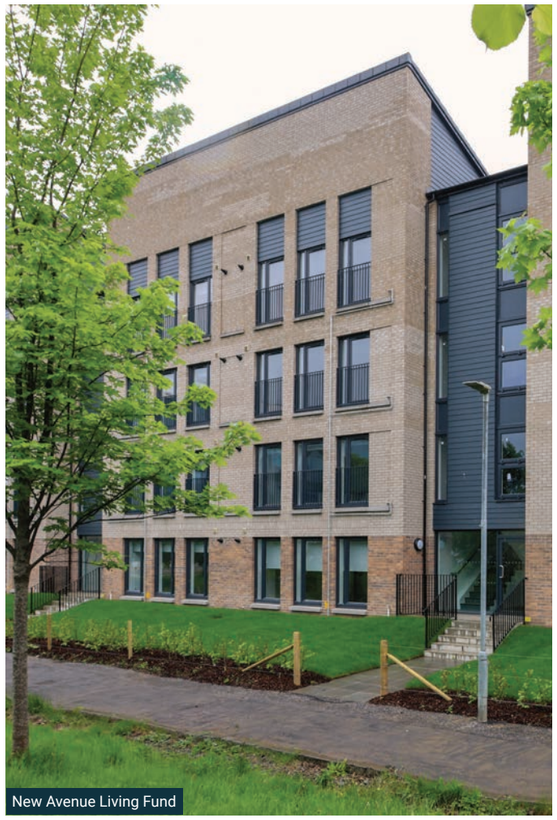
A key driver for institutional investors, pension funds and fund managers more widely centres on the impact that their investments have. Many are familiar with the push from investors to allocate funds and delivery on ESG (Environmental, Social and Governance) objectives. More simply, we find many investors asking the question '*What impact is our investment having on the housing conditions for those most vulnerable in society?*'

The Good Economy and Better Society Capital are at the heart of helping investors to articulate the benefit and the impacts of the investment. This research is timely in helping to further set out the rationale for investment into social and affordable housing and we hope will be the first of many as they continue to track the growth in this vital part of the affordable housing world.

Steve Partrige
Director, Head of Housing Consultancy,
Savills Affordable Housing


Funding Affordable Homes


Residential Secure Income (ReSi) LP


New Avenue Living Fund


Funding Affordable Homes

INTRODUCTION

THE IMPACT OF EQUITY INVESTMENT IN AFFORDABLE HOUSING

Since their emergence over a decade ago, private investment funds raising long term capital to invest in affordable housing have grown in both size and number. Many strategies also unite in the dual aims of delivering financial returns alongside a positive impact on society - increasingly pursued through the establishment and use of institutionally backed Registered Providers (RPs), managed by investment fund managers.

Institutionally backed RPs and fund managers have therefore emerged as a small but important engine of growth in affordable housing. There are currently over 80 such RPs which account for over 43,000 homes – rapidly expanding their share of new delivery and with ambitions to reach 150,000 homes by 2030.[1]

These models are also scaling at a critical juncture. The traditional not-for-profit sector is capacity constrained, increasingly needing to divert its own resources away from new development and towards non-discretionary investments in existing stock. A record £8.8 billion was spent by social housing providers on repairs and maintenance in the year to March 2024, representing a 55% increase on pre-pandemic levels.[2]

However, support for the increased involvement of private finance in the delivery of a public good, such as affordable housing, cannot be taken for granted. It demands a level of transparency and accountability beyond that which investors might be used to (particularly in private markets). These principles of transparency and accountability are necessary to build trust and widen the belief that these models are additional, sustainable and as concerned with tenant outcomes as they are financial return.

Working in partnership since 2020, Better Society Capital (BSC) and The Good Economy (TGE) have sought to drive this accountability and transparency agenda in equity-financed social and affordable housing. This began by establishing shared language and concepts, convening fund managers to arrive at consensus and convergence around what data should be measured and reported. This led to the publication of a common framework which was then followed by a period of data collection, testing and integrating into fund reporting.[3]

This insights report reflects the next stage of the journey, compiling and publishing aggregated analysis for the first time. Improving our understanding of investment-backed strategies' distinct contribution to affordable housing strategies, the report is open to examination by all stakeholders. The desired objectives are to build trust in this growing sector, and to accelerate the delivery of more affordable homes. This will be achieved through a drive for constant learning and improvement, transparency and accountability.

The report concludes with a request for feedback and a call for all stakeholders to consider their role in supporting the adoption and use of this evidence.

The desired objectives are to build trust in this growing sector, and to accelerate the delivery of more affordable homes.

1. https://www.savills.co.uk/research_articles/229130/376972-0.
2. https://www.gov.uk/government/news/social-housing-providers-finances-impacted-by-rising-repairs-and-remediation-spend.
3. https://thegoodeconomy.co.uk/collaborations/equity-investor-impact-reporting-project/.

EXECUTIVE SUMMARY

This report examines how a cohort of six UK Investment Fund Managers (IFMs) are contributing to the delivery of affordable housing and how the typical IFM portfolio differs from the wider affordable housing landscape. The sample covers £1.56bn of gross assets across 14,739 homes, representing around a quarter of an estimated £6.02bn impact investment market in affordable housing as of the end of 2024.[4] While not exhaustive of all market activity, the cohort is sufficiently representative to surface meaningful insights.

Key distinctions:

- **Tenure tilt**
  IFMs' portfolios show a higher proportion of affordable home ownership and discount to market rent compared to the National Affordable Housing Supply (NAHS), with a more modest differences in the proportion of regulated Social and Affordable rent.
- **Geographic footprint**
  IFM delivery is concentrated in the three most unaffordable regions of the UK: the South East (c.23%), London (c.18%) and the East of England (c.16%). Compared with NAHS, IFMs over-weight the South East and under-weight the North West.
- **Routes to delivery and additionality**
  IFMs fund a marginally higher share of Section 106 homes than NAHS (~51% vs 46%) and are less reliant on grant, with a greater propensity to bring forward homes without any grant or S106 obligations – an indicator of additionality when public subsidy is constrained.
- **Delivery model**
  Portfolios are new-build led (~60%), with the rest made up of acquisitions. Notably, two-thirds of acquired stock is converted to affordable from prior uses. IFMs also favour forward-funding contracts with developers, matching the need for earlier capital into schemes with the risk profile required by institutional investors.
- **Quality standards**
  63% of IFM-backed homes meet the Nationally Described Space Standards (NDSS) in comparison to the sector average of ~43%.

  Furthermore, energy performance in IFM-backed homes is concentrated towards EPC B (~82%), markedly stronger than the broader rented stock, which is concentrated in EPC C/D.
- **Affordability**
  Housing affordability is assessed on whether total housing costs fall below 33% of net household earnings for target households. The analysis shows that 59% of affordable rental units are affordable to households with earnings at or above the 30% percentile of local incomes, with 75% of affordable home ownership units considered affordable to median earning households. This illustrates that tenure-based definitions of affordability may not always reflect financial reality in high-cost housing markets.

Taken together, these features suggest that IFMs tend to bring forward affordable tenures in higher-pressure regions, deploying new, at-risk capital into the sector to deliver homes that are, on average, larger and more energy-efficient than the typical affordable stock delivered across England in recent years. The sections that follow unpack these differences – tenure, geography, routes to delivery and transaction types, space and energy standards, and affordability – setting them alongside NAHS and other relevant benchmarks to test where IFM capital is adding most value and where gaps persist.

4. Based on BSC's annual market sizing.

Residential Secure Income (ReSi) LP

NOTES ON METHODOLOGY

The IFMs included in this study do not represent the totality of the active fund managers – or investment partnerships – involved in affordable housing delivery. BSC estimates the total size of the impact investment market[5] in affordable housing to be £6.02bn as of the end of 2024.[6] The funds in this analysis equate to £1.56bn of Gross Asset Value under management, or roughly 25% of that estimate. Nevertheless, they are a broadly representative sample from which interesting insights can be drawn, with appropriate caveats, namely:

- Under consideration are only UK based funds who have explicit and demonstrated impact intent, focused mainly on general needs affordable housing.
- Significant investment partnerships and fund managers are not included, either because of an absence of explicit impact intent, or due to non-participation in the initiative.
- Investment portfolios span time horizons, including investments made as far back as 2016. However, the majority of data is concentrated in the period 2020-2024.

Where possible and worthwhile, the data on the IFM portfolios has been compared to other third-party data sets to provide additional context and comparison, with a particular reliance on the National Affordable Housing Supply's regular statistics on new affordable housing supply in England (NAHS, 2021-2024).[7]

This report applies the National Planning and Policy Framework definition of Affordable Housing (NPPF, glossary 2, 2024). 'Discount to Market Rent' is defined separately. See Annex 1.

Insights to follow:

1 **Tenure:** What mix of tenures are IFMs financing and delivering and how does this compare to broader affordable supply.

2 **Geographic concentration:** How portfolios are dispersed regionally, comparing to (1) broader affordable supply; and (2) indicators of housing need.

3 **Additionality (Financing route and Transaction Type):** Comparing the concentration of Section 106 and grant funding, and the breakdown of new homes vs. existing supply.

4 **Additionality (Space Standards and Energy Efficiency):** Understanding portfolios in relation to space standards and energy efficiency ratings.

5 **Affordability:** Insights into how affordable these homes are to local populations.

5. Defined as equity-type capital with explicit impact intent. See methodology here.
6. Based on BSC's annual market sizing.
7. Total NAHS of 187k units during 2021-2014, compared to the 14,739 unit sample from the IFMs.

1. TENURE

The IFMs under analysis predominantly finance mixed tenure portfolios, although two funds tend towards specialisation. On aggregate, units are concentrated in affordable home ownership and regulated affordable rented tenures, with smaller proportions in social rent and discount to market rent (see Annex 1 for tenure definitions).

Home financed by tenure type

Comparing the IFMs to broader National Affordable Housing Supply (NAHS) highlights a broadly similar overall mix, with some small but notable differences (Figure 2):

- IFMs deliver less Social rent (-8%) and less Affordable rent (-10%) than the broader affordable housing supply.
- IFMs deliver proportionally more affordable home ownership (+9%).
- IFMs deliver more discount to market rent (+7%).

Figure 1

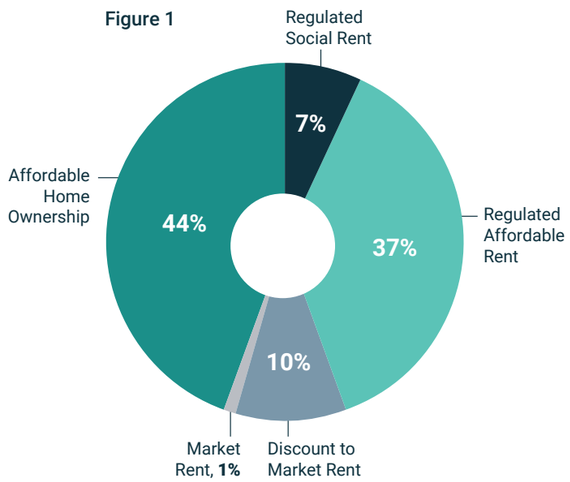
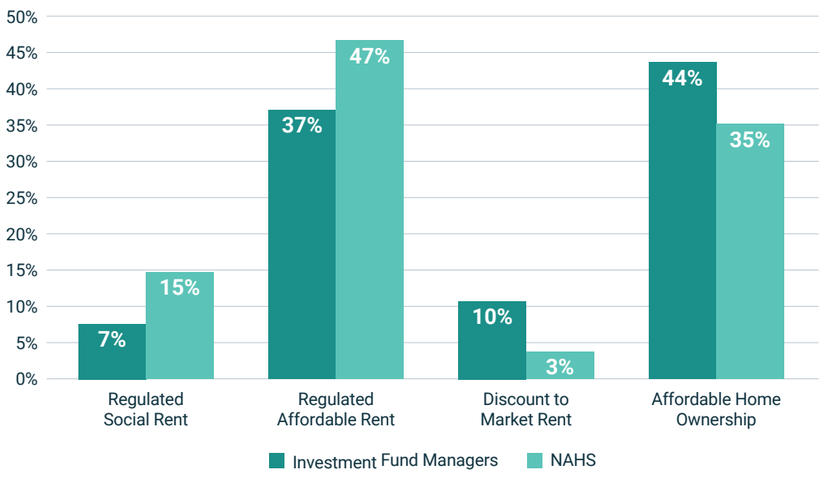


Figure 2: IFMs vs NAHS



Research by Savills indicates that For-Profit Registered Providers (FPRPs) intend to increase their proportion of social rent homes over the next five years to 26%.[8]

8. https://www.savills.co.uk/research_articles/229130/376972-0.

2. GEOGRAPHY

IFMs are delivering new affordable housing supply in most regions of the UK, with highest concentrations in the South East (23%), London (18%), and the East of England (16%). These three regions represent the three areas with the greatest affordability pressures in the UK, as measured by the ONS house price to earnings ratio.[9] In turn, this drives high numbers of families onto social housing waiting lists and into Temporary Accommodation.

Compared to the NAHS, investment funds have delivered proportionally more in some regions of the country and proportionally less in others. The biggest differences are the South East (+7.2% vs. NAHS) and the North West (-5.3% vs. NAHS).[10]

Figure 3: Geographic distribution (IFMs vs NAHS)

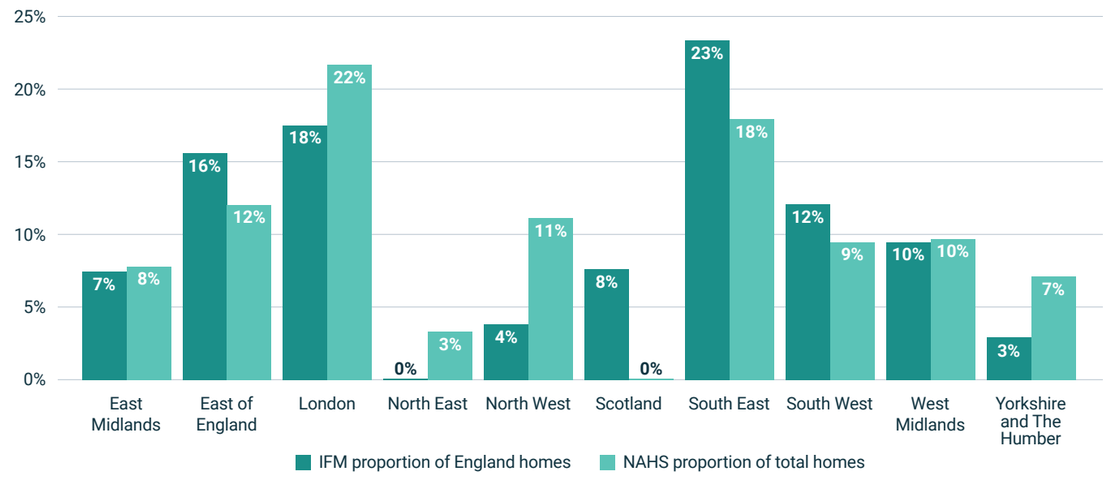
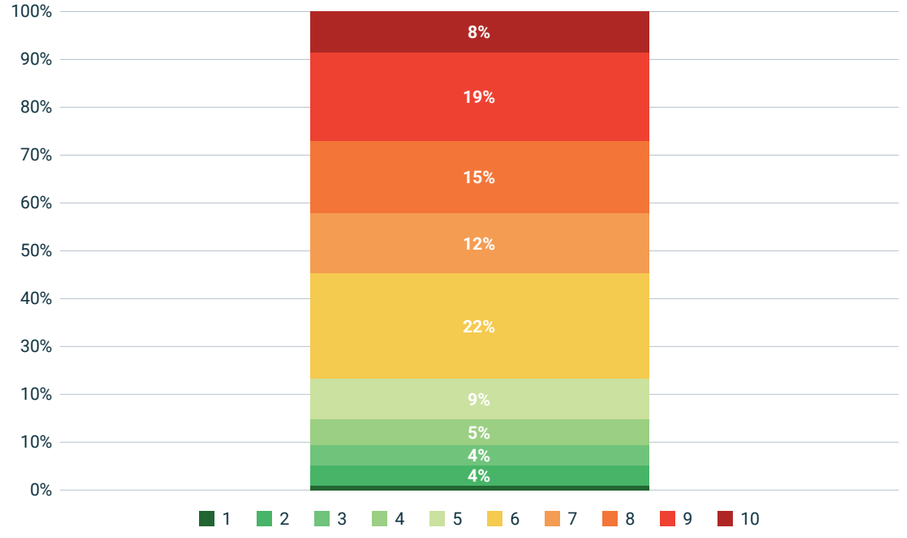


Figure 4: Location of homes in each decile of House Price to Earnings ratio 10 = most unaffordable 10% of all local authorities



9. ONS house price to residence-based earnings ratio, five year average https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian.
10. NAHS data represents totals from 2021-22 to 2023-24. We are only looking at England data here. Scotland and Wales data has been excluded in this analysis.

3. ADDITIONALITY – FINANCING ROUTE AND TRANSACTION TYPE

Viability considerations result in a significant majority of new social and affordable housing supply originating by way of either planning requirements or incentivised via financial support. IFMs' 'financing route' considers whether units and schemes are brought forward either by Section 106 planning stipulations, by access to grant funding, or by neither route.

The IFMs have financed a marginally higher proportion of Section 106 than the comparable NAHS (51% vs. NAHS 46%). At the same time, IFMs are less likely to be accessing grant, and more likely to be bringing forward new affordable housing independently of grant or Section 106.

Competition from FPRPs for Section 106 has been a concern for the Not-For-Profit sector. However, as of June 2025, the Home Builders Federation approximated that over 8,500 Section 106 units are unsold and uncontracted due to the absence of a registered provider buyer, suggesting that limited financing capacity within the housing sector is affecting the level of demand for the Section 106 units that come forward as part of larger schemes.[11]

New Avenue Living Fund

Figure 5: Financing route vs. NAHS

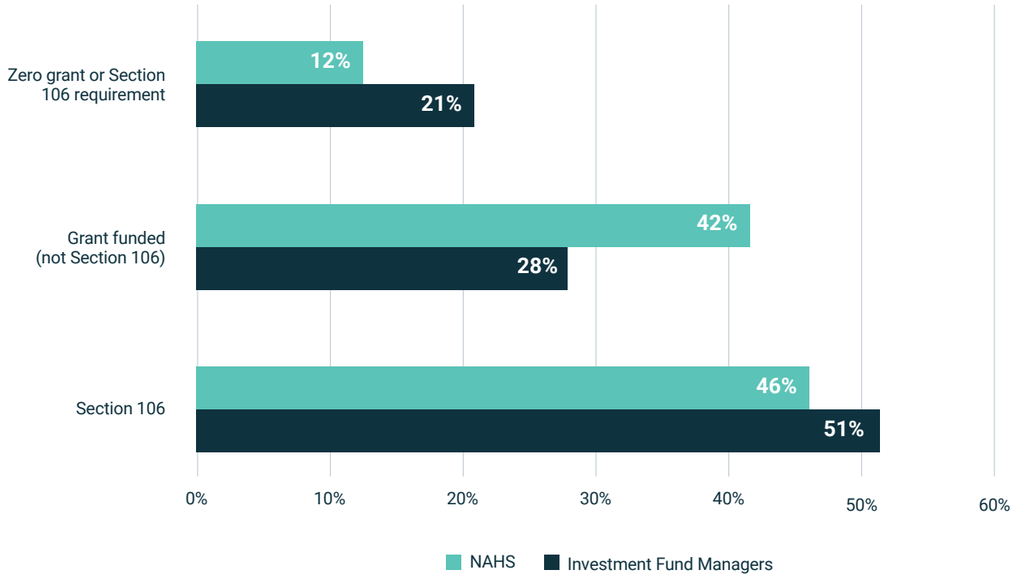
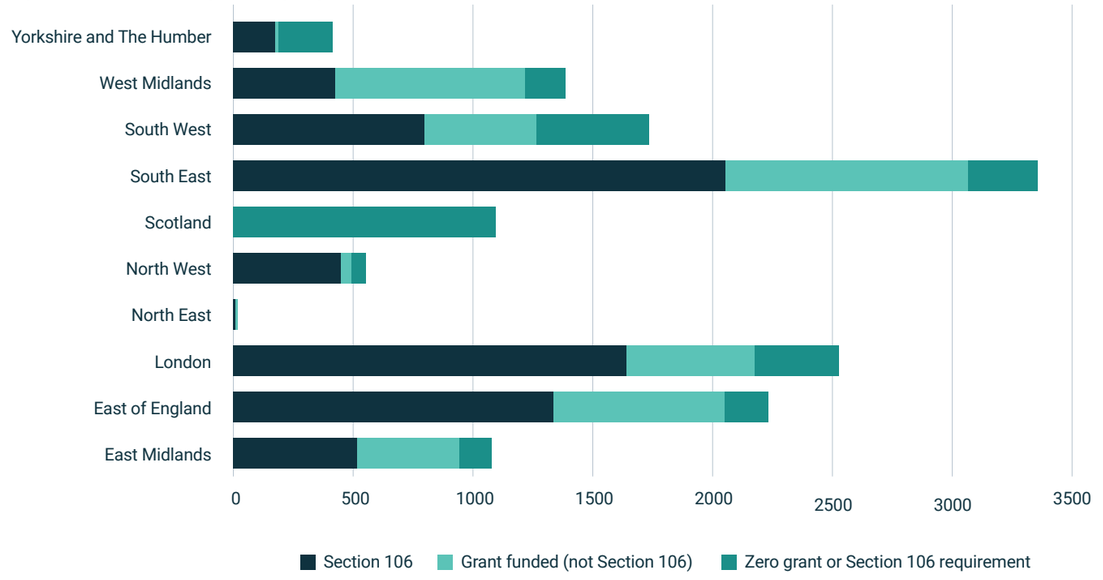


Figure 6: IFMs financing route by region



11. https://www.hbf.co.uk/news/uncontracted-section-106-affordable-homes-october-2025/.

TRANSACTION TYPE

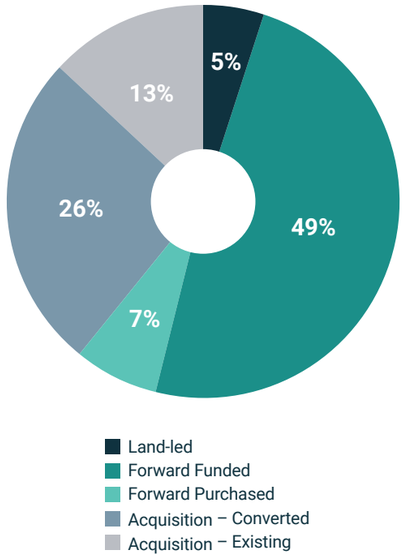
The IFMs are majority focused on financing the development of new homes. 60% of financed stock are new build homes, creating additional housing supply, versus 40% acquisition of existing stock (see Annex 2 for definitions).

Forward funding and forward purchase agreements can be attractive for investment funds, by partly or fully insulating investors from the risks of development. These make up over half of IFM activity. Land-led development is less common, but can bring distinct benefits in greater control over design and specification which can drive better outcomes for tenants, such as access to amenities, quality of homes, and community facilities.

Acquired stock comprises 39% of financed portfolios. However, in two-thirds of cases, these homes are being converted to affordable homes from other non-affordable uses. For example, IFMs increase the supply of affordable homes by purchasing units from developers (otherwise destined to be let or sold at market rates). These homes are then repurposed for social and affordable use.

Moreover, a breakdown by tenure also illustrates that transactions involving existing affordable homes typically include shared ownership stock. This illustrates some IFMs' active participation in the stock transfers for these units, which can help release capital on not-for profit RP balance sheets, including for the development of new social homes.[12]

Figure 7: Breakdown by transaction type



12. https://www.insidehousing.co.uk/insight/stock-transfers-and-development-deals-the-new-wave-of-delivery-by-for-profits-91212.

4. ADDITIONALITY – SPACE STANDARDS AND ENERGY EFFICIENCY

L&G Affordable Homes Fund

SPACE STANDARDS

The Nationally Described Space Standards (NDSS) specify a target Gross Internal Area (GIA) of floorspace and are deemed to be a reliable measure of homes being fit for their intended purpose.

A 2023 study sampled 153 housing developments in England that included affordable housing owned or managed by 15 of the largest housing associations and that were completed or marketed for sale in 2021.[13] That study found that 43% of new affordable housing met the recommended gross internal floor areas of the NDSS.

This analysis finds that the weighted average proportion of units meeting NDSS is 63%.[14] This represents an improvement on the available comparison, but still falls short of wholly meeting the standard. It is likely that most units are within a 15-20% margin of the NDSS, as this is often required by planning authorities and for eligibility for a Homes England grant.

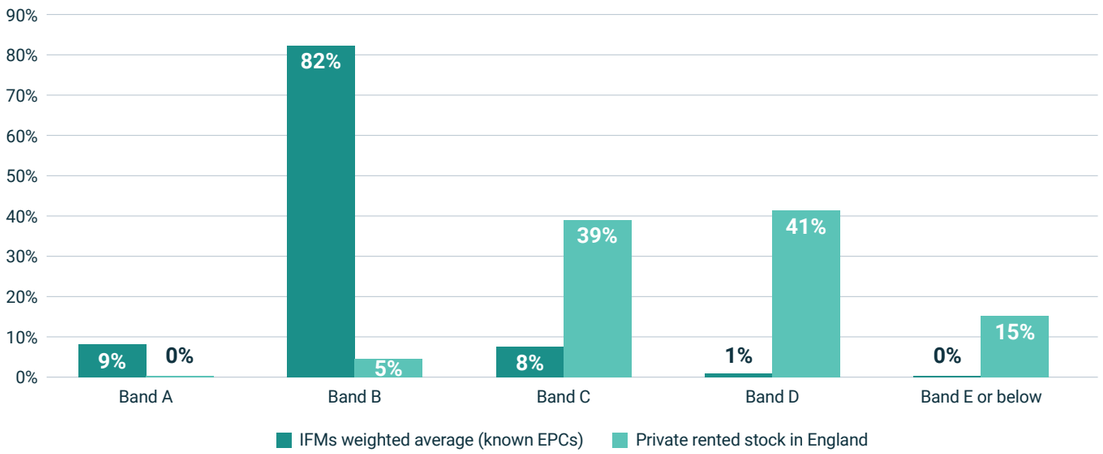
ENERGY EFFICIENCY

Energy efficient homes are important in reducing household energy usage and costs, and delivering both environmental and wellbeing benefits. Energy Performance Certificates (EPC) rates how energy efficient a building is, using a scale of A (most efficient) to G (least efficient). For homes under construction EPC certificates are estimated based on the agreed development specification.

The UK has some of the poorest performing stock in Europe. 80% of all private rented stock in England and Wales is concentrated in EPC C and EPC D.[15]

13. https://www.tandfonline.com/doi/full/10.1080/09613218.2023.2253337.
14. As developments in Scotland are not subject to NDSS, Scottish units have been removed from this calculation.
15. ONS data, ending Financial Year 2024.

Figure 8: IFM EPC performance against all Private Rental Sector (PRS)



IFM portfolios[16] are concentrated in EPC B (82%) with smaller portions on EPC A (9%) and EPC C (8%). Given 60% of IFM stock is newbuild, outperforming a standing stock comparator would be expected, however the evidence also demonstrates that the majority of homes meet a very high energy efficiency standard. The estimated difference in energy costs between EPC B and C for a three-bed house is around £330, which is a valuable annual saving for a low-income household.[17]

Some IFMs are also bringing forward new build homes which are operationally net zero, meaning homes that have renewable capacity to meet 100% of household energy needs.


L&G Affordable Homes Fund

16. 6% of the IFM portfolio had no EPC data. These units have been removed from the following analysis.
17. https://www.epcmortgage.org.uk/.

5. AFFORDABILITY

The affordability of housing can be assessed in several ways. This analysis considers affordability by reference to local incomes, specifically aiming to understand what percentage of local households are able to afford to live in a specific home without being overburdened by housing cost (rent, service charge, and mortgage payments if relevant).

KEY ASSUMPTIONS IN ANALYSIS

A household is likely to be overburdened by housing costs when over a third of their net household income is spent on rent.[18]

Household income has been estimated using earnings data by local authority.[19]

Households are defined as having two adults and 1.45 earners (one full-time and one part-time earner).[20]


Man Community Housing Fund


Man Community Housing Fund

Rental and Affordable Home Ownership units are then considered separately given the types of target household:

- For rental units, the benchmark is the percentage of units affordable to the bottom 30th percentile of earning households.
- For affordable home ownership units, the benchmark is the percentage of units affordable to the bottom 50th percentile of earners.

The analysis finds that 59% of IFM rental units are considered affordable to households earning at or above the bottom 30th percentile of incomes.

For affordable home ownership, the analysis finds that 75% of units are affordable to the bottom 50th percentile of earning households.

The findings demonstrate that 'Affordable' tenures may not always be wholly affordable to the households they're targeted at, particularly when rent formulas are pegged to market rents in areas with significant affordability issues.

There is a negative correlation (r^2 = -0.65) between the house price to earnings ratio of the region, and the level of affordability of rental homes (% homes that a household on the 30th Percentile of income can afford to live in).

This correlation suggests that when homes are built in areas with the greatest need (i.e. the most unaffordable areas), the 'Affordable Rental' tenure (paying 80% of market rates) is less likely to be genuinely affordable for local residents.

18. https://nationwidefoundation.org.uk/projects-we-fund/current-funding/projects-we-fund-current-funding-the-smith-institute-affordable-housing-commission/.
19. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashetable8.
20. Based on typical economic status of households https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/workingandworklesshouseholds/apriltojune2025.

CONCLUSION

Institutionally backed investment models represent a vital pathway for attracting new investment into the social housing sector and accelerating the delivery of affordable homes.

This insights report has helped shed light on part of this growing trend, contributing towards bringing forward affordable, additional and quality housing in some of the most affordability constrained parts of the country.

However, while this transparency is welcome and applauded, the evidence base is still limited in terms of reach and scope.

The aim is to widen adoption and further leverage impact data, improving over time as we shape a common understanding of this market – both in opportunities and challenges. The movement towards greater transparency should be in the interests of all market stakeholders:

- Enabling **investment managers and registered providers** to identify market gaps, solve for housing need and clearly demonstrate their impact.
- Allowing **policy makers, regulators and grant providers** to respond to these models and shape policy and market outcomes more effectively.
- Equipping **investors** to allocate capital to models that align with their financial and sustainability objectives, maximising flows into affordable housing delivery.

We invite feedback from investment managers, registered providers, policy makers, regulators, grant providers and investors. Your input is critical to refining this framework and approach.

We hope this report represents an important next step in helping shape a transparent and effective approach to scaling investment into affordable housing investment. We call on all actors to consider their role and influence in widening adoption and use.

ANNEX

ANNEX 1 – TENURE TYPE DEFINITIONS

TENURE	DEFINITION
Regulated Social Rent	As per the NPPF Glossary 2. Homes required by Homes England grant conditions to set rents using the Social Rent formula – but not let by an RP landlord – are also included.
Regulated Affordable Rent	As per the NPPF Glossary 2. Homes that meet NPPF criteria but with rents set at Local Housing Allowance (LHA) are also included.
Affordable Home Ownership	As per the NPPF Glossary 2.
Discount to Market Rent	Rental units with rent set below market rate, but not meeting the definition of Regulated Social or Affordable Rent.

ANNEX 2 – TRANSACTION TYPE DEFINITIONS

TRANSACTION TYPE	DEFINITION
Land-led	Involving the financing of a land parcel whereby the IFM has control or significant influence over scheme design traded off against greater development risk.
Forward Fund	Whereby an IFM agrees to a funding programme for a scheme brought forward by a developer, with limited control but mitigated development risk.
Forward Purchase	Whereby an IFM agrees to purchase a site brought forward by a developer upon practical completion.
Acquisition – conversion to affordable	The repositioning of an existing asset or scheme to affordable from an alternative prior or intended use.
Acquisition – existing affordable	Stock transfers of existing affordable housing stock between landlords.

CBRE Affordable Housing Fund

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