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# The Fundamentals of UK Affordable Housing

Victoria Morrison, Dominic Curtis & Peter Merchant | 15 April 2026

# Agenda

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# Affordable housing market overview



# What do we mean by Affordable Housing?

There are multiple definitions of 'affordable

## Key Aspects

### ✓ A regulated market

- Various tenure types
  - Rented products (e.g. social rent, affordable rent) with meaningful 20%-50% discounts to market rents
  - Home ownership through predominantly shared ownership – sometimes called low cost home ownership(LCHO)

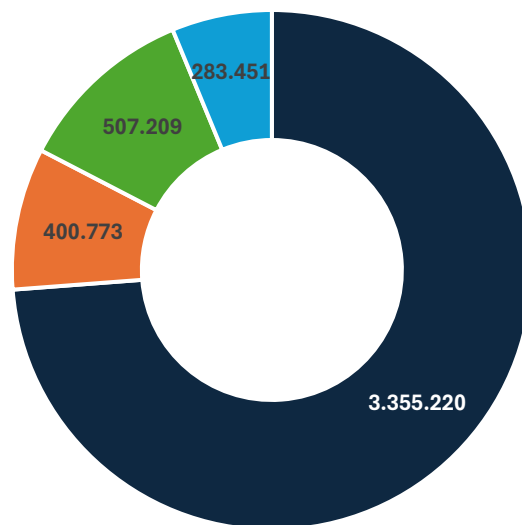
### ✓ Could include supported housing

- Lots of small segments (physical & mental disabilities, fleeing domestic abuse, ex-justice system, seniors, etc.)

### ✗ Not discounted market rent or other small 'a' below market rate housing products

## Market Structure

A GBP ~500bn market with c.4.5m homes



■ Social Rent ■ Affordable Rent ■ Supported ■ LCHO

Sources: RP social housing stock and rents in England 2025: additional tables - Table 1.1 (Data as at March 31 2025)

## Housing Types



# Case Study: Blenheim, Oxfordshire



## ATTRACTIVE FEATURES:

- 105 Homes: Intermediate rent (65), Shared ownership (40)
- 75% Houses, 25% low-rise flats
- High quality, all new-build houses, All EPC B
- Constructed with high-quality local materials by Pye Homes
- Portfolio fully income-producing upon completion
- Large impact: rents at c.60% of market levels

# Case Study: Heyford Park, Oxfordshire



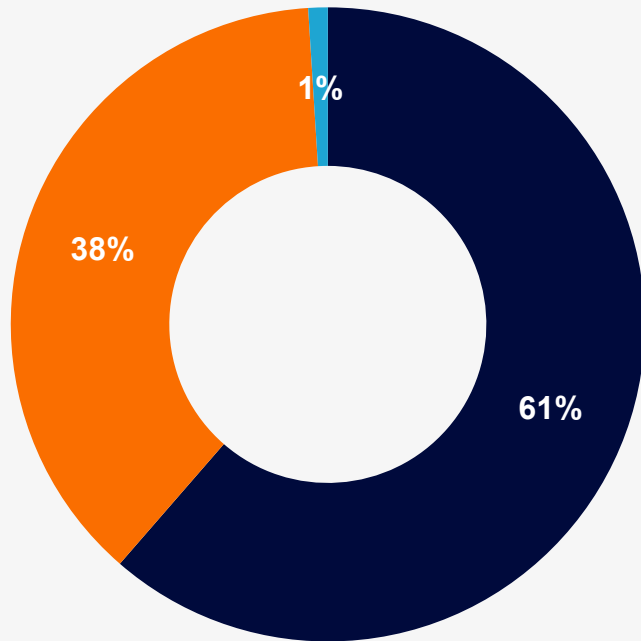
## ATTRACTIVE FEATURES:

- 143 Homes: Affordable rent (78), Shared ownership (65)
- 58 Houses, 85 low-rise flats
- High quality, all new-build houses, All EPC B
- Located on a previous RAF and US air base
- Portfolio fully income-producing upon completion
- Heyford Park was selected as one of the government's original new 12 town sites with opportunities for a further 9,000 homes

# The market is dominated by housing associations and local authorities

Institutional ownership is very small but rising fast

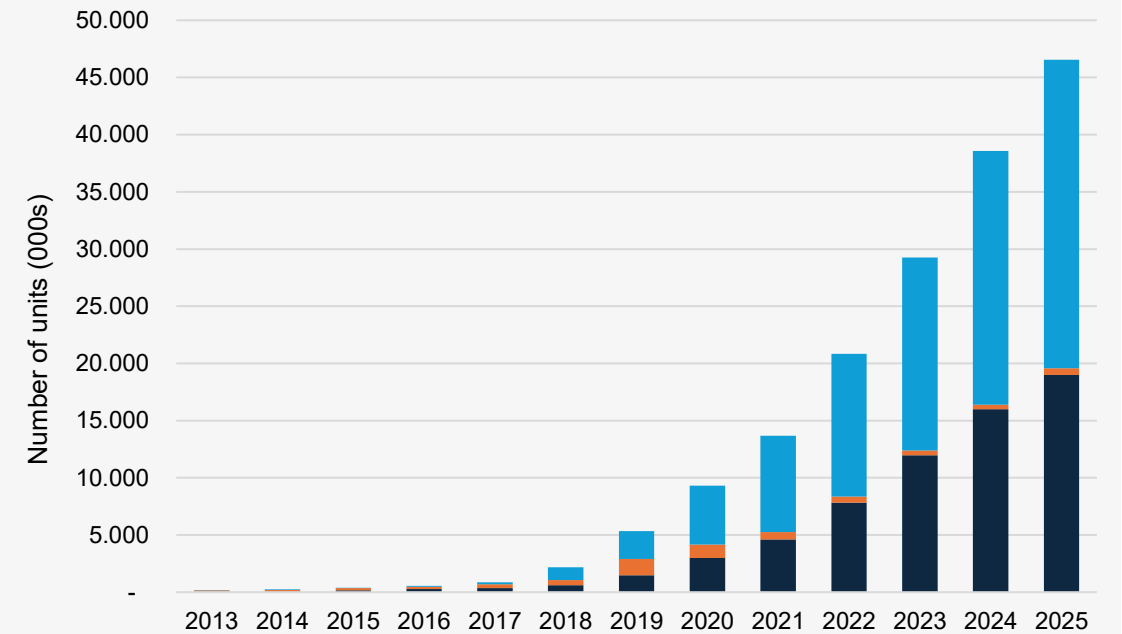
### Owners of affordable housing



■ Housing Associations   ■ Local Authorities   ■ For-Profit Registered Providers

Sources: RP social housing stock and rents in England 2025: Table 1.1 (Data as at March 31 2025)

### For Profit Providers Owned Units in England



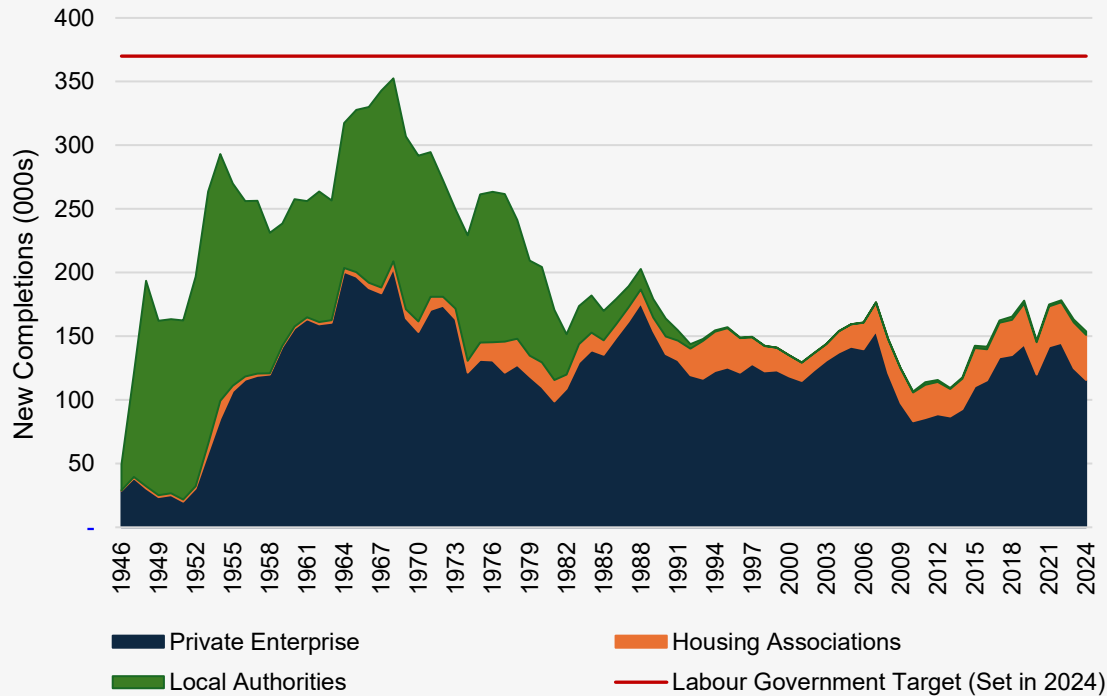
■ Rented   ■ Supported / Older people   ■ Low Cost Home Ownership (Shared ownership)

Source: PRP social housing stock in England 2025: Table 3.3 (Data as at 31 March 2025)

# Supply: UK Residential way below targets and slowing

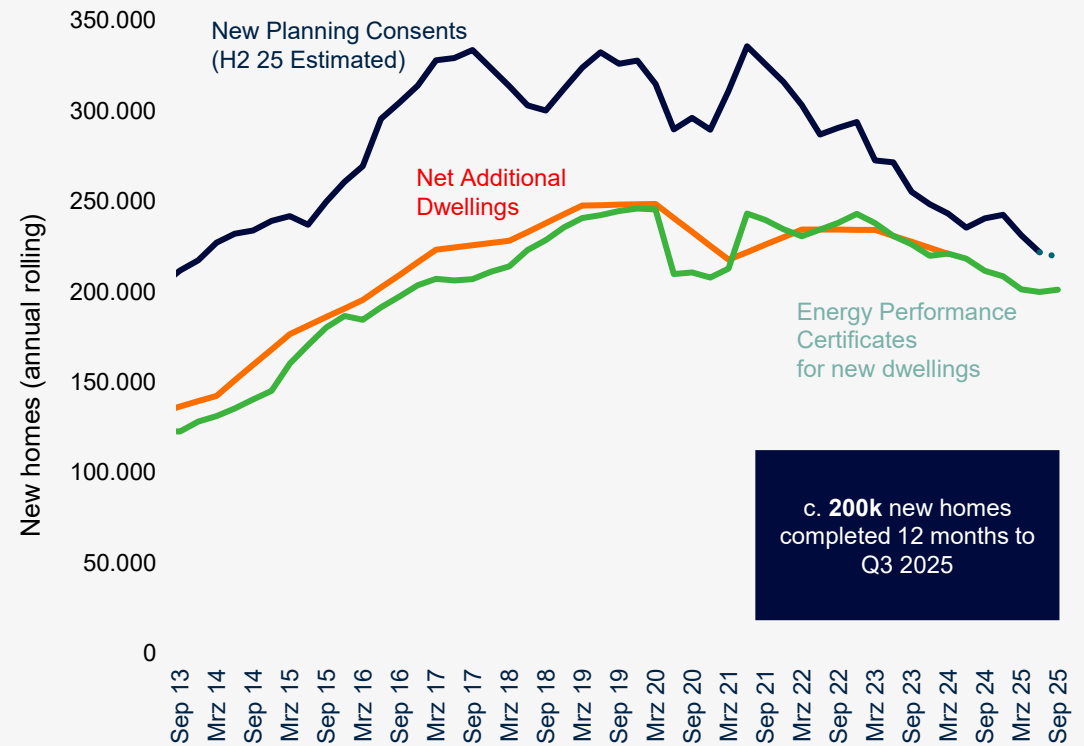
Despite government initiatives, supply is currently falling

UK housebuilding since the 1940s



Sources: UK Gov live tables on house-building - Table 244 (Data to 2024)

Supply indices slowing

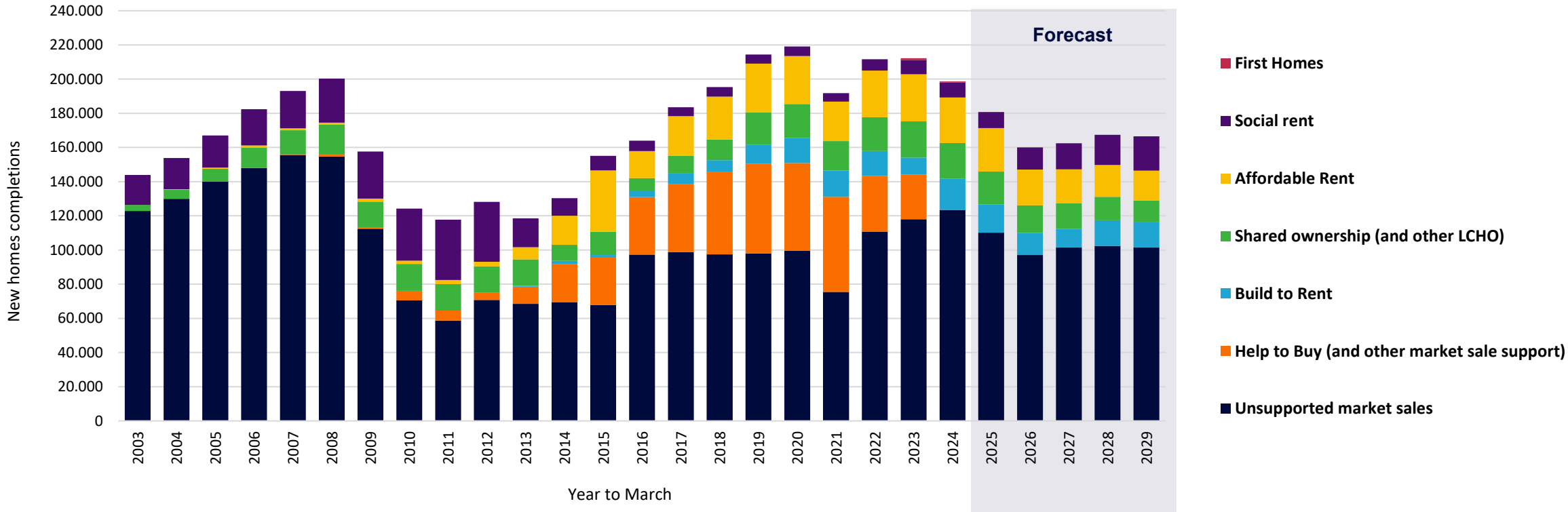


Source: MHCLG Live Tables 122, NB1, HBF, Glenigan

# Housing delivery to fall to its lowest level for a decade

Reasons include: Planning consent declines, lack of demand in new build market, consumer confidence, mortgage rates, high costs

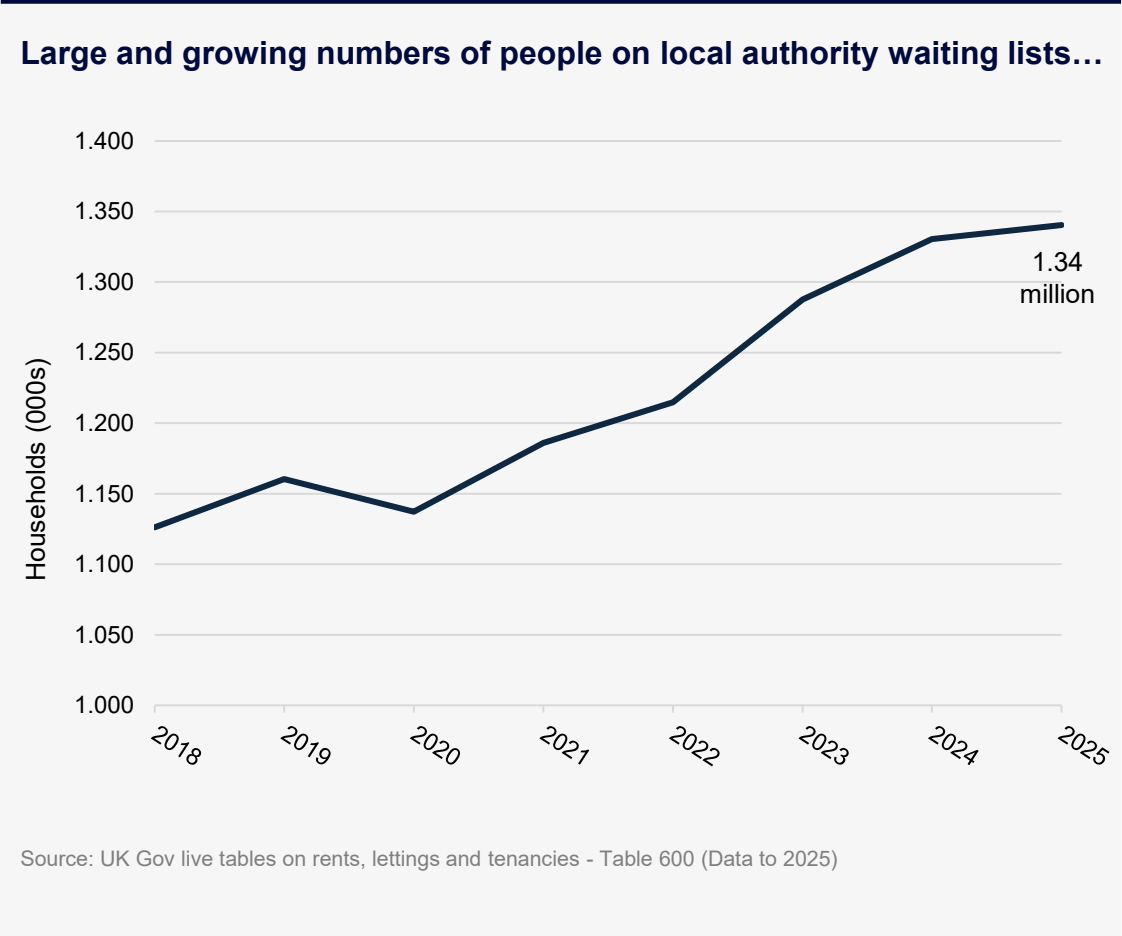
New home completions in the UK by type with forecast



Source: Savills 2025

# Demand for affordable housing is huge and growing

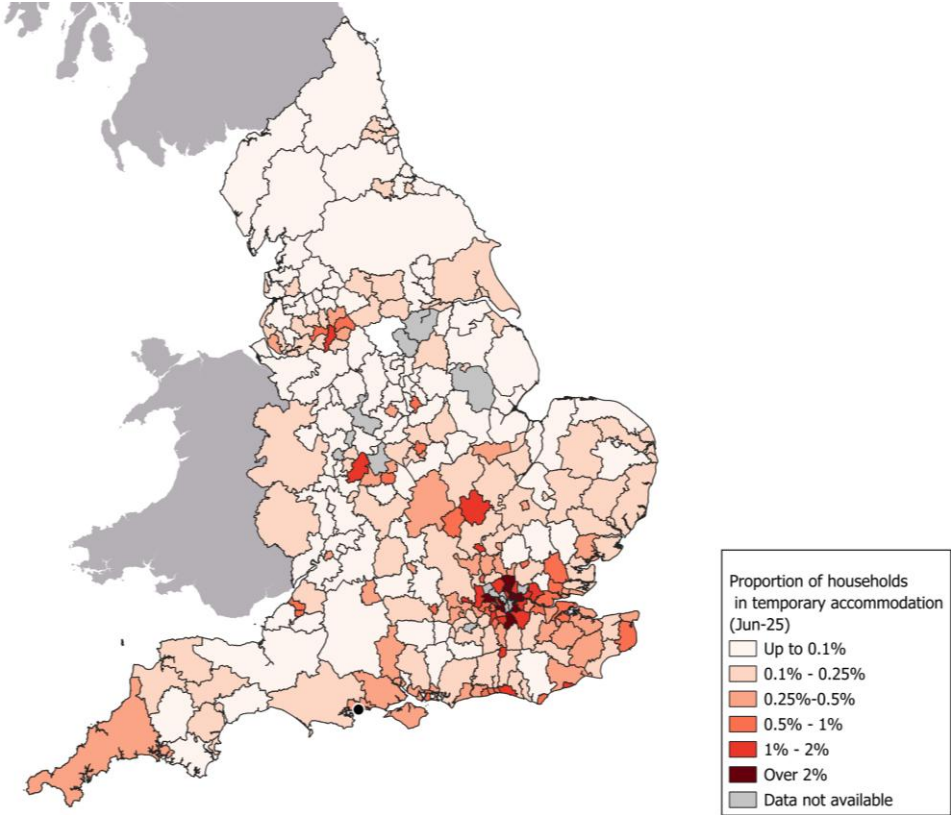
Currently over 1.3 million households (several million people) on local authority waiting lists; temporary accommodation growing



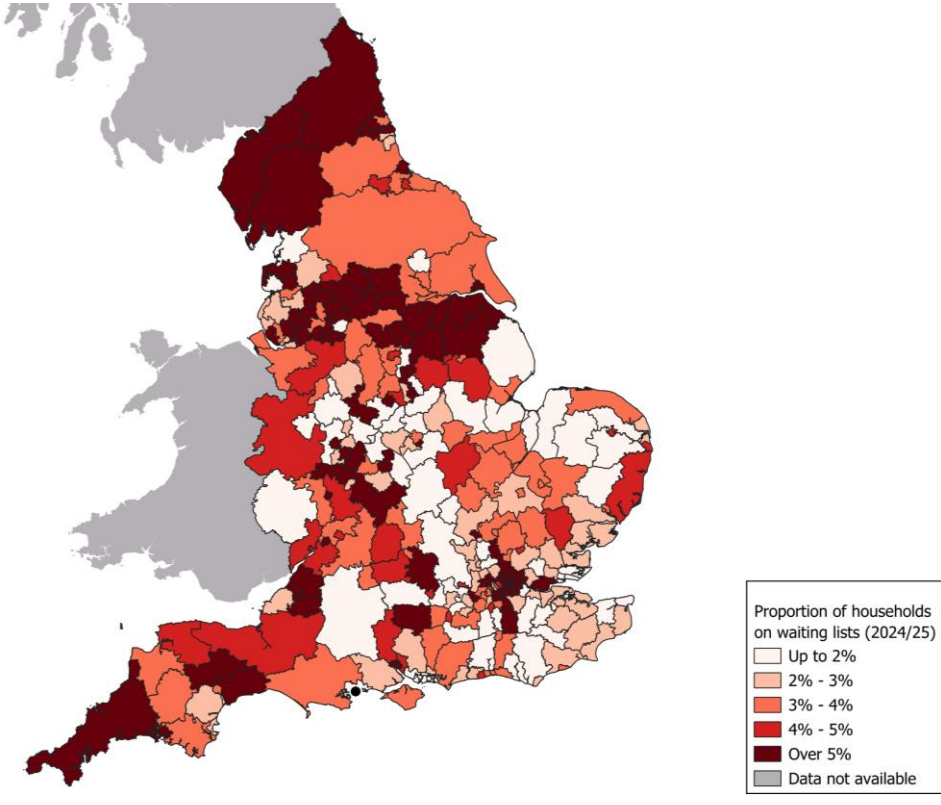
# Demand varies by region

30% of local authorities have more than 5% of their population on waiting lists

**Households in Temporary Accommodation as % of all households (2024-25)**



**Households on waiting lists as % of all households (Jun-25)**

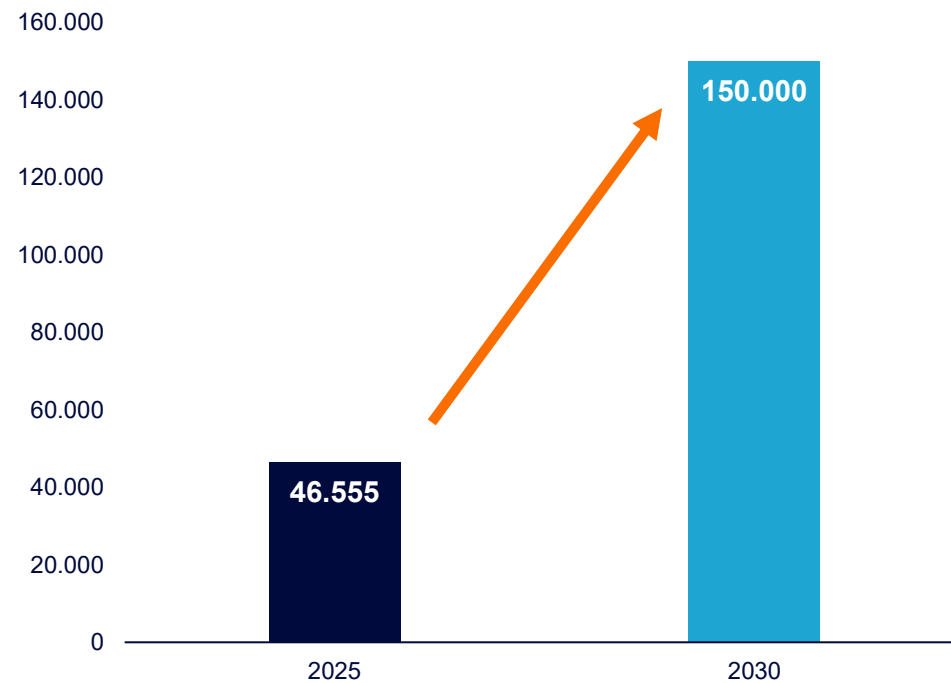


Source: MHCLG, Savills 2026

# Institutional ownership is forecast to continue to expand

Incumbent actors are facing large financial headwinds

## Forecasted institutional ownership of UK Affordable homes by 2030



Source: Savills 2025

## Current incumbents have lots of constraints

- Large expenditure requirements on fire safety legislation
- Large expenditure on improving quality of older stock - including Minimum Energy Efficiency Standards (MEES)
- Limited financial headroom for Housing Associations
  - multiple credit rating downgrades
  - lowest sector Interest Coverage Ratio (ICR) in a generation
- Reliant on debt or grant funding

## Opportunity for private capital to fill gap

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# Affordable Housing Tenures



# Summary of sub-sector main characteristics

	Affordable Rent (AR)	Social Rent (SR)	Shared Ownership (SO)
<b>Introduced</b>	2011	Late 19th Century	1980s
<b>Number of units</b>	400k	3.36m	280k
<b>Type</b>	Rented		Part owned/part rented with the ability to increase ownership
<b>Basis of rent level</b>	Set relative to market rent normally <=80% of market rent	Formula set by government c.50% of market rent	[2.75%] of market value of rented part at time of First Tranche Sale
<b>Rent increments</b>	CPI +1% increases (based on current government 10-year rent settlement)		RPI +0.5% / CPI + 1% increases (long-term contract driven)
<b>Rent level inclusive of service charges (where applicable)</b>	✓	✗	✗
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Households on council waiting lists for social housing (who have their own rules and maintain waiting lists for their area)</li> <li>Housing generally offered on points system (e.g. homeless, medical conditions, cramped conditions, etc.)</li> </ul>		<ul style="list-style-type: none"> <li>Income cap £80k (£90k in London)</li> <li>Other criteria (e.g. first time buyer)</li> </ul>
<b>Homes England Funding Eligible</b>	✓	✓	✓

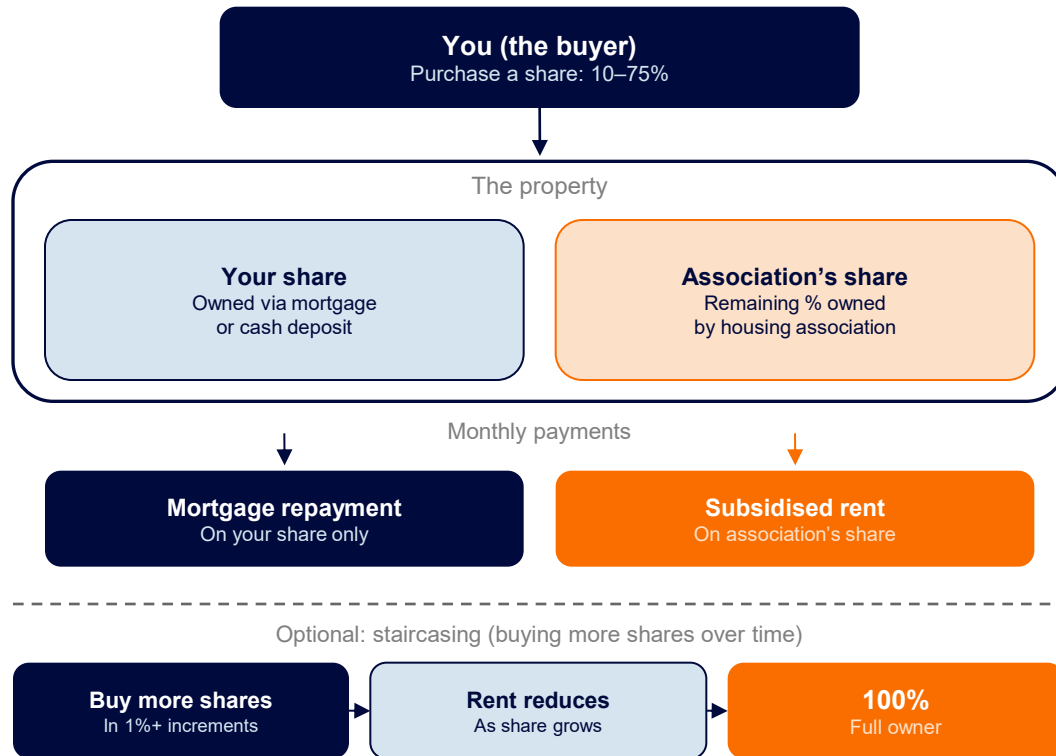
## Benefits of looking at multiple tenures:

- Wider access to stock
- Sometimes expected or needed for certain portfolio disposals by housing associations
- Higher level of governance associated with operating rented stock
- Complementary investment characteristics
  - Rented products – steady, index-linked cash incomes
  - Shared ownership – indexed-linked income + measured exposure to HPI uplifts and staircasing

# Shared Ownership

Shared ownership is a part-ownership, part-rented product.

## Shared ownership example



## First tranche sale (FTS)

A term used for the initial sale of the first equity stake to the tenant. First tranche sales used to be for a minimum 25%.

## Staircasing

Tenants with shared ownership leases can purchase further additional stakes in their home at their discretion.

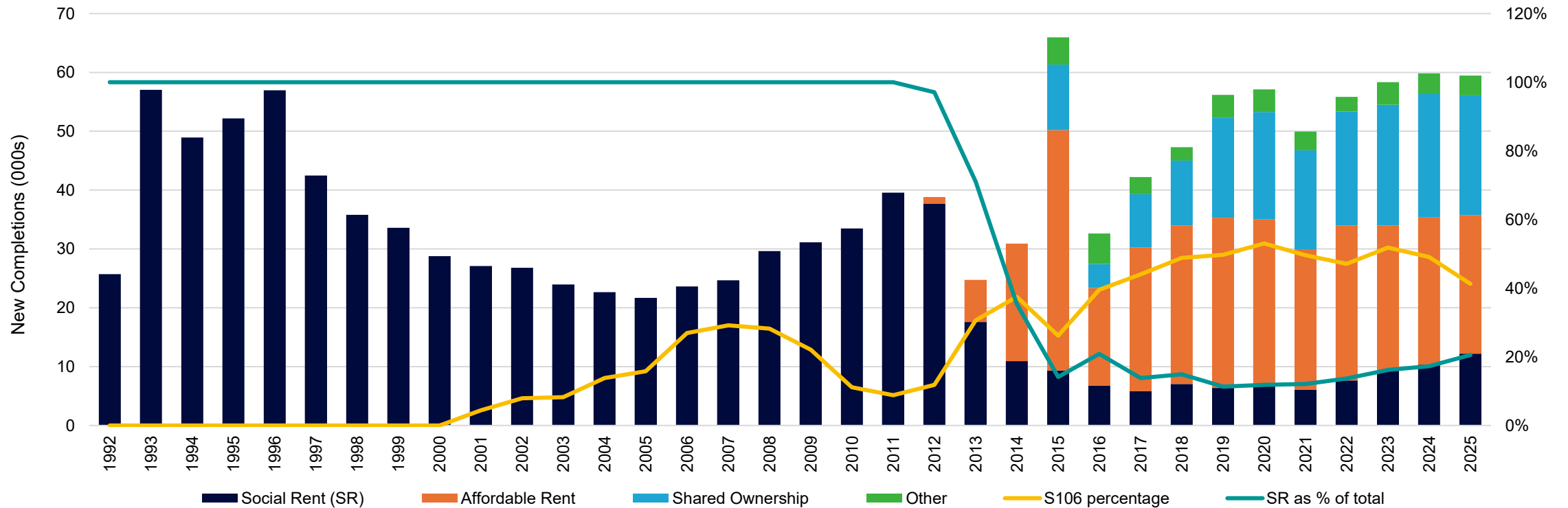
## Leases / Model leases:

Most shared ownership leases have key terms which conform with the government's published model shared ownership (SO) lease.

# UK Affordable Housing delivery by tenure type

New supply has been dominated by affordable rent and shared ownership

## Supply of New Affordable Homes in England

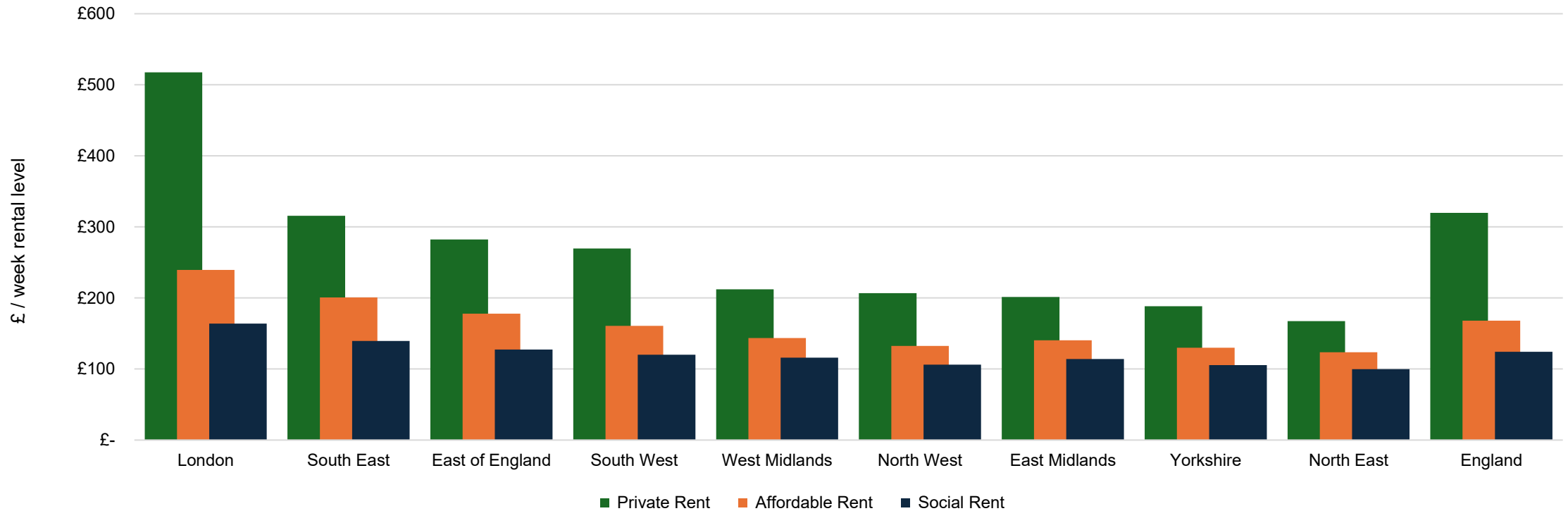


Source: UK Gov live tables on affordable housing supply - Tables 1000 and 1000C (Data to 2025)

# Weekly Rents for Affordable Tenures

Social rent levels tend to be in the range of £100 - £140/week outside of London and average c. £165/week inside London

## Regional Comparison of Weekly Rents for Affordable Tenures with Market Rents



Source: PRP social housing stock in England 2025: additional tables - Table 2.16 (Data as at 31 March 2025)

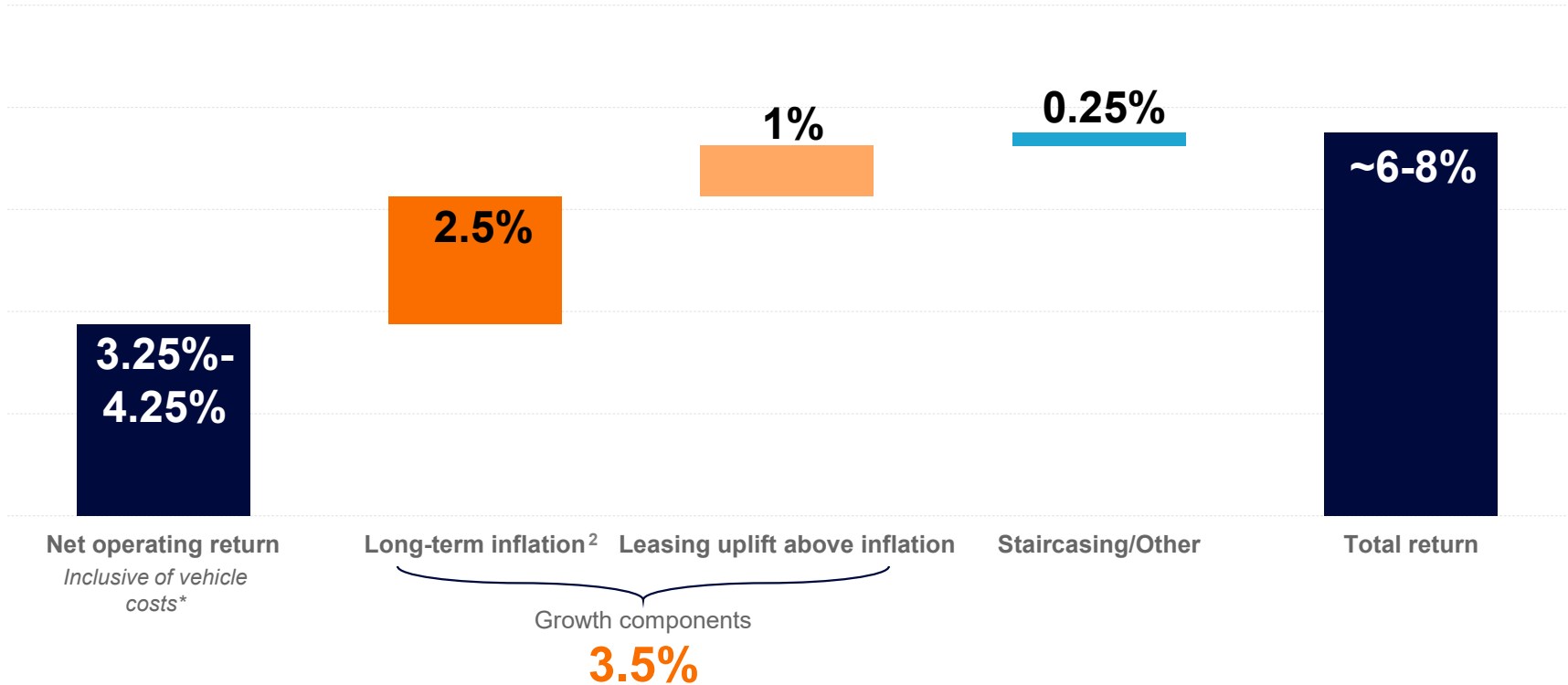
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# Returns, impact and investment features



# Illustrative annual affordable housing returns

Illustrative return components of an established UK Affordable housing vehicle



Rented and shared ownership products give similar levels of returns.

We believe cash yield distributions of 3%-4% or more should be possible which increase with above inflation uplifts.

Source: Savills Investment Management estimates.

1 - Figures represent Savills IM return estimates of an established UK Affordable Homes investment vehicle. 'Established' refers to a vehicle that has reached a size of ~£300mn+ in AUM.

2 - Bank of England Yield Curve - UK instantaneous implied inflation forward curve

\*Net Operating Return does not reflect management fees, carried interest, taxes, foreign exchange (gains/losses) and expenses, which may be substantial in the aggregate and may significantly reduce the return to investors. Target returns are based on internal assumptions and strategies, are not a reliable indicator of future performance and cannot be guaranteed.

# Return features of different tenures

	Affordable Rent (AR)	Social Rent (SR)	Shared Ownership (SO)
<b>Gross rental yields</b>	5.5%-8%+ Wide range depending on age and costs of stock	5.5%-8%+ Wide range depending on age and costs of stock	4.25%-5%
<b>Costs</b>	20-50% of rents depending on age and type of stock	20-60% of rents depending on age and type of stock	5%-25% depending on age of stock and attribution of RP costs
<b>Net income yields</b>	4.5%-5.5%	4.5%-5.5%	4.0%-4.75%
<b>Purchase price % OMV</b>	NA – often low	NA – often very low	60% - 80% Gives downside protection and upside with staircasing and FTS
<b>Impact Perception</b>	✓✓✓✓	✓✓✓✓✓ Highest due to largest savings	✓✓✓ Lowest due to ownership component
<b>Exposure to HPI through staircasing</b>	✗	✗	✓
<b>First tranche sale potential upsides</b>	✗	✗	✓

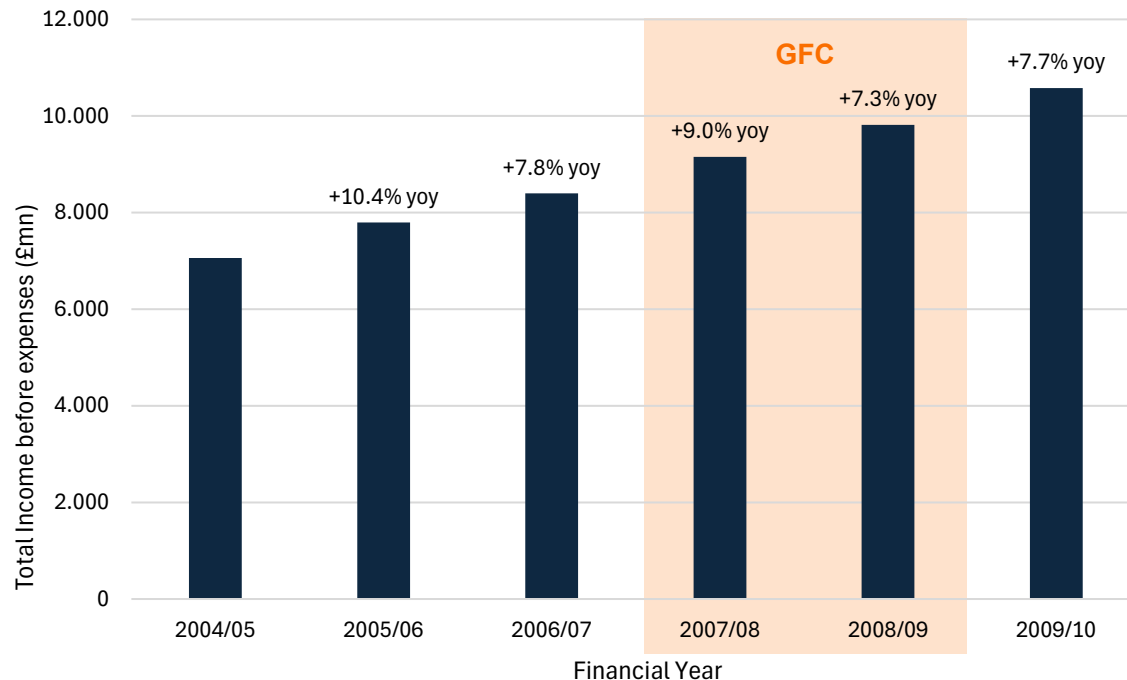
## Benefits of investing in multiple tenures:

- Complementary investment characteristics
- **Rented products**  
Index-linked cash incomes  
High impact
- **Shared ownership**  
Indexed-linked income  
  
High margin; limited costs  
  
Measured exposure to HPI uplifts and staircasing  
  
Potential exposure to first tranche sales upsides

# Growing rental streams provide stability over the business cycle

Revenue growth not impacted during the GFC

Annual income before expenses of Housing Associations with more than 1,000 properties, 2004/05-2009/10



Sources: 2010 Global Accounts of Housing Associations, Tenant Services Authority, 2011. Also 2001-2009 editions (Housing Corporation and TSA).

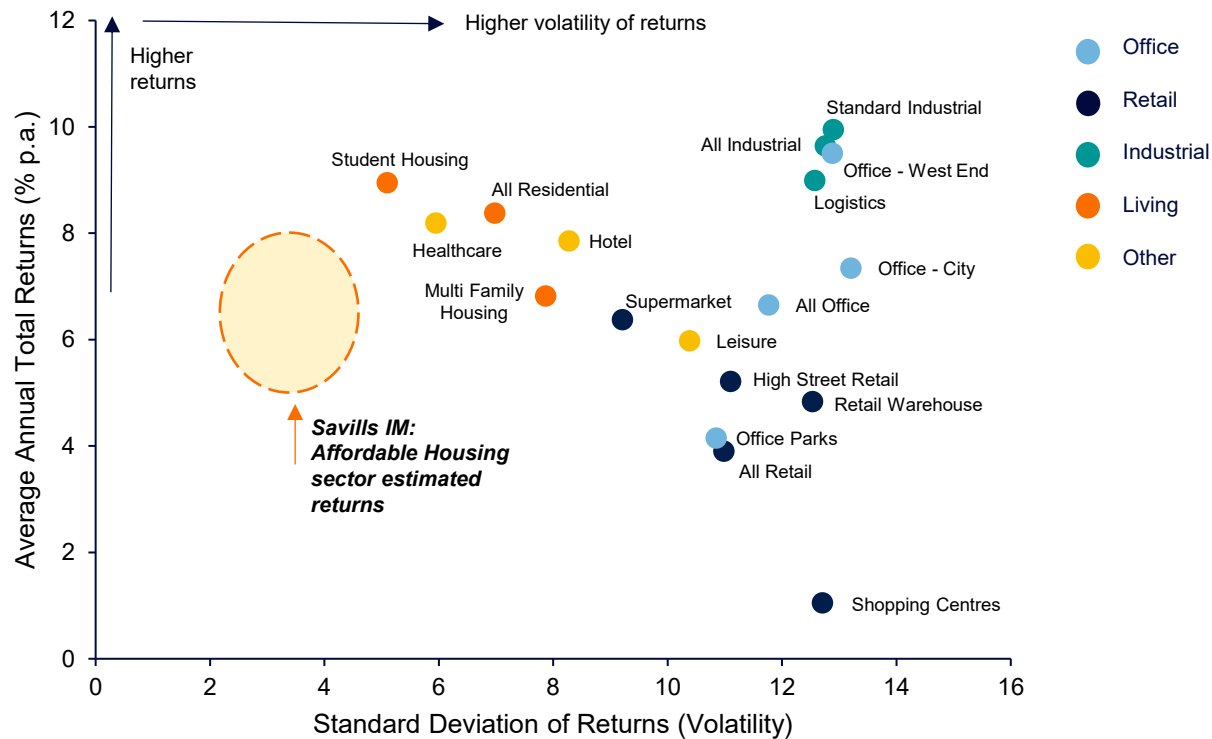
## RENTAL UPLIFTS

- Rents do not follow wider market trends
- Above inflation rental uplifts across tenure types
- Rented product income tends to follow government policy
  - 10-year rent settlement at CPI+1% fixed in 2025
- Shared ownership product income follows lease structures
  - Older style mostly set at RPI+0.5%
  - Model lease is 990 years at CPI+1%

# Affordable housing can offer low volatility core returns

Attractive sector risk-return characteristics

Average Annual Total Returns for 20 Years from UK Property and Standard Deviation of Returns, 2005 to 2024



Source: MSCI UK Annual Index, Social Housing REIT annual reports, Savills IM June 2025.

## OTHER FEATURES

- Low correlation with other real estate sectors and other asset classes.
- Inflation protection through rent reviews with increments typically above inflation.
- Deflation protection through large waiting lists
- Ability to create social impact

# Few sectors have as much impact on people's lives

Affordable housing can deliver positive social impact



## - Physical health

Less visits to GPs and A&E;  
fewer falls for elderly



## - Education

Improved life chances for  
children



## - Mental Health

Reduces stress, anxiety and  
mental health crises



## - Work

Higher employment rates



## - Safety net

Support for homelessness



## - Lower housing costs

Frees income for food, heating  
and other essentials

£18.6k  
social value  
creation per  
tenancy\*

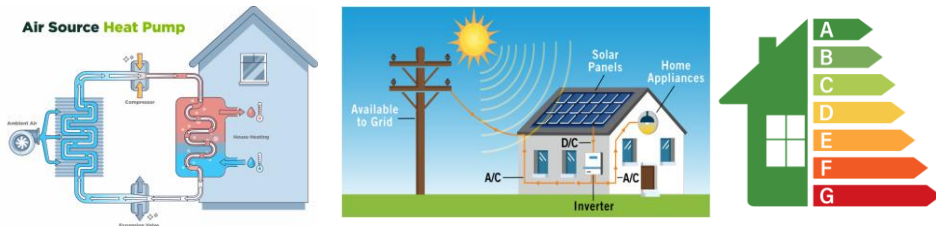
Source: Savills 2026. \*Social tenancy value taken from Hyde Group 'Value of a Social Tenancy' (VoST) publication for the year to March 2025.

# Also very strong environmental and governance characteristics



## Environmental

- The vast majority of new properties achieve EPC A or B.
- Newbuild with de-carbonisation and energy efficiency strategy
- Targeting heat electrification, and other low-carbon technology
- Building towards net zero outcomes with tenants
- Anticipate future requirements e.g. Future Homes Standard



## Governance

- Governance arrangements in line with Social Housing Regulator requirements
- Independent directors alongside fund team
- Excellent insight into the sector and relationships, seeking to ensure we make a positive contribution
- Available reporting standards: SRS - SDR - SFDR - UN PRI



# All of which results in a compelling market opportunity

We believe that there are many attractive investment features of the UK affordable housing sector



## DIVERSIFICATION BENEFITS

Rents **do not follow** wider market trends

**Low correlation** with other real estate assets and other asset classes



## LONG-TERM INDEX-LINKED INCOME

**Inflation protection** through rent reviews with increments typically above inflation

Rented products **typically CPI+1%**

Shared Ownership typically **RPI + 0.5%**



## TRUE ESG AND IMPACT INVESTMENT

Building towards **Net Zero** outcomes

**Social benefit** at its core

**High governance levels** enforced by regulator



## HIGH DEMAND RESULT IN LOW VOIDS

**>1m households** on waiting lists

Typical 20%-50% **discount to market rent**

Affordability pressures have increased for renters



## DEFLATION & DOWNSIDE PROTECTION

**Strong** rent collection and **performance in economic crises**

Long waiting lists

**Stable and rising** rent levels



## REGISTERED PROVIDER BENEFITS

Asset owners must be regulated – **long process**

Able to **access more** assets

Potential **stamp duty relief**

Access to **government grants**

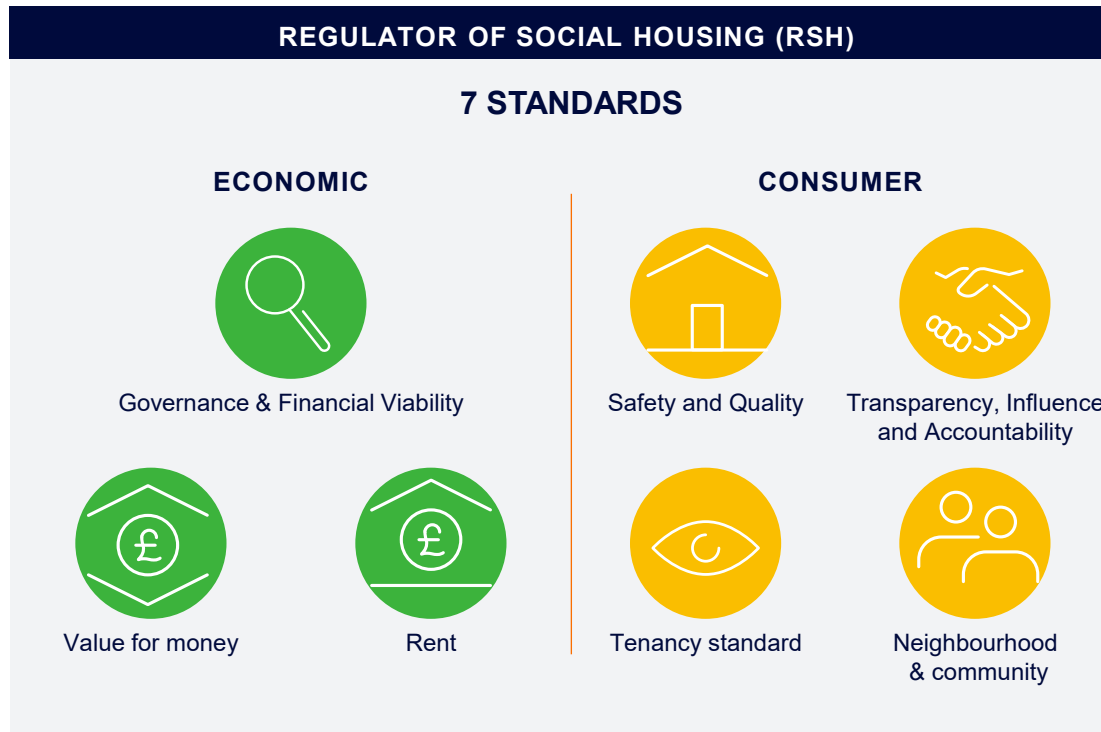
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# Regulation and Subsidies



# RPs and the regulator sit at the heart of the sector

Regulated sector – ownership of most Affordable Housing requires the owner to be a Registered Provider (RP)



- BENEFITS OF RP'S IN STRUCTURE:**
- Greater access to stock and grant funding
  - Target occupiers with a greater social need
  - Appropriate NEDs of RP can provide wealth of experience in suitably managing regulatory and reputational risks
  - Required by certain Housing Association partners; Enhanced credibility with others, demonstrating a commitment to the sector
  - Other: Potential Stamp Duty Land Tax relief in certain situations
  - Barrier to entry (e.g. 2-year registration)
  - Regulator increasingly focused on appropriate models
  - Not reliant on another RP (and its ratings)

# Affordable housing support

Operators of Affordable housing can benefit from a number of subsidies that help with the cost of building new homes and the payment of rent



## Government grants

Direct capital funding from central government to support new affordable housing development



## Section 106

Planning obligations requiring developers to deliver affordable units as part of development projects



## Rent subsidies & support

Housing Benefit and the housing element of Universal Credit (UC) are personal subsidies supporting rent payment

Subsidising the cost of new homes

Subsidising the payment of rent

# Government grants

Direct capital funding from central government to support new affordable housing development

- **Government capital grants** have supported affordable housing delivery for over a decade, with ~32,000 new homes partially grant-funded in the year to March 2025.
- The current **Affordable Homes Programme (AHP)** runs 2021–2026, administered by Homes England outside London and the Greater London Authority (GLA) within it.
- A landmark **£39bn AHP** (2026–2036) was announced in June 2025, targeting 300,000 homes over 10 years with 60% allocated to social rent.
- Grant levels for **for-profit registered providers** typically range from £50k–£130k per rented home and £40k–£60k per shared ownership home.



**£11.4bn**

Current AHP (2021-2026) across ~160,000 homes

**£39bn**

New landmark AHP (2026-2036) announced June 2025

**300,000**

New homes targeted over 10 years, 60% are planned to be social rent tenures

# Section 106

Planning obligations requiring developers to deliver affordable units as part of development projects

- Section 106 (S106) agreements are **legally binding obligations** negotiated between developers and Local Planning Authorities under the Town and Country Planning Act 1990
- While S106 agreements can cover a range of obligations, affordable housing is believed to account for the **majority of S106 deliverables**.
- For many years, S106 agreements have been responsible for **delivering nearly 50%** of all new affordable housing.
- Developers are effectively subsidising this by selling units to registered providers at **discounted or below-market prices** in order to profit on the wider development.



## 23,314

affordable homes delivered in England in 2024-2025 were funded through S106 agreements

## 36%

of all affordable housing completions in England in 2023-2024 were delivered through S106 agreements

# Rent subsidies & support

Housing Benefit and the housing element of Universal Credit are personal subsidies supporting rent payment

- The demand for Social Housing is managed by local government who allocate homes to those assessed as having the greatest need.
- Around **60%** of social renters receive **Housing Benefit** or **Universal Credit** housing support.
- These subsidies and low rents, **keeping voids at ~1.5%** and low eviction rates.
- Benefit support levels vary by individual circumstances.



**£22.7bn**

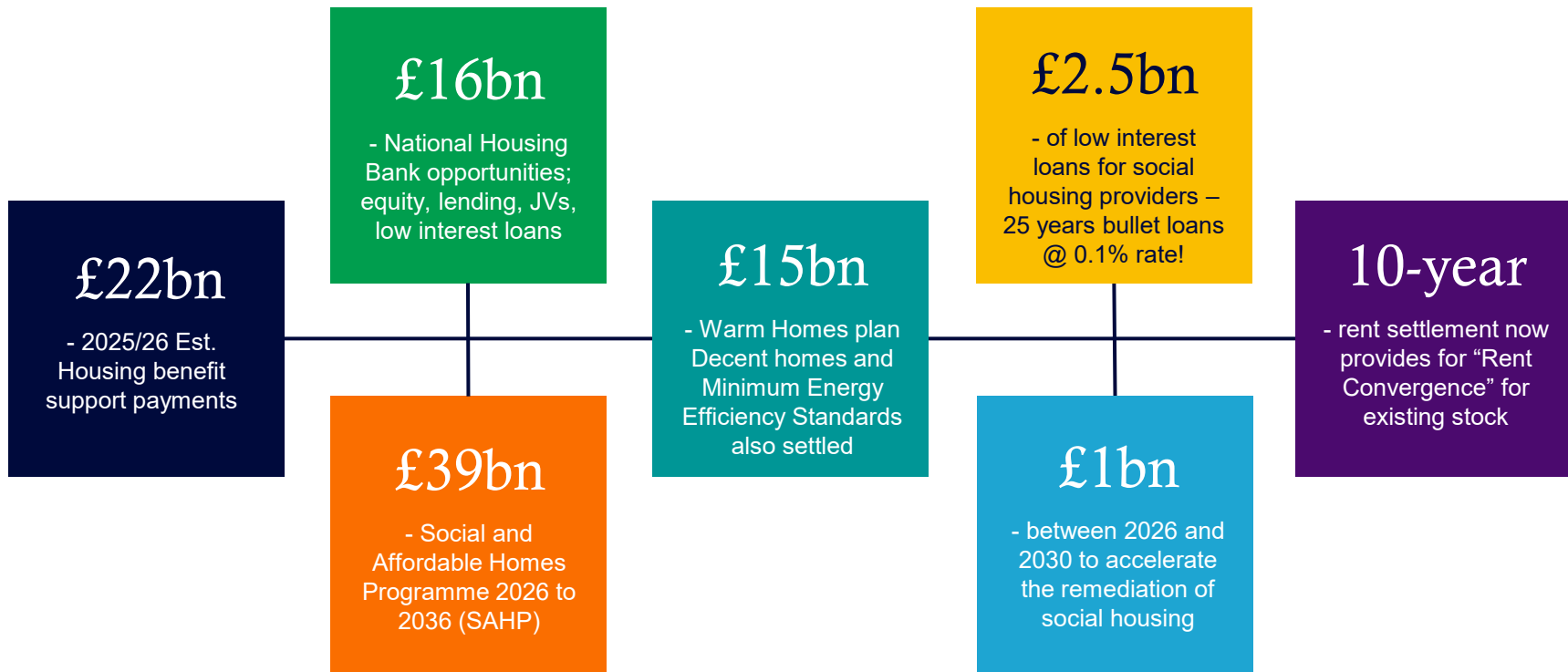
UK Government expected spend on housing support for the social rented sector in 2025-2026

**c.60%**

of social renters receive Housing Benefit or Universal Credit housing support

# Government provides large support to sector

Large contributions and many recent initiatives



“

The biggest cash injection into social and affordable housing in 50 years."

**Rachel Reeves (Chancellor)**  
**June 2025**  
 during the spending review

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# Conclusion



# Conclusion



Attractive supply/demand dynamics



Investment sector poised to grow



Resilient return potential



Impact generated on multiple dimensions



High quality affordable housing



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