Real Estate:UK

Demystifying Social Impact Investing and Social Value

In Real Estate



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Demystifying Social Impact Investing and Social Value in Real Estate

The 'S' of ESG has been firmly in the spotlight in recent years. Companies and investors are increasingly seeking to demonstrate the social benefits associated with their activities, including through quantifying social value and social impact reporting. However, the lack of consistent definitions and standardised approaches to measurement has created uncertainty about what these claims mean and how the social contribution of investments should be assessed.

This is particularly relevant in real estate. Buildings and places affect people's lives in direct and lasting ways. They determine where people live, work and access services, shape the quality of local environments and influence the strength and resilience of communities. As a result, investors are increasingly considering the social value created through their investments and, in some cases, seeking to invest specifically for social impact.

These terms are closely related, but they describe different approaches to real estate investment. Social value refers to the positive benefits associated with a building, place, project or investment activity. By contrast, social impact investing is an investment strategy. It involves intentionally allocating capital to contribute to solutions for a defined social outcome alongside delivering a financial return.

Social value asks what positive effects an asset or activity creates, while social impact investing asks what social issue the investment is intentionally seeking to address, how the investor is contributing to the solution and how the outcomes will be measured.

The distinction matters because an investment may have positive social characteristics without the investor having intended to address a particular social issue or made a material contribution to doing so. Being clear about the difference helps investors assess whether a social objective is genuinely embedded in the investment thesis, understand the role of their capital and supports more meaningful measurement and more credible reporting to investors and other stakeholders.

Across the investment universe, including real estate, the definition of impact investing provided by the Global Impact Investing Network ("GIIN") is well established. When it comes to social value, there is currently no single universally applied definition within the real estate sector. For the purposes of this paper, we use the UK Green Building Council's ("UKGBC") definition as a starting point.

Social Value

The UKGBC defines social value in the built environment as arising "when buildings, places and infrastructure support environmental, economic and social wellbeing, and in doing so improve the quality of life of people". Social value can be delivered from good investment and asset management, something that the real estate industry has been delivering for years. It can arise through the way an asset is designed, developed, occupied, managed and connected to its surrounding community.

Social value can be pursued by all investors and is often feasible across a broad range of sectors and assets, with delivery over the short and medium term. Let's take an example of a real estate investment in a shopping centre, and the investor-led initiatives that could deliver social value:

- **Occupier / community events:** providing free activities that bring occupiers and local residents together. By removing financial barriers, this fosters an inclusive experience that encourages local communities to engage with the property.
- **Support for the arts:** making space available for local performances and paid opportunities for artists, showcasing local talent.
- **Supporting local charities:** providing space for charities to raise awareness, engage with the local community and generate donations.
- **Local artwork:** working with schools and colleges to display students' work within the property, including artwork focused on issues facing the local community.

There has been a clear improvement across the industry in terms of availability and sophistication of social value measurement tools, distinguishing between activities, outcomes and longer-term impacts. For the shopping centre example, this could be applied as follows:

- **Outputs:** the number of occupier / community events held.
- **Outcomes:** increased participation by occupiers and local residents or reduced social isolation.
- **Longer-term impacts:** evidence of improved wellbeing or stronger community cohesion.

Social value initiatives can of course have a positive social impact, but this does not necessarily make the underlying investment a social impact investment. The key question is whether the social objective was identified before the investment was made and formed part of the investment thesis, rather than being introduced later through asset management.

For example, one of our members has used surplus car parking space at retail parks to host free diagnostic hubs. By partnering with a key healthcare service, in locations that are easily accessible to the local community, this initiative may support earlier diagnosis, improve health outcomes and reduce costs for public health services.

This is a valuable use of existing real estate and may support positive outcomes for local communities and public health. However, these outcomes were not the primary reason for acquiring the retail parks. The social objective was introduced after the investment decision. This example demonstrates that an asset can create meaningful social outcomes through its operation and management without the underlying investment itself being a social impact investment.

The distinction is therefore not between investments that create social value and those that create social impact. Many investments will create both. The more useful questions are whether the social objective was embedded in the investment thesis and does the investor intend to contribute to addressing a defined social issue. These core principles of social impact investing are explored in more detail below.

Social Impact Investing

Impact investing has developed from a relatively specialised part of the investment landscape into an increasingly established investment approach, attracting growing interest from investors seeking to combine financial returns with measurable social outcomes.

In 2024, GIIN estimated the global impact investing market at US$1.57 trillion, representing compound annual growth of approximately 21% since 2019. In the UK, Better Society Capital estimated that the social impact investment market had grown to £11.2 billion by the end of 2024 – a 13-fold increase from £830 million in 2011. The market comprised more than 6,000 transactions, including investments in Social and Affordable Housing and social purpose projects. These figures demonstrate the significant growth in capital being directed towards investments intended to generate measurable social impact alongside a financial return.

GIIN defines impact investing as "investments made with the **intention** to **generate** positive, **measurable** social and environmental impact alongside a financial return". This definition highlights three practical tests: intentionality, contribution and measurement. These reflect the core principles of impact investing, while broader market frameworks also emphasise evidence, ongoing impact management and learning.

Social and Affordable Housing provides a useful example because it makes the distinction particularly clear. Investment in housing can create social value through the provision of good quality, affordable and secure homes. It becomes social impact investing where the investor has intentionally allocated capital to address a defined housing need, can explain the contribution made by that capital and measures whether the intended outcomes are being achieved. The sector or asset type may support an impact case, but it does not establish one on its own.

Intentionality

What social outcome is the investment intentionally seeking to contribute to?

In the UK, there is a significant and entrenched demand and supply imbalance for Social and Affordable Housing. In England alone, 1.34 million households were on local authority waiting lists for housing at 31 March 2025.[1]

The social impact case for investment is not limited to the supply of homes. The consequences of unsafe or unhealthy housing have also been highlighted by tragedies including the Grenfell Tower fire and the death of Awaab Ishak following prolonged exposure to damp and mould. This reinforces the importance of considering not only how many homes are delivered, but also their quality, safety, affordability and suitability for residents.

For investments in the Social and Affordable Housing sector, the intention may be to fund the delivery of new homes, improve the quality and energy efficiency of existing homes and/or support housing models that respond to a particular local need. The important point is that the intended

[1] This figure should be treated with some caution because households may appear on more than one register and local authorities apply different review practices. Nevertheless, it illustrates the scale of unmet housing need.

social outcome is not incidental to the investment or simply a positive characteristic of the asset; it is the objective the investment is intentionally seeking to address.

Contribution

How is the investor contributing to a solution for this social issue?

The existing providers of Social and Affordable Housing, primarily Housing Associations, continue to face financial and operational pressures, including higher borrowing costs and the need to invest in the quality and safety of their existing stock. These factors can hinder housing providers' capacity to deliver new supply.

Private-sector capital invested in this sector can complement the capacity of existing providers, supporting the delivery of new homes and/or recycling capital back to Housing Associations to improve the safety and suitability of housing for those most in need.

Contribution requires more than ownership of an asset that is socially useful. Investors should be able to explain how their capital, influence or expertise has helped to deliver additional homes, improve quality, preserve or deepen affordability, accelerate delivery or otherwise achieve an outcome on terms that may not have been available without their involvement.

The nature of the investor's contribution will differ by strategy. It may arise through providing development finance, taking construction or lease-up risk, influencing asset management or making a long-term commitment to a place or community.

This is why investors should consider the counterfactual: what would have happened without their investment, whether another source of capital would have delivered the same outcome and what specific role they have played in addressing the identified social issue. Being clear about contribution helps distinguish impact investing from investing in an asset that happens to have positive social characteristics.

Measurement

How will progress and outcomes be measured over time?

Measuring and monitoring impact performance indicators over time is key. Established impact frameworks, including the Five Dimensions of Impact stewarded by Impact Frontiers, can be used as a basis for assessing impact depth, scale, risk, contribution and duration, alongside asset-specific indicators.

Depending on the structure and lifecycle of the investment, indicators may focus on:

- **Delivery and asset-level indicators:** these may be more relevant when funding the delivery of new homes and include the number and tenure of homes delivered, affordability, accessibility and energy efficiency.
- **Resident and outcome indicators:** these may be more relevant during the ownership of homes and could include affordability relative to local incomes, resident satisfaction, tenancy sustainment, health and wellbeing. These indicators can form part of the feedback loop, helping to inform asset management and, in turn, improve outcomes for residents.

Measurement should not be treated as an isolated reporting exercise. Evidence should inform ongoing asset management, help investors understand whether the intended outcomes are being achieved and identify where changes are needed. Over time, this learning should also influence future investment decisions by helping investors refine their strategy.

Financial return

Social impact investing is sometimes perceived as requiring investors to compromise financial performance. However, the objective is not to substitute social outcomes for financial returns, but to identify investments where addressing a social issue is compatible with, and may support, a robust investment case.

Understanding the relationship between social outcomes and financial performance is important for investment decision-making. Addressing an unmet need may support resilient demand, income security, occupancy or long-term asset value. In other cases, delivering a particular social outcome may involve additional cost, greater execution risk or a different investment timeframe.

The risk-return profile will vary depending on the nature of the project. For example, an investment delivering new Social and Affordable Housing with stable, inflation-linked income will have a different risk-return profile from an investment to reposition assets within urban centres to support local regeneration and economic growth.

Public-private partnerships

We see partnerships between the public and private sectors as a key route to delivering sustainable social impact. Parties should be aligned on the social impact they intend to deliver, the respective roles, responsibilities and time horizons to enable positive outcomes.

Local Government Pension Schemes ("LGPS") are recognised as vital partners in this effort. While policy proposals for LGPS funds to set local investment targets may generate headlines, it is more constructive to focus on robust frameworks that stand the test of time. For example, The Good Economy's Place-Based Impact Investing white paper offers a clear, non-partisan approach that enables investors to assess, implement, and scale investments that generate positive outcomes across the UK.

Beyond pension funds, effective public-private partnerships can also involve grant funding to support the financial viability of projects, or strategic collaborations with Registered Providers of Social Housing to deliver and operate new affordable homes at scale. Relationships with local authorities are also important for the delivery of social impact, particularly with devolution and the alignment of investments with local authorities' housing, economic development, regeneration and employment needs.

How can this distinction be applied in practice?

A clearer distinction between social value and social impact investing can be applied through five practical questions:

1. What defined social issue is the investment intentionally seeking to address?
2. Was that objective identified and reflected in the investment thesis before the investment was made?
3. What is the investor's contribution beyond owning an asset that has positive social characteristics?
4. How will the relevant outcomes be measured over time?
5. How will evidence and learning influence future investment and asset management decisions?

Closing remarks

Social value and social impact investing are closely connected, but they are not the same. Social value describes the positive effects that real estate can have on people, communities and the wider environment. These effects may arise through the way a building is designed, developed, occupied or managed.

Whereas social impact investing is an investment approach. It involves allocating capital with the intention of contributing to a defined social outcome alongside delivering a financial return. This requires investors to be clear on the social issue they are seeking to address, the contribution made by their capital and how progress and outcomes will be measured and managed over time.

An investment may therefore create significant social value without being a social impact investment, and equally, social impact investing should create social value as part of its intended purpose. The distinction helps investors assess the purpose of an investment, the role their capital plays, inform investment and asset management decisions and strengthen the credibility of reporting the social outcomes.

These approaches should not be viewed as hierarchical. Social value and social impact investing represent different, but complementary, ways of understanding and managing the relationship between real estate and society. Social value can be considered across a broad range of investment and asset management activity, while social impact investing provides a framework for intentionally directing capital towards identified social solutions alongside delivering a financial return.

Both have an important role to play. Real estate provides the homes, workplaces, services and places in which people live their lives. Investment decisions can influence people's health, security, stability and opportunities, as well as the resilience and cohesion of communities. The opportunity for investors is to understand those effects, manage them more deliberately and combine appropriate financial returns with meaningful benefits for people and places.

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