

Unlocking Affordable Housing:

The role of private investment in meeting the UK's housing need

The need for affordable housing

Affordable housing plays a critical role in reducing homelessness, supporting low-income families, and enabling local workers to remain in the communities they serve. It contributes to better health and education outcomes, reduces strain on public services, and supports inclusive economic growth. Despite its clear social and economic value, the UK's affordable housing supply consistently falls short of demand.

This briefing sets out private capital's role in the sector, and how addressing barriers to private capital is instrumental in unlocking additional capital and capacity, helping ensure affordable housing keeps pace with demand.

Real Estate:UK's role in affordable housing

From the homes we live in, to the spaces where we learn, work and relax, property is an essential part of modern life. Real Estate:UK (RE:UK) represents the UK real estate sector, an industry that invests in communities across the UK, providing a wide range of high-quality homes, workplaces, health, education, and warehousing facilities that people and businesses rely on every day.

RE:UK represents the full spectrum of the real estate industry, including HAs and IBRPs. Through our Affordable Housing Committee, we bring investors and providers together to share expertise, influence policy, and support innovation.

By promoting collaboration, we work to ensure private investment complements the work of HAs and strengthens the UK's affordable housing system.

Need vs delivery

Absent of a significant change in Government grant rates, RPs do not have the capacity to deliver more than around 65,000 homes a year, against a long-term need of 145,000 homes ([RE:UK & Savills](#)) and 1.4 million households on social housing waiting lists, without institutional capital.

Patient institutional capital has an important role in the affordable housing sector, and by removing barriers to private investment, could materially increase overall capacity. While IBRPs are still a relatively small segment of the sector, they accounted for approximately 20% of the total increase in social stock across the sector between 2023 and 2024.

The challenge for traditional RPs

Traditional RPs remain at the heart of affordable housing delivery, but their ability to build at scale without private capital is becoming increasingly constrained. Many are operating at or near borrowing limits, while also managing higher debt servicing costs, rising maintenance pressures, and significant programmes of urgent building safety works. With rents capped across the sector, there is limited headroom to grow development capacity without additional grant or alternative sources of finance.

At the same time, priorities have necessarily shifted. Traditional RPs are focusing more of their resources on remediating and upgrading existing

homes - including decarbonisation and building safety - which, while essential, reduces the capital available for new development.

The sector is already adapting to these pressures. Many traditional RPs have, or are exploring establishing, IBRPs to access the greater capacity that private capital can provide. Alongside a growing number of Joint Venture Agreements (JVAs), this demonstrates how delivery models are evolving and highlights that the distinction between 'for-profit' and 'not-for-profit' providers is becoming increasingly blurred and less useful in practice.

Against this backdrop, the Government's £39bn grant package announced in last year's spending review, alongside the 10-year rent settlement, is a clear and welcome statement of intent. It represents one of the most significant long-term commitments to affordable housing in recent decades and, importantly, provides greater certainty over income streams - strengthening confidence for both RPs and institutional investors.

However, grant funding alone will not deliver the scale of new homes required. Given the constraints on traditional RP balance sheets and the competing pressures they face, the sector cannot fully unlock this investment without additional capital.

To ensure the £39bn programme translates into a new generation of affordable homes, it must be complemented by fair and effective access for private capital.

What is private investment into affordable housing?

Institutional investors have a long track record as reliable partners in the provision of affordable housing. Their patient capital can unlock more homes and improve quality and sustainability across the board. Investment into affordable housing needs three types of capital, which all pose challenges for traditional RPs:

Debt	While debt finance is readily available, many traditional RPs are already approaching their borrowing capacity, limiting their ability to take on further loans.
Equity	Traditional RPs cannot raise equity themselves due to their not-for-profit status and rely on their surpluses to support growth. Although institutional equity is being used to fund new developments, it is often offset by growing investment needs in existing stock and other strategic priorities. IBRPs however, can source new capital due to its ownership framework.
Subsidy	Capital grant funding from government in recent years have been falling significantly, from covering 50–80% of development costs in the 1990s and 2000s to around 20% in the past 10 years. The £39bn grant package will unlock additional affordable housing but will not enable the sector to meet long term unmet need. As traditional RPs rely on subsidy, they are currently limited to this funding due to nearly reaching debt limits and not having access to equity.

Unlocking Affordable Housing

To deliver the scale of affordable housing needed, the Government must actively support the mobilisation of responsible institutional capital, alongside its own subsidy. RPs without access to institutional capital cannot alone deliver the scale of development required, and responsible private investment can complement their work to ensure more affordable homes are built where they are needed most.

How does private investment unlock affordable housing?

As private investors are not constrained by debt on older portfolios, and have access to a deeper pool of capital, they have the potential to unlock a new generation of affordable homes. Private investors currently deliver affordable housing in three ways:

1. Direct investment into new stock

IBRPs are broadly split into two classes: those purchasing ≤ 106 homes; and those developing and delivering affordable homes direct.

2. Joint ventures with traditional RPs

Most existing joint ventures are focused on market homes built for sale on the open market, or

affordable homes transferred to the traditional RP partner for long-term hold. However, it is this long-term hold that ties up a traditional RP's balance sheet capacity. A more efficient solution could be for the homes to be transferred to an IBRP at the end of the development phase.

3. Existing stock acquisitions

The market for trade of existing stock already exists, often driven by stock rationalisation. However, IBRPs and traditional RPs could benefit from partnering on building, with traditional RPs acquiring private investment developments. This would provide a significant and immediate capital injection into social housing through unlocking private investment.

Image 1: Examples of development joint ventures

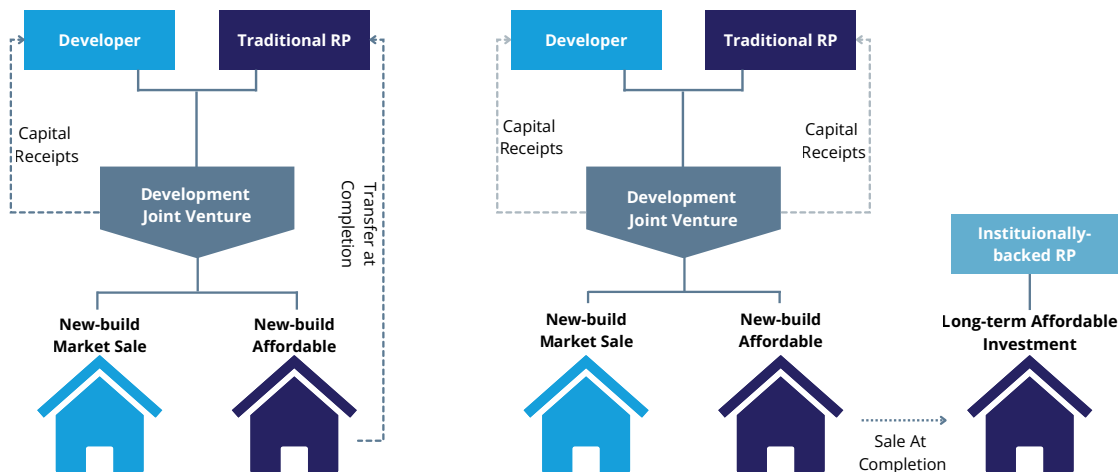
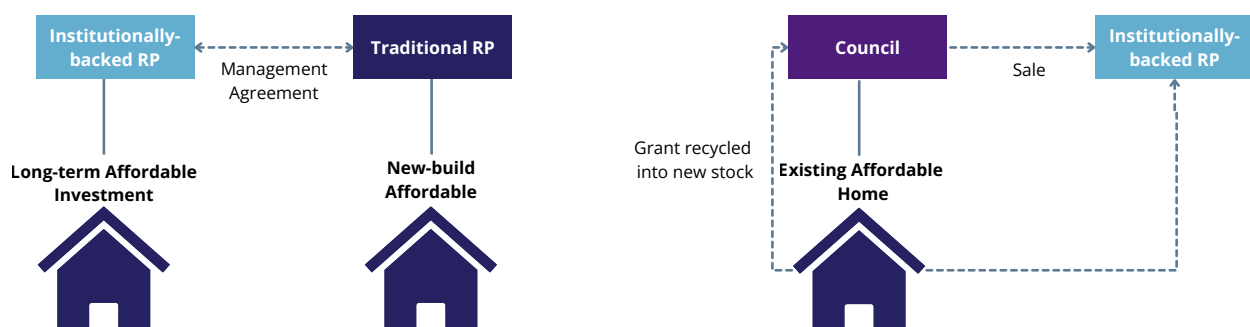


Image 2: The economic impact of investment in housing



How do traditional RPs benefit from partnerships?

Partnerships with equity investors offer traditional RPs the possibility of growth beyond the constraints of existing capacity. This is achieved through either enabling growth in operations and development activity, while assets are owned by third parties, or by releasing cash from existing assets so it can be reinvested into new social housing.

Through growing operations traditional RPs can:



Increase reach and help more people



Spread overheads and development admin costs, driving value for money



Diversify income away from social rent policy towards management income

RE:UK's ['Affordable housing partnerships: Catalysing investment in social housing'](#) report explores these benefits further.

How do private investors benefit from affordable housing investment?



Stable, long-term inflation-linked cashflows

The profile of the returns generated by these assets are well-suited to match against the similarly long dated and inflation-linked liabilities that pension plans and insurance companies typically face. Investors are increasingly seeking exposure to real assets with low correlation to economic cycles, and affordable housing is almost the definition of a counter-cyclical investment.



Structural supply/demand imbalance

With the huge mismatch between the demand for and the availability of affordable housing, void levels are very low and there is a sizable gap for new supply to fill, meaning the sector offers high occupancy rates.



Social impact and ESG

There is growing awareness of social impact and ESG considerations amongst investors, who are keen to examine the credentials of their investments and are increasing allocations to assets that have high impact/ ESG scores.

How can affordable housing partners help champion private investment, and unlock additional affordable homes?

Partners across the affordable housing sector can play a vital role in creating a policy and regulatory environment that unlock greater levels of private investment into affordable housing, through the SAHP.

Partners can:

- **Raise the profile of private capitals role in the sector** – Increase understanding within local and central government, and across the wider sector, of the role IBRPs already play in delivering affordable housing. This includes proactively showcasing delivery, sharing data, and embedding IBRPs within policy discussions to ensure they are recognised as a core part of the delivery landscape.
- **Ensure fair and equitable grant treatment** – Advocate for a level playing field between traditional RPs and IBRPs. Differential grant treatment risks constraining delivery by disincentivising private investment. Building the evidence base, including research on how current approaches impact delivery, pricing, and investment decisions, will be key to supporting reform.
- **Champion partnerships** – Convening stakeholders and brokering relationships between traditional RPs and institutional investors by establishing a dedicated partnership forum to build trust and showcase successful models.

- **Provide clarity and confidence** – Supporting the development of robust regulatory frameworks and tenancy standards that give private investors long-term confidence in the sector.

- **Enabling access to opportunities** – Creating mechanisms to connect private investors with schemes that are investment-ready or can be shaped for external capital.

- **Support capacity-building** – Helping smaller or mid-sized traditional RPs explore joint venture models and understand how to structure arrangements that balance risk and reward.

- **Drive market innovation** – Promoting new delivery models and financial instruments that unlock development at scale without compromising affordability or tenant protections.

By taking on these roles, partners can help catalyse the flow of responsible private capital into affordable housing, scaling up delivery, supporting traditional RPs, and ultimately providing more people with access to a safe, secure, and affordable home.

Please get in touch with our team if you would like to discuss further:

Kate Butler
Assistant Director
kbutler@realestateuk.org

Jordan McCay
Policy Officer
jmccay@realestateuk.org