Rethinking the Affordable Housing Funding Machine

What's Changing and What Comes Next

July 2026

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Foreword

The affordable housing funding model is entering a new phase. The combination of the ten year £39 billion Social and Affordable Homes Programme (SAHP) and a longer-term rent settlement has given providers, lenders and investors a clearer policy signal that affordable housing delivery is being actively supported and de-risked by the state.

Policymakers increasingly recognise that delivery at scale will also depend on private financing. The sector is moving toward a more diversified debt and equity model, focused on how funds can be deployed at pace and with outcomes that stand up to long-term scrutiny.

For not-for-profit RPs (registered providers), this creates fresh opportunities to access capital and expertise to build, modernise and decarbonise homes — while recognising that priorities differ by geography, stock profile, governance and building safety exposure. For-profit providers, meanwhile, are moving through a broader investment journey, extending beyond general needs new build homes into specialist propositions and older stock. There is clear scope for both models to learn from each other, particularly on scaling delivery, improving existing stock and embedding resident outcomes into investment decisions.

By speaking to thought leaders across the sector, we bring together market perspectives on the drivers for investment, the structures being used, and the practical considerations that can unlock confidence to invest and partner.

Richard Tinham,

Managing Partner, Winckworth Sherwood

My thanks to the interviewees whose insight and candour sharpen the lens on how the sector can seize this opportunity and turn ambition into delivery.

Chris Ives, Managing Director of Development & Regeneration, A2Dominion

Helen Collins, Principal & Managing Director, Midlands, Head of UK Living & Affordable Housing Residential, and **Bracken Newman-Hirst**, Director, Avison Young

Greg Campbell, Partner, Campbell Tickell

Justin Carty, Executive Director, CBRE Residential Investment Advisory

Baerbel Schuett, Founding Director, be.haus

Tony Tench, Deputy Chief Executive, Housing 21

Stuart Taylor, Head of Social Housing, HSBC UK Bank Plc

Michael Pearson, Chief Investments Officer, HSPG

Shaun Holdcroft, Head of Affordable Homes, L&G Affordable Homes

Shamez Alibhai, Managing Director & Head of Community Housing, Man Group

Chris Evans, Partner and **Delia Beddis,** Partner, Newbridge Advisors

Jack Burnham, Head of Affordable Housing, and **Georgia Kirby-Watt,** Operations Director, Affordable Housing, Octopus Capital

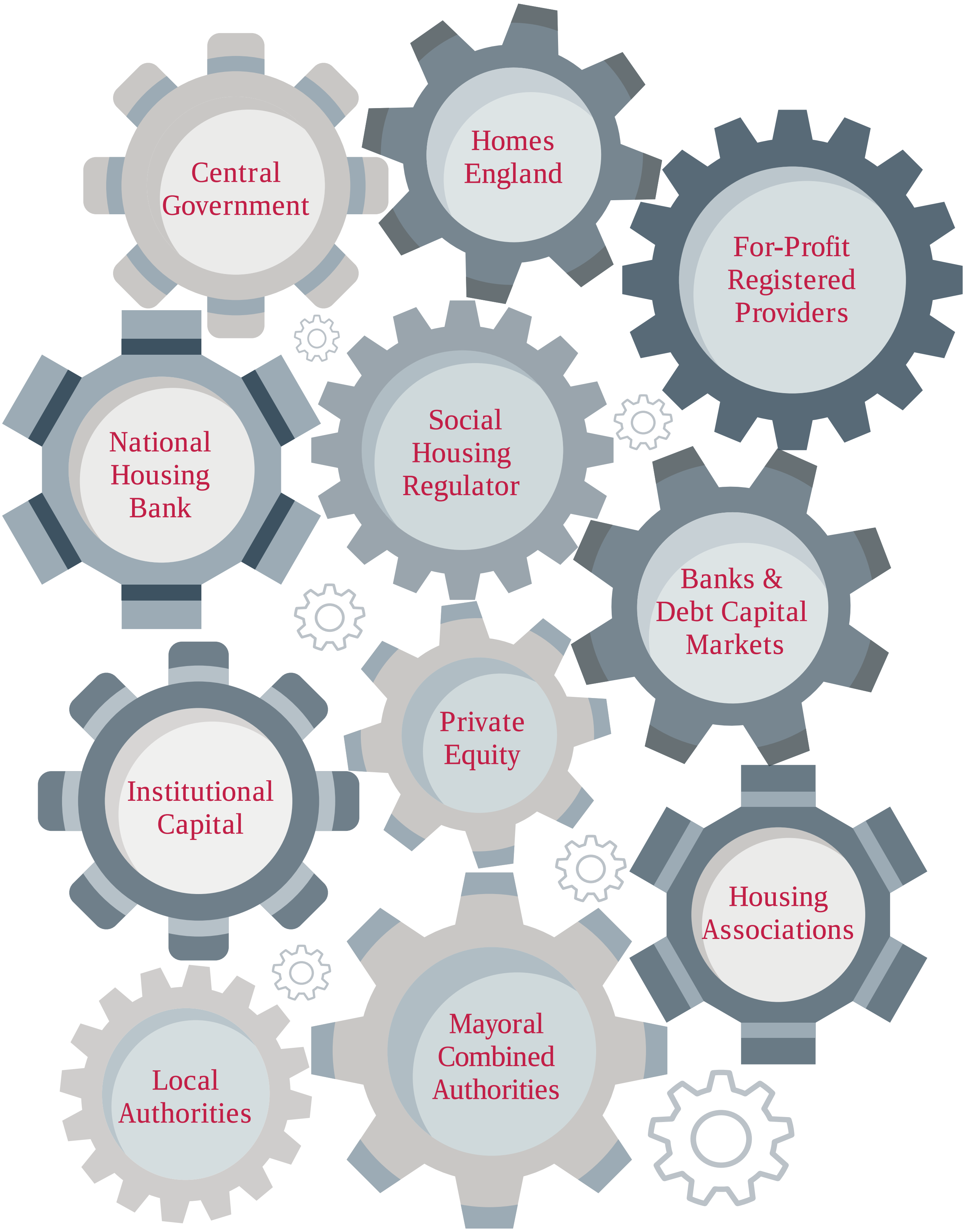
James McMylor, Regional Managing Director, Peabody

Stephen Sorrell MBE, Social Partnership Director, Preferred Homes

Steve Partridge, Director, Head of Housing Consultancy, and **Cassie Berry,** Associate Director, Affordable Housing Consultancy, Savills

Peter Merchant, Investment Director, Affordable Housing, Savills Investment Management

How the funding machine has changed



The UK affordable housing market is moving from crisis management to recapitalisation. It is no longer shaped by a single source of subsidy or a simple lender-borrower relationship, but by a more diversified mix of equity and debt in which each part of the system affects the others.

Central Government

Providing longer-term funding certainty, explicitly recognising that private capital is essential, and redesigning policy to crowd it in rather than substitute for it.

Actions being taken

- Longer-term funding programmes to improve investment credentials and pipeline planning.
- Return to Rent Convergence, allowing rents to be gradually moved toward market-linked formulas.
- Lowering the cost of capital through a shift to public-backed debt via the establishment of the National Housing Bank.
- Encouraging institutional capital into affordable housing funding.

Homes England

Acting as an innovative capital structurer and strategic partner, not just a grant allocator.

Actions being taken

- Deploying guarantees and subordinated capital to unlock bank and institutional lending.
- Continuous Market Engagement, allowing providers to bid for grant funding on a scheme-by-scheme basis as costs change.
- Funding innovative pilot schemes and providing more tailored, regional support.

National Housing Bank

Using government backed financial tools to crowd in private investment and unlock large-scale developments that the private market still considers too risky.

Actions being introduced

- Low-interest loans and guarantees will support the recapitalisation of RPs.
- Patient, low-cost debt for development and retrofit.
- Guarantees to unlock institutional capital, including taking the "first-loss" position, or providing the initial infrastructure funding for institutional capital.
- Equity-style investments into delivery platforms.
- Working directly with Mayors and Combined Authorities to ensure that capital is directed toward local priorities.
- Embedding sustainability requirements into funding decisions (not optional extras).

How the funding machine has changed

The Social Housing Regulator

Improving outcomes for residents and giving lenders and investors confidence in the sector's clear and credible standards.

Actions being taken

- Applying stronger consumer, safety, governance and economic standards, indirectly influencing funding decisions, partnership choices and balance sheet strategies across the market.
- Created a "risk re-evaluation" across the sector with RPs required to assess stock and hold granular data on homes. Investors now have more visibility over the assets they are funding or acquiring.
- Reinforcing improvement through feedback loops, as providers use regulatory scrutiny to strengthen governance, consumer standards and regain stronger ratings where needed.

Local & Mayoral Combined Authorities

Innovative authorities are moving from funders to active counterparties, using their covenant strength and demand certainty as financial levers.

Actions being considered / taken

- Collaborating on nomination rights, long-term leasing and demand guarantees to underpin investment.
- Co-investing land or existing stock into blended funding vehicles.
- Seeking to shift from revenue-intensive temporary accommodation solutions towards longer-term, more sustainable housing outcomes.

Banks & Debt Capital Markets

Across general lending, development finance and refinancing, banks are rewarding clarity, supporting structured ambition and distinguishing between managed risk and unmanaged exposure.

Actions being taken

- Longer term loans to ambitious and well managed providers.
- Increasing use of risk-sharing structures alongside public capital to lend.
- Pricing retrofit and transition lending explicitly, allowing RPs to redirect capital to other priorities.
- Backing institutional RPs through debt capital markets.

Institutional Capital

The role of institutional capital is evolving into deeper partnerships with government bodies, exposure to older and more diversified stock, and a shift toward off-balance-sheet equity models.

Actions being considered / taken

- Incorporating higher EPC-rated stock into development plans as standard.
- Embedding tenant satisfaction as central to investment and operations.
- Ensuring data quality across operations and third-party supplier interactions.
- Broadening focus beyond low-risk new-build into speacilist housing and selected retrofit.

For-Profit Registered Providers (RPs)

Becoming the bridge that connects global private capital to the UK's social housing needs, while moving further into long-term asset management and direct development.

Actions being considered / taken

- Moving from secondary purchaser to more active delivery partner through forward funding and direct land acquisition.
- Structuring affordable housing as a lower risk model, with clear leases, nominations and operating partners.
- Buying older homes from traditional providers in bulk transactions.
- Diversifying from general needs housing into specialist niches.

Private Equity

Growing interest in investing in a highly regulated sector and holding assets for longer, alongside increasing interest from overseas investors looking for a 'safe haven' for investment.

Actions being considered / taken

- Private equity players are beginning to provide platform-level capital to scale for-profit RPs and delivery vehicles.
- Establishing RPs directly.
- Looking to provide medium-term capital and potentially holding assets for longer.

How the funding machine has changed

Housing Associations

Greater openness to equity, partnerships, risk-sharing capital, stock sales and selective pipeline development where the financial case remains strong.

Actions being considered / taken

- Reprioritising capital allocation by slowing development pipelines to free capacity for retrofit, compliance and balance-sheet recapitalisation.
- Exploring income-backed retrofit finance, where payback is linked to lower operating costs or longer asset life.
- Kick-starting individual schemes where government-backed low-interest loans bridge the funding gap.
- Disposing of older or non-core stock to recycle capital.
- Partnering with for-profit providers to keep units off balance sheet while retaining nomination or management rights.

The funding machine is not a static map of market participants but a way of understanding how partnerships are forming, where momentum is building and where friction remains. The articles that follow examine these themes and how they alter both the availability of capital and the way it is deployed.

From policy signal to delivery momentum

Across our interviews, the ten year SAHP, the longer-term rent settlement and the roll out of low-interest loans and bridging products are seen as sending a stronger signal that affordable housing is once again a delivery priority — and that private capital is being actively encouraged to participate. These shifts are already affecting lenders' willingness to offer longer-dated debt and shaping investors' underwriting assumptions. Stuart Taylor, Head of Social Housing at HSBC UK observes that the bank has recently introduced ten year loans, while Chris Evans, Partner at Newbridge Advisors, the specialist affordable housing advisory firm, says banks more widely are very receptive to lending to not-for-profit associations. New capital entrants are also increasingly interested in the sector, with Greg Campbell at Campbell Tickell noting "the significant increase to the SAHP programme has really opened people's eyes."

Several interviews also pointed to the Greater London Authority and Homes England's broader enabling role — not only through grants, but through Continuous Market Engagement and more flexible scheme-by-scheme support — which is helping some providers bring forward deals that might not previously have been feasible. Helen Collins at Avison Young notes that Homes England is being reorganised regionally, tailoring support to different delivery conditions rather than relying on a single national template.

Recent transactions show how these models are starting to work together in practice. James McMylor, Regional Managing Director at Peabody, one of the UK's largest housing associations, outlines that a low-interest loan from the Greater London Authority will help unlock more than 500 affordable homes across London, illustrating how public lending can be used to bring schemes forward in a difficult market. Chris Ives, Managing Director of Development at A2 Dominion also observes that "the GLA are very supportive of accelerated social housing delivery. Their grant funding model is now more supportive of bridging the viability gap".

For-profit providers are also increasingly forward funding schemes because this allows them to secure stock earlier, help unlock delivery in a constrained market, and shape affordable homes into long-term investable assets with clearer income and operating structures. In practical terms, that can make deals easier to price and execute, while still giving developers and providers the certainty they need to move ahead.

> "The market is building a more flexible set of delivery structures in which public funding, institutional capital and partnerships can be combined more deliberately."
>
> **Sarah Whitty,** Partner, Social and Sustainable Finance

The National Housing Bank and bridging finance

The market is now watching for execution rather than announcement. Several interviewees welcome the creation of state-backed financial instruments that could reduce the weighted average cost of capital and expand risk-sharing structures, but their real value will depend on how quickly products become usable off the shelf and whether they solve live transaction frictions in the construction-period funding gap.

Justin Carty, Executive Director, CBRE Residential Investment Advisory is also watching pricing discipline closely. He warns "if providers are unable to acquire affordable housing at values that support scheme viability, the funding gap ultimately re-emerges elsewhere in the system. Developers may require additional grant or alternative forms of public support, which risks reducing the overall efficiency of subsidy deployment."

> "A genuinely off-the-shelf state-backed forward funding development debt product—whether through guarantees, revolving facilities or government-wrapped long-term debt—could materially reduce financing costs, unlock stalled schemes and accelerate starts without increasing grant per unit."
>
> **Michael Pearson,** Chief Investments Officer, HSPG

Launched in April 2026, the National Housing Bank represents a significant shift in how government supports housing delivery in England. Operating as a permanently capitalised public financial institution within Homes England, the Bank has been established to accelerate housing and regeneration by intervening where market finance alone has proven insufficient. Rather than replacing private capital, its core purpose is to de-risk schemes, unlock stalled sites and crowd in long-term investment at scale.

Crucially for the sector, the National Housing Bank is designed to move beyond traditional grant-led interventions. With the ability to deploy loans, equity and guarantees alongside Homes England's existing land and grant programmes, it introduces a more flexible, commercial toolkit to address viability gaps, support new delivery platforms and respond to place-specific challenges.

How the National Housing Bank will help:

- **Unlocking stalled and marginal schemes:** By providing government-backed debt, equity or guarantees.
- **Crowding in private capital at scale:** A core objective is to leverage public balance sheet support to attract insurers, pension funds and other long-term investors, helping to unlock over £50 billion of additional private investment into housing and regeneration over the next decade.
- **Supporting social and affordable housing delivery beyond grant alone:** The National Housing Bank will complement capital grant with low-interest loans and blended finance, improving RPs' capacity to invest while stretching public subsidy further.
- **Backing new platforms and delivery models through equity and structured finance:** The Bank can support for-profit RPs, partnerships and platform-based approaches that bring new capital and operating capacity into the sector.
- **Improving access to finance for SME housebuilders:** Targeted lending products are designed to help smaller developers overcome trapped equity and scale constraints, enabling them to operate across multiple sites and contribute more meaningfully to housing supply.
- **Longer-dated finance:** For roads, utilities and placemaking to help unlock large or complex sites.
- **Accelerating 'shovel-ready' schemes:** Prioritising projects that can proceed quickly if financing barriers are removed.
- **Working through Homes England's regional model:** The NHB will support tailored, place-based investment packages developed with mayoral combined authorities and local leaders.

What the market is watching next

Interviewees were equally clear that a wider set of policy and regulatory choices will determine how confidently providers, lenders and investors can commit over the long-term.

Building safety regulation and funding

Building safety policy is reshaping where capital is willing to go and how providers prioritise investment across their portfolios. Alongside supply-side funding, interviewees welcome measures that reduce the diversion of capacity into legacy liabilities. Steve Partridge, Director, Head of Housing Consultancy at Savills describes "the billion pounds that was for fire building safety" as "welcome, but probably not enough."

For James McMylor at Peabody, the practical significance is clear: "the big one for us is the ability to access building safety funds for our social rented blocks." At the same time, Bracken Newman-Hirst at Avison Young argues that the Building Safety Regulations have pushed some capital towards "a more suburban single family housing market that's not exposed to that policy risk".

Right to Buy 'pepper-potting' and replacement economics

Baerbel Schuett, Founding Director, be.haus, the mixed-use residential development consultancy, argues that Right to Buy can delay redevelopment and weaken estate renewal because receipts rarely cover the cost of like-for-like replacement. While the government has explicitly ruled out abolishing Right to Buy, a reform package announced in April 2026 marks a shift towards a more tightly controlled regime that slows stock loss, protects new supply for longer and improves the long-term investability of social housing assets.

Proposals include:

- Increasing the minimum eligibility period from three to ten years before tenants can apply to buy their home.
- Amending discount rules so that discounts start at 5% of the property value and increase by 1% each year up to the maximum discount of 15% of the property value or the cash cap (whichever is lower).
- A 35-year new build exemption period so that new social homes cannot be sold under Right to Buy for 35 years after they are built.

Commonhold and Leasehold Reform

The government has introduced the draft Commonhold and Leasehold Reform Bill, intended to make commonhold the standard model for leasehold home ownership in England and Wales, and replacing the current system.

Certain long leases, including shared ownership, home purchase plans and some equity release arrangements, would still be permitted within commonholds, subject to appropriate voting safeguards.

James McMylor at Peabody is watching these developments closely: "I think it will fundamentally change how we deliver homes, because of the complexity of our stock and assets. Anyone who says it will not have much impact, either has not thought it through or is working on straightforward greenfield developments where ownership structures are clear. It's a Bill that should be monitored carefully."

Interest rates, sales rates and scheme viability

Chris Ives at A2Dominion comments that "some developers will have bought or optioned land at prices now which are unviable", and interviewees repeatedly point to the interaction between interest rates and sales performance as a defining constraint on current delivery. Higher borrowing costs are feeding directly through into viability models, reducing interest cover and tightening covenant headroom across the housing sector as a whole. At the same time, slower sales rates are extending development timelines and increasing exposure to both financing costs and market risk. This is being particularly felt with shared ownership and open market units used for cross-subsidy, where affordable delivery is increasingly dependent on market sales performance.

This combination is reshaping how schemes are underwritten. Where historic models assumed steady sales absorption and relatively low-cost debt, providers and investors are now stress-testing for slower receipts, higher carry costs and greater volatility in exit values. In practice, viability is becoming less about headline grant rates and more about the interaction between financing costs, sales risk and balance sheet capacity at any given point in the cycle.

The Renters' Rights Act: implementation and implications for capital

The Renters' Rights Act 2025 is being introduced in stages. The main reforms took effect for the private rented sector from 1 May 2026. Assured tenancies of social housing provided by private RPs are expected to move to the new framework from October 2027. The Act is designed to strengthen tenant protections, simplify assured tenancy structures, increase security of tenure and abolish Section 21 "no-fault" evictions.

For RPs, the immediate operational impact is therefore limited across core social housing, but providers with market rent, mixed tenure or build to rent exposure may feel the effects sooner.

> For providers and investors, the effect is likely to be mixed. Stronger tenant protections and more secure income streams may support long-term investment confidence, but reduced asset management flexibility could affect how risk is priced in more complex portfolios. This reinforces a broader shift towards income stability, operational resilience and long-term stewardship.
>
> **Becky Jason**, Partner, Social and Sustainable Finance

What the market is watching next

MEES and the Decent Homes Standard

Steve Partridge, at Savills, notes that while the direction of travel on housing quality is now clearer, several critical elements of the reformed Decent Homes Standard remain unresolved and are already influencing investment behaviour. The government has confirmed that Minimum Energy Efficiency Standards will be enforced first, requiring social homes to reach EPC C or equivalent by April 2030, but the detail of how flexibility, exemptions and enforcement will work across harder-to-treat stock is still to be finalised. At the same time, the full Decent Homes Standard will not become enforceable until the mid-2030s, creating a staggered regulatory landscape in which providers must commit capital now for energy upgrades while broader requirements on condition, damp and mould, and building services continue to take shape.

> "In practice, MEES is acting as the early catalyst, front-loading expenditure and accelerating stock rationalisation, while the unresolved aspects of the Decent Homes reforms shape which assets remain investable and which increasingly constrain balance sheets in the years ahead."
>
> **Matt Cowen,** Partner, Social Housing Governance

LGPS mega funds and infrastructure classification

Shamez Alibhai, Managing Director and Head of Community Housing at Man Group, the global investment manager, and Greg Campbell at Campbell Tickell, are closely watching the creation of local government pension scheme "megafunds", which could deploy larger tranches of capital into affordable housing platforms. Shamez Alibhai's argument is that social housing already functions as essential infrastructure, but does not yet benefit from the same classification or tax treatment. In his view, access to the "public infrastructure exemption" would make it easier to create more tax-efficient funding vehicles and, in turn, widen the pool of long-term institutional money available to the sector.

Supported housing oversight and potential 'collateral capture'

The proposed supported housing oversight regime is broadly understood as an attempt to address poor-quality and exploitative provision. Tony Tench, Deputy Chief Executive at Housing 21, a specialist older people's housing provider, is watching carefully to see how precisely it is applied. Tony warns that there is a risk the regime could "capture unintentionally high-quality older persons' housing alongside the genuinely problematic end of the market", creating "new bureaucracy and another barrier to entry" for established providers. The concern is not with the policy intent, but with the possibility of duplicative regulation where providers are already subject to robust oversight through the Regulator of Social Housing, the Care Quality Commission and other accreditation frameworks.

> "Homes England is increasingly looking to direct funding towards specialist housing products, with a growing recognition that these schemes cost more to deliver but meet needs that mainstream provision often cannot. In that context, policy support matters not only in principle, but in how it is calibrated so that additional oversight does not unintentionally deter the long-term capital needed to expand supply."
>
> **Charlotte Cook,** Partner, Social Housing

Local and mayoral authorities – a more innovative mindset is emerging

If central government is changing the policy climate, local and mayoral combined authorities are determining whether schemes can actually move. Significant blockers remain at that level, including uneven institutional capability, slow decision-making and inconsistent priorities, all of which can hold delivery back.

Rent assumptions do not always reflect viable market rent levels, and some argue that there is still too much inconsistency in the way key clauses are handled. Michael Pearson, Chief Investments Officer at HSPG, an affordable housing investment and delivery platform, argues that Section 106 should better reflect market rent realities for specialist housing, while NPC clauses should be standardised nationally so that each scheme does not have to reopen the same negotiation from first principles. Cash-strapped councils are also often under pressure to focus on immediate capital receipts rather than the longer-term social and fiscal value that affordable housing can create.

Alongside these constraints, there are signs that some authorities are becoming more commercially aware and more willing to think differently about how delivery can be unlocked.

A more constructive approach is beginning to show at devolved authority level. Helen Collins, Principal Director at Avison Young, the real estate advisory firm, who is also Housing Taskforce Chair at West Midlands Combined Authority, points to the introduction of the housing acceleration zone concept. This tax-increment-style model captures the first tranche of SDLT from home sales and uses that income stream to help fund upfront infrastructure, helping to unlock delivery.

Delia Beddis, Partner at Newbridge Advisors, the specialist affordable housing advisory firm, highlights the Greater London Authority's emergency measures, which reduced affordable housing requirements for a limited period, and notes that other authorities may introduce similar relaxations where viability pressures are acute.

There are also early signs that wider policy change is beginning to influence planning approvals. Across the UK, Helen Collins reports an uptick in activity linked to the grey belt, suggesting that planning reform may be encouraging clients to revisit sites they might previously have overlooked. At the same time, more creative approaches to land are beginning to emerge. Stephen Sorrell MBE, Social Partnership Director at Preferred Homes, a specialist affordable and supported housing platform, notes that in some cases, local authorities are discounting land value in return for longer-term nominations agreements.

The strongest signs of change come from authorities willing to act as market-shapers. Stephen outlines that Exeter City Council's preference for their bid over a higher-priced scheme is significant because it shows a council choosing wider strategic and social outcomes over simple receipt maximisation. There are also encouraging signs that some devolved authorities are paying greater attention to specialist housing. As Tony Tench at Housing 21 observes, "there are certain mayoral authorities that are making more reference to older persons housing".

The Social Housing Regulator – Raising Standards, Unlocking Capital

Our interviewees in the private capital space consistently describe the Social Housing Regulator's credibility effect, reducing perceived risk for investment committees and helping to attract long-term domestic and international capital. Peter Merchant, Investment Director, Affordable Housing at Savills Investment Management highlights the attractiveness of regulated affordable housing "where the rent setting structures are straightforward and clear."

Private equity investors are increasingly attracted to affordable housing as a lower risk asset class and are looking to back RPs. In April 2026, Winckworth Sherwood advised on Sixth Street's commitment to invest over £1 billion alongside HSPG into one of its RPs, Park Properties Housing Association (PPHA), which has built a national Section 106 and affordable housing pipeline. Rather than packaging stock for sale to insurers or pension funds, the deal will allow HSPG to use scale, rental certainty and governance maturity to create exit optionality over time.

Rather than investing passively through funds, PE firms are also increasingly registering their own housing providers. This enables direct acquisition of affordable rent and shared ownership homes, with governance boards populated by senior sector figures to satisfy regulatory expectations.

Interviewees are clear on what could be improved to unlock more investment and raise standards. On registration, Justin Carty at CBRE warns that an 18-month process is a material barrier because it creates a window in which "international capital may go elsewhere," and Steve Partridge at Savills observes that the consultancy is increasingly being asked whether it can help an investor "acquire an RP to skip the process of registration."

On ratings, Stuart Taylor at HSBC UK notes that there is a strong case for putting governance and viability ratings in fuller context. He notes that "a G1 remains a key foundation to our underwriting." However, he suggests that a shift from G1 to G2 does not necessarily indicate a deterioration in governance standards but may instead reflect a regulatory environment that has moved faster, with providers still catching up to the higher expectations around assurance, data and control. A more contextual approach to ratings would help lenders, investors and boards distinguish more clearly between a deterioration in standards (and/or financial viability) and organisations with a clear route back to G1 and with credible business plans.

Not-for-profit RPs that have received downgrades are positive about their experience with the Regulator. Chris Ives at A2Dominion observes that though the organisation's governance rating was downgraded in 2024, its viability grading remained the same as actions had already been undertaken to a satisfactory standard. The Regulator has signed off on an action plan and attends board meetings, providing feedback and assurance.

Shaun Holdcroft, Head of Affordable Housing at L&G Affordable Homes argues that the Regulator "does a good job of using the tools it currently has, which were designed for a different world, to manage the sector that it faces into today," and emphasises that the continued development of the governance and economic standards are "really important evolutions" because they allow regulation to keep pace with how the sector has changed.

On consumer standards, Shaun outlines that stronger commercial and regulatory pressure is welcome but stresses that the sector needs clearer benchmarking because "we need to know what C1 actually is," alongside sharper differentiation between consumer outcomes and governance expectations. Baerbel Schuett at be.haus notes that RPs across the spectrum are operating a shared self-help model where those that have gone through audit share best practice and feedback.

Finally, several participants argued that for-profit providers delivering the same outcomes should be treated on comparable terms to housing associations. Cassie Berry, Associate Director, Affordable Housing Consultancy at Savills, suggests that a natural evolution is occurring with for-profit RPs as the Regulator gains experience in evaluating more complex layers of governance and oversight, and that the sector will become more comfortable with their role as more of them achieve G1 and V1 ratings.

> Stronger regulation continues to underpin investor confidence by reinforcing the sector's credit quality and transparency, while raising the bar for tenant experience and provider standards. It also constrains risk appetite within providers, as boards prioritise compliance, resilience and ratings stability. This creates a more disciplined but also more selective investment environment, in which capital is available, but increasingly targeted toward providers and schemes that can clearly evidence long-term viability under tighter regulatory scrutiny.
>
> **Will Rutter,** Partner, Social Housing

ESG moves from compliance to investment strategy

ESG is no longer a standalone compliance topic in affordable housing finance. It is becoming the thread that links funding strategy, asset performance, resident outcomes and long-term portfolio decisions.

Affordable housing has long carried an implicit social purpose, but our interviewees highlight that in 2026 that purpose is being translated into investable practice. Both public and private capital is increasingly focused on whether ESG funding decisions support:

- The long-term viability of stock
- Lower arrears and void rates
- Assets that remain compliant as regulation tightens
- Reduced tenant exposure to energy-price risk
- Support for tenants to stay within their homes

ESG moves from compliance to investment strategy

Institutional capital continues to move away from fossil fuels towards electrification and energy efficiency. Helen Collins at Avison Young observes that investor appetite is pulling the sector towards Future Homes Standard-ready stock, even as policy signals have softened. Shamez Alibhai at Man Group describes a high-baseline delivery model: "everything we aim to deliver is EPC A, air source heat pumps and photovoltaics. We also include embedded carbon targets".

For-profit RPs typically adopt a long-term, asset-led approach to ESG, embedding sustainability and efficiency from inception. Design decisions are explicitly linked to durability and long-term stewardship. Stephen Sorrell MBE at Preferred Homes explains: "we've designed a very specific code, so buildings are engineered to be efficient, future-proofed and long-lasting. As we're holding the asset, it's in our interest to build the best building we can."

Societal impact investing growing in importance for private capital

As Peter Merchant at Savills Investment Management suggests, one reason that affordable housing continues to resonate with long-term capital is the growing alignment between investor values, regulatory expectations and social purpose. What regulators increasingly want to see — good governance, durable asset quality, affordability and credible stewardship — also supports the qualities investors prize in a long-duration asset class: stable income, lower volatility and reputational resilience. In that sense, the social value of affordable housing is not separate from the investment case, but increasingly part of the same logic.

With regard to affordability, Octopus Capital's "zero bills" homes" schemes are being rolled out specifically to reduce fuel poverty. The project combines ultra-efficient building fabric with solar generation, battery storage and integrated energy tariffs through its sister company Octopus Energy. As Jack Burnham explains, it was launched as a small pilot through the Greener Homes Alliance joint venture between Octopus Capital and Homes England. The proposition is now being rolled out more widely, generating strong investor interest and new capital commitments to scale delivery. It also evidences a wider role for Homes England in backing partnership models that can test and scale new delivery approaches.

Investors view the model as paying forward future decarbonisation costs, and Jack also expects better performance in terms of arrears and rent affordability, as well as fewer damp and mould issues.

Shaun Holdcroft at L&G Affordable Homes states that affordability forms the core of investment decisions, including potential acquisitions. "We don't follow through on bidding on property if we don't believe that we can set a rent that is affordable. We look closely at the likely projected incomes of potential residents, market rent performance in the locality, and pre-existing rents being charged by operators in the marketplace."

Beyond the point of occupation, affordability is also addressed through the life of the home by reducing costs associated with tenancy failure. Homes are decorated to a high standard throughout, outdoor storage space is included, and white goods are increasingly provided in rented homes. This reduces moving costs and lowers the risk of tenants using debt to furnish homes. The group's 'Neighbourhood' programme is another example, providing free access to online GP services, mental health support, and financial and technology literacy programmes. Shaun notes that "there is no additional charge as we can offset the number of households experiencing tenancy failure".

Housing associations: net zero pathways are not prescriptive

For housing associations looking for investment, banks and investors consistently stress that credible transition pathways to reduced environmental impact matter more than perfection, and that experimentation and tailored solutions should be encouraged.

Most major lenders and institutional investors now encourage the use of the Sustainability Reporting Standard. These were updated in April 2026, aiming to provide a more streamlined "single source of truth" for ESG performance specifically tailored to the social housing sector while strengthening the sector's ability to communicate its performance to investors and regulators.

In respect of Sustainability Linked Loans, lenders may offer pricing incentives to support improved ESG performance (in accordance with the relevant Loan Market Association principles). Stuart Taylor notes that a substantial number of the facilities that HSBC UK provides to the sector have KPIs linked to ESG performance.

Jack Burnham outlines that the housing associations Octopus Capital works with are subject to initial impact screening. This includes assurance that baseline criteria are met, such as gender pay gap, modern slavery and environmental outcomes. The model is designed around 'meet or beat' metrics, evidencing to the Social Housing Regulator that the organisation ensures consistent delivery of service, while allowing each partner housing association to implement its policies on the ground in its own way.

The National Housing Bank's ESG expectations are emerging

With the launch of the National Housing Bank in April 2026, Homes England has made sustainability a central pillar of lending, aligning capital to positive environmental and social outcomes, designed to ensure that high-sustainability projects become the most financially attractive options in the market.

Performance measures are yet to be revealed but will include maximising social value per pound of investment and lowering embodied carbon.

A Sustainable Placemaking Passport Tool will also be launched, acting as a mechanism to evidence and test ESG outcomes when deploying public money. If a developer fails to meet the sustainability commitments evidenced in the Passport at a specific stage (e.g., design vs. completion), it could trigger a review of their financing terms. This will be introduced in larger schemes over the next year, before being rolled out further.

Retrofit as an investment case, not just a compliance cost

For RPs with older stock profiles, retrofit is becoming a primary focus for ESG delivery. Interviewees are increasingly emphasising the importance of framing this spend as long-term asset investment rather than short-term cost. Baerbel Schuett at be.haus captures the financial logic across long asset lives: "if residents can pay their rent more easily because bills are lower, arrears reduce and voids reduce. Over a 50 or 70-year model, that makes a significant difference."

> "One of the structural differences in the market is that many not-for-profit providers are carrying older stock and legacy investment obligations that were never business-planned against today's ESG and building safety requirements. That can create a much longer funding cycle for retrofit and a real dip in capacity before debt can be serviced comfortably again. Newer for-profit platforms do not carry the same legacy burden, which gives them greater flexibility, but it also underlines why retrofit finance needs to be shaped around the realities of existing social housing portfolios. Providers should keep a watch on innovations that could suit their needs, as capital and technological solutions are evolving all of the time."
>
> **Charlie Proddow**, Partner, Social Housing

A critical lesson emerging across the sector is to tailor energy solutions to tenant need. Tony Tench at Housing 21 explains "for some of our older residents, some retrofit solutions just aren't appropriate as they have been using gas heating for decades. We're trialling different technologies all the time, including thermal ceiling wallpaper as less intrusive adaptations."

James McMylor at Peabody illustrates both progress and constraint: operating heat networks and building energy centres on large new-build schemes, while recognising that large heritage estates remain difficult to decarbonise at pace or at acceptable cost. As James puts it: "we're always striving for higher standards like Passive House, but viability is the limiter."

Retrofit finance is expanding

In April 2026, the government added an extra £100m to the Warm Homes: Social Housing Fund (formerly SHDF) to support solar and insulation rollouts. The National Wealth Fund has also pledged £1.3 billion in support for social housing retrofit, providing guarantees for lending through major UK banks and The Housing Finance Corporation.

Institutional investors are also beginning to focus on retrofit. Georgia Kirby-Watt at Octopus Capital states that the organisation may look to create a different fund structure focused on zero-bills retrofit, potentially working on an open-book basis with partners to decarbonise stock. According to Georgia, retrofit is a meaningful challenge for the group to address as impact investors, as bulldozing and building a new home is ultimately worse for the environment.

> "We're seeing a clear shift from both banks and private capital towards more retrofit-specific products aimed at not-for-profit housing providers. Funders increasingly recognise that decarbonising existing stock is where the biggest ESG gains will be made, and that this requires ring-fenced capital rather than general corporate facilities. These products are becoming more targeted, more outcomes-driven and better aligned to the realities of social housing portfolios."
>
> **Becky Jason,** Partner, Social and Sustainable Finance

Good data is becoming non-negotiable to attract capital

On a more general note, interviewees repeatedly state that capital is more willing to engage where providers can evidence and track:

· Stock condition

· Resident outcomes

· Compliance exposure

· Future investment needs

Justin Carty observes "data quality and consistency remain major challenges in parts of the sector. Investors and partners increasingly expect a clear understanding of asset condition, future investment requirements and operational performance before committing capital."

A perennial challenge for potential investors and partners is gaining a full understanding of the assets that housing associations hold. Data fragmentation after mergers is often cited as a key reason, with multiple legacy systems still requiring integration.

> "For us, it starts with data quality. If you are acquiring stock or appointing a management partner, you need a clear view of what you are buying, how it is performing and whether the reporting is robust enough to support real assurance. Good customer outcomes ultimately depend on knowing your residents well — and that comes back to the quality of the data."
>
> **Peter Merchant,** Investment Director, Affordable Housing, Savills Investment Management

Funding data quality improvements

Many associations use their operating margins to fund SaaS subscriptions and incremental cloud migrations. With spend on existing stock at record highs, this model for investment is increasingly strained. There is a growing trend toward using private capital and specialised loans to fund long-term infrastructure. These include:

- Asset-Backed Loans & ESG-Linked Finance: Lenders can offer "margin discounts" if a housing association can prove that homes are safe via digital logs. Often the discount can pay for the system, and larger housing associations have also secured specific credit facilities to fund data infrastructure.
- Private capital and partnerships: Some institutional investors are developing proprietary platforms for suppliers and acquired entities. These aggregate, cleanse and stress-test asset information, supporting faster due diligence, more confident deployment and easier reporting pathways.

L&G Affordable Homes introduced its Brolly platform to support the delivery of new-build homes and the management of existing stock. At its core is a proprietary technology platform that manages key processes across the value chain, giving L&G greater control over both in-house and outsourced delivery arrangements. Launched with partners in 2024, the platform has now absorbed customer and asset data from suppliers' pre-existing systems, reducing fragmentation and improving transparency.

For new entrants into the sector, Cassie Berry at Savills observes that "it is easier for new for-profits to embed data quality and data capture from the beginning, with a handful of new-build properties and new relationships with residents." Data ownership is also central to investment decisions. Georgia Kirby-Watt at Octopus Capital outlines that the organisation is designing its own platform, with total ownership of data and flexibility baked into the model, "with resident voice influencing relationships with management partners. The idea is that the platform can become increasingly transparent and dynamic, with the ability to build out sections of it as we go."

From stock rationalisation to investment and transactions

Providers are not only looking for new sources of capital; they are also identifying where disposals or transfers can release headroom for development, retrofit and compliance. Exit strategy is increasingly becoming one of the main ways not-for-profit RPs respond to tighter balance sheets and higher operating expectations. Chris Ives at A2Dominion notes that “many not-for-profits have historically diversified to protect income, and are now disposing of non-core assets to upgrade core stock.” A2Dominion are assessing their own stock to provide potential headroom going forward if required.

Historically, housing associations have sold homes as part of merger integration or asset management strategy, often driven by geography or by a decision to dispose of non-core legacy stock. Steve Partridge at Savills notes that larger portfolio sales are becoming more commonplace, with more disposals likely as not-for-profit providers remain covenant and cost-of-debt constrained.

What were once limited to sale to another housing association or sale by auction are now expanding into a broader set of routes, as these larger portfolios are increasingly being acquired by institutionally backed capital with maturing operating models and greater risk appetite. Justin Carty at CBRE observes that for long-term holders like pension capital, exit is more about optionality: “holding for income, but with the comfort of a growing institutional market.”

> “What used to be framed primarily as stock rationalisation is now much closer to an investment and transactions market. We are seeing larger portfolios come forward, more shared ownership in the mix, and a wider rationale for sale — not just footprint management but recapitalising the balance sheet and releasing capital for reinvestment in development.”
>
> **Steve Partridge,** Head of Housing Consultancy, Savills

Disposal and acquisition options under consideration

Sell on completion, retain management

This model is being seen across the UK, where development viability and the cost of capital have pushed some not-for-profit providers to consider disposal at completion to a for-profit provider while retaining the tenant-facing relationship.

Delia Beddis at Newbridge Advisors notes that options include wholesale sale of developments, joint ventures or the sale of unsold equity after an initial shared ownership tranche is sold.

Peter Merchant at Savills Investment Management points to a complementary model in which institutional capital acquires stock from an existing RP while the provider continues to manage the homes, preserving operational continuity while releasing capital. He also notes the scope for investors to sit alongside a provider's development programme —funding part of a scheme that might otherwise stretch the balance sheet too far and enabling ambitions that remain within the organisation's operational capabilities.

Swaps

Swaps are a way to align homes with operating footprints. Avison Young advises housing associations as part of its affordable housing services, and Helen Collins observes that complexity is increasing. Some RPs have considered three way swaps which is encouraging in terms of unlocking efficiency and lateral thinking – but is practically complex to deliver.

> "Where providers are facing significant stock investment requirements, they are increasingly looking at how third-party capital or partnerships with for-profit providers can help them maintain, or in some cases extend, development pipelines that they could not support from their own balance sheet alone."
>
> **Cassie Berry,** Associate Director, Affordable Housing Consultancy, Savills

Multi-RP models and housing association partnerships

L&G Affordable Homes has recently pivoted towards a partnership RP model. In March 2026, Hyde and L&G Affordable Homes announced a partnership and the establishment of two for-profit RPs, splitting housing stock based on legal and financial tenure. Hyde transferred 1,000 existing homes into these for-profits, allowing the organisation to realise the value of those assets immediately while still acting as the long-term manager.

Commenting on the wider strategy of L&G Affordable Homes, Shaun Holdcroft outlines that the organisation includes seven RPs. These entities were established at different times to allow for specific funding structures and to cater to range of investor risk appetites.

Stock is transferred or sold within the structure to attract different types of investment at different points in the asset journey. Shaun explains: "some RPs take development risk, and then we'll sell it onto the warehousing RP fully stabilised."

Bracken Newman-Hirst at Avison Young sees wider promise in these hybrid models. In his view, combining the operational expertise and specialism of not-for-profit providers with the capital strength and financial discipline of the for-profit side of the market has the potential to be a genuine positive for the sector. Chris Ives also comments that his organisation would be open to partnerships, potentially where A2Dominion retains management but benefits from the development expertise of the private sector.

Auction disposals and unintended tenant outcomes

Chris Evans at Newbridge Advisors points out that many providers sell non-core or lower EPC-rated stock via auction. For commercial assets, this is a valid route; however, Delia Beddis cautions that for affordable housing assets, "often those homes are sold, cheaply refurbished and then rented out to the local authority at high rates, to put people in for temporary accommodation. It's damp, it's mouldy, the cycle continues." Newbridge Advisors is working with housing associations on solutions that would allow homes to be sold at auction-rate pricing to providers willing to invest in meaningful EPC upgrades.

Shared ownership comes in to focus

Shared ownership is becoming a key mechanism for capital recycling across the sector. For many not-for-profit providers, mature shared ownership portfolios now tie up capital that could be better deployed towards core social rent, building safety, retrofit and stock quality. At the same time, these assets are increasingly attractive to for-profit RPs, private equity and institutional investors, who value their long-dated, inflation-linked income and relatively light operational intensity.

What does the future hold?

Actions for housing associations considering sale or swaps

Choose the right channel for the asset: Treat swaps, institutional sale, and auction as different tools based on management efficiency, tenant impact, and speed/certainty requirements.

Create transparent governance for swaps: Publish principles on pricing fairness, service continuity, and tenant outcomes to maintain regulator and counterparty confidence.

Use partnerships where scale and certainty matter: For larger portfolio sales, pre-agree operating standards, data packs, and management interfaces so the transaction improves outcomes as well as liquidity.

Build a disposal narrative for ratings agencies and stakeholders: As Chris Evans at Newbridge Advisors notes, housing associations with a credit rating should reflect on how disposals will affect ratings agencies' views. Disposals should be framed as an intentional balance-sheet and service strategy, with a clear reinvestment plan and tenant protections.

"For some housing associations, disposals are no longer a matter of tidying up the portfolio; they are a capital response to real pressure on asset condition, governance and balance-sheet resilience. The key point is that this is not universal: some providers need heavy stock rationalisation, others do not, and boards need to be honest about which position they are actually in."

Cassie Berry, Associate Director, Affordable Housing Consultancy, Savills

Actions for for-profit RPs looking to acquire

- **Compete on certainty and standards, not just price:** Make "tenant satisfaction and property standards" explicit in bids to help sellers justify non-auction routes and protect outcomes.
- **Offer structured options, not one-size-fits-all acquisitions:** Be ready to buy stabilised stock, take forward funding, or acquire on completion while the housing association retains management services.
- **Build capability for shared ownership acquisition and stewardship:** Prepare for purchases of unsold equity, whole shared ownership portfolios, and mixed-tenure blocks — alongside a clear approach to staircasing, arrears, and resident communication.
- **Use multi-RP structures to match risk to capital:** Where scale allows, segment development risk, stabilised "warehousing," and long-term hold into different vehicles/RPs to attract different investor profiles over time.

> "For acquirers, the critical discipline is not assuming that every housing association is solving the same problem. Some are pursuing management models, some are rationalising aggressively, some are using joint ventures — and each approach reflects a different stock profile, balance sheet and operating context. The strongest buyers will be those who can offer a structure that fits the seller's reality, rather than a standard acquisition model."
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> **Matt Cowen, Partner, Social Housing Governance**

Where capital is entering next: specialist housing needs

Although some interviewees remain reluctant to move beyond general needs housing, private capital and local authorities are increasingly looking at funding and developing specialist affordable housing.

Older people's housing is beginning to attract growing interest from institutional capital, underpinned by clear demographic demand and a desire to deliver greater social impact. At Octopus Capital, experience across care homes and retirement living is informing growing interest in affordable extra care. As Georgia Kirby-Watt explains, "Octopus Capital is one of the biggest investors in care homes in the country… so it isn't a huge leap. We are keen to extend our offering to provide affordable extra care for older people."

On the provider side, there is strong consensus that demographic demand for older people's housing is not the constraint, but that delivery structures and funding mechanisms are. At Housing 21, Tony Tench highlights a misalignment between policy ambition and market capacity: "we could have a real challenge around the volume of older persons housing unless the government puts some actual structure around how much is spent on it." While Housing 21 continues to fund development through traditional borrowing and public bonds, it is also exploring whether institutional backing could unlock new pools of investment.

Elsewhere, specialist operators are already structuring platforms specifically to attract long-term institutional equity into supported and extra-care housing. At Preferred Homes, Stephen Sorrell MBE describes that backing from the US fund TIAA was underpinned by a clear social-infrastructure narrative: "we explained the demographics and the opportunity and TIAA were prepared to take a lesser return in exchange for maximising social impact and holding assets long-term." Critically, the model relies on long nominations agreements with local authorities, creating income stability while preserving operational flexibility.

Temporary accommodation is also emerging as a focal point for acquisitions as local authorities look for alternatives to nightly paid provision. Chris Ives at A2Dominion outlines that local authorities are the biggest acquirers of their temporary accommodation assets, while some for profit registered providers are also developing portfolios and solutions. At HSPG, one of its for-profit RPs Seahorse acquires and refurbishes under-utilised properties to local authority standards, paired with tenure models designed to move households from temporary accommodation into more settled housing. Michael Pearson explains that they collaborate with local authorities, housing associations and charities to source appropriate assets.

Conclusion

The tide is turning in affordable housing finance. After a prolonged period defined by uncertainty, the sector is moving into a phase where policy support, regulatory clarity and investor appetite are beginning to align. The ten year funding settlement, the emergence of the National Housing Bank and a more proactive, tailored approach from Homes England all point to a market in which public policy is no longer simply seeking to subsidise delivery, but to create the conditions in which all parties can participate with confidence.

Private capital is no longer peripheral to the affordable housing story. It is becoming necessary to improve existing homes and scale delivery where grant and traditional borrowing cannot deliver alone. The question is therefore not whether private capital should have a role, but how that role is structured, governed and aligned with long-term social outcomes.

Every part of the system is necessary and interconnected, with each participant helping to shape the conditions in which the others can deliver. The sector needs investors, established providers, public bodies and regulators to bring their different strengths to the same challenge. The next phase will be defined by how effectively those strengths are combined around a shared purpose: delivering more sustainable affordable housing at scale, with lasting social value.

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