

An aerial photograph of a residential neighborhood, showing houses, streets, and green spaces. A semi-transparent grid of squares is overlaid on the image, with some squares highlighted in a light green color. The grid is centered over the street and extends across the width of the image.

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# Scaling-Up Local Investing for Place-Based Impact

## Sector Profile: Housing

APRIL 2026

## Purpose of this Document

This document sets out a sector profile on housing as an investment opportunity for the Local Government Pension Scheme (LGPS) as part of a local investing strategy. It provides an overview of how housing can be treated as a strategic asset allocation within a local investing strategy that can deliver both commercial returns and positive local impacts. It provides supplementary sector-specific guidance following on from our 2025 White Paper [Scaling Up Local Investing for Place-Based Impact: A Strategic Framework and Guidance for LGPS](#).

This sector profile has been produced as part of a series, with other sector profiles already released in 2026, including on **SME Finance** and **Infrastructure** (see previous sector profiles on TGE's website [here](#)). There are also further sector profiles to be released in mid to late 2026, including on **Regeneration**, **Clean Energy** and **Natural Capital**.

### Intended Audience

The primary intended audience for this sector profile is the LGPS sector, including:

- LGPS Pools who are responsible for designing and executing local investment strategies on behalf of their partner LGPS Administering Authorities and managing the pooled assets.
- LGPS Administering Authorities who are responsible for articulating their local investment preferences and monitoring performance.
- The fund managers who can be appointed by LGPS Pools to manage investments on their behalf.
- Strategic and local authorities looking to increase their knowledge and understanding of housing as an investment opportunity from the dual lens of achieving financial returns and positive impact, particularly in the context of delivering on Local Growth Plans.

This sector profile is also expected to be of interest to other institutional investors, including DC pension funds and insurance companies.

## Sponsors

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# Contents

|           |   |    |
|-----------|---|----|
|           | <b>The PBII Pillar Model</b> .....  | 5  |
| <b>1</b>  | <b>Introduction</b> .....   | 6  |
| <b>2</b>  | <b>Sector Overview</b> .....  | 9  |
| <b>3</b>  | <b>Market Opportunity and Maturity</b> .....  | 10 |
|           | Spotlight On: Differing Levels of Impact and Contribution Across Housing Investment Strategies..... | 11 |
|           | Spotlight On: Affordable Housing in the UK.....   | 13 |
| <b>4</b>  | <b>Expected Returns and Investment Structures</b> .....   | 14 |
|           | Spotlight On: Investing in Refurbishment and Repurposing Existing Stock.....                        | 15 |
|           | Spotlight On: Existing Examples of LGPS Investments in UK Housing.....                              | 16 |
| <b>5</b>  | <b>Challenges, Risk Factors and Mitigations</b> .....   | 17 |
| <b>6</b>  | <b>Regional Investment Landscape</b> .....  | 19 |
| <b>7</b>  | <b>Principal Participants</b> .....   | 21 |
| <b>8</b>  | <b>Illustrative Case Studies</b> .....  | 22 |
|           | Better Society Capital.....   | 22 |
|           | Resonance National Homelessness Property Fund 2.....  | 24 |
|           | Patrizia Sustainable Communities UK.....  | 26 |
| <b>9</b>  | <b>Strategic Fit for LGPS</b> .....   | 28 |
| <b>10</b> | <b>Conclusion</b> .....   | 29 |
|           | <b>Glossary</b> .....   | 30 |



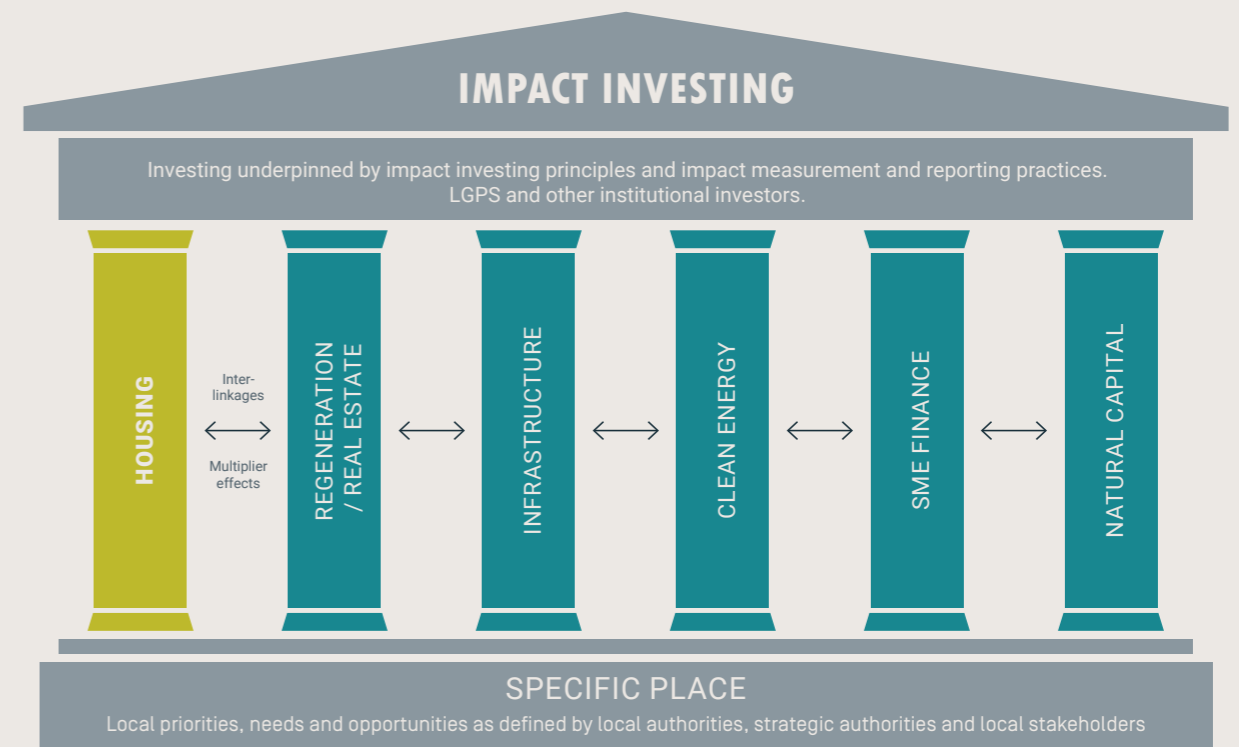
## The PBII Pillar Model

TGE first highlighted the financial and social case for scaling up institutional investment in the UK for the benefit of local people and places in our 2021 White Paper, [Scaling Up Institutional Investment for Place-Based Impact](#), produced in partnership with the Impact Investing Institute and Pensions for Purpose. Here, we introduced a “Place-Based Impact Investing” (PBII) ‘pillar model’ (see Figure 1) which has proven a useful conceptual framework for the LGPS, private markets fund managers, local government and other place-based organisations and stakeholders.

The pillars serve dual purposes:

- First, they represent policy and priority areas in local and regional development plans. The thinking behind the model is that investment needs and opportunities originate in places – they arise from local government and stakeholders who have the knowledge to understand the local context and relative priority of sustainable development needs, drivers and objectives in that area. PBII starts bottom-up.
- Secondly, they align with well-recognised sectors within the private markets asset classes set out in the government’s proposed template for Strategic Asset Allocation. Investors can invest in a range of asset classes to contribute to place-based impact, while achieving a financial return.

Figure 1: The PBII Pillar Model – The focus of this report is Housing



The arrows signify the inter-dependency of place-based projects and inter-linkages and multiplier effects of investments.  
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The PBII Pillar model provides a framework for understanding the different channels through which place-based investment can support social, economic and environmental outcomes. Building on this framework, this Sector Profile focuses specifically on the **Housing** pillar, examining how investment in housing supports access to safe and affordable homes, underpins community stability and wellbeing, and enables local economic participation. It also explores how institutional capital can engage through investable housing assets, delivery models and partnerships in practice.

# 1 / Introduction

## Why Housing Matters to the UK Economy

Housing is first and foremost a home – a fundamental foundation of a good quality of life. Access to safe, secure and affordable housing supports health, wellbeing and stability, enabling people to participate fully in their communities.

Yet the UK is facing a significant housing crisis, with supply failing to keep pace with demand for many years. Rising rents, increasing house prices and shortages across multiple tenures have made it increasingly difficult for households to access suitable housing, contributing to growing levels of homelessness and housing insecurity. This has significant impacts on individual wellbeing, as well as placing an increasing strain on local authorities and public services. The United Nations defines housing as a fundamental human right because it is key to human wellbeing and provides a foundation for other human rights. It is also core infrastructure – how we build and provide housing in relation to local needs is fundamental to sustainable development at the local, regional and national level.<sup>1</sup>

Housing also plays a central role in the functioning of the UK economy. The availability of safe, affordable and well-located homes influences where people can live and work, affecting labour mobility, productivity and access to employment and education. Housing development generates significant economic activity through construction, supply chains and local services. High-quality homes, particularly those that are environmentally sustainable and designed to respond to a changing climate, can contribute to improved health and social outcomes.



1. Mazzucato, M. and Farha, L. (2023). The right to housing: A mission-oriented and human rights-based approach. Council on Urban Initiatives. (CUI WP 2023-01). UCL Institute for Innovation and Public Purpose, Working Paper Series. (IIPP WP 2023-07).

## An Evolving Funding Environment The Opportunity for the Local Government Pension Scheme

Housing delivery in the UK is supported by two distinct but interconnected funding models.

Market housing has largely been driven by private sector development, funded through equity, debt and sales revenues. Public intervention typically focuses on enabling delivery in specific strategic cases – such as through land assembly, infrastructure funding or targeted programmes – rather than direct subsidy.

Affordable housing, by contrast, has traditionally relied on a combination of government grant funding, housing association borrowing and cross-subsidy from market housing. While public grant support has remained an important component of the affordable housing system, over time the sector has increasingly relied on private borrowing and other sources of capital to support development. The most recent Comprehensive Spending Review announced a new £39 billion Social and Affordable Homes Programme, aimed at delivering the biggest boost to social and affordable housebuilding in a generation. This package provides greater long-term certainty for the sector while still recognising the important role that private and institutional capital can play in supporting delivery.

At the same time, housing associations and local authorities face growing constraints, including borrowing limits, rising development and maintenance costs, and increased regulatory requirements. As a result, traditional funding models alone are unlikely to meet the scale of housing need. Partnerships between public bodies, housing providers and institutional investors are therefore becoming increasingly important.

This has been accompanied by the emergence of a broader range of investable housing models – from Build-to-Rent and single-family rental to structured affordable housing and needs-based strategies – providing institutional investors with clearer routes to deploy capital.



2. Savills, UK Build to Rent Market Update – H1 2025.

The Local Government Pension Scheme (LGPS) is one of the largest pools of institutional capital in the UK, with long-term liabilities that align well with the characteristics of housing investment. Residential assets can provide long-duration, income-generating returns, diversification from traditional commercial real estate, and exposure to structural demand.

Housing also presents a distinctive opportunity for LGPS funds to align financial objectives with local development priorities. As policy increasingly emphasises domestic and place-based investment, housing offers a clear route to deploy capital into tangible assets within local communities.

Through place-based investment strategies, housing can support regeneration, local economic development and improved housing outcomes. However, not all housing investment delivers the same level of local impact. Strategies differ in their additionality, the groups they serve, and how closely they align with local housing need. For example, models that address acute pressures – such as helping people out of temporary accommodation or providing for those at risk of homelessness – can have significant impacts on individuals' lives and can help to alleviate fiscal pressures on local governments. Meanwhile, delivering the type of housing that can attract talent and sustain job creation can positively impact regional economies.

As the market continues to mature, LGPS investors are engaging through a range of structures, including private funds, joint ventures, development funding and investments in stabilised portfolios. This paper examines housing through an LGPS-specific lens, focusing on market maturity, routes to investment and the practical realities of delivering housing investment at scale.

UK pension funds currently allocate just 4% of value to real estate, a much lower proportion than in other established markets such as Switzerland, Australia and Canada. Savills estimates that if LGPS were to increase their allocation to real estate to 15%, more in line with Australia, this would make an additional £45 billion available and could support the delivery of nearly 80,000 new homes.<sup>2</sup>



## 2 / Sector Overview

The UK housing sector encompasses the development, ownership and management of residential property across a range of tenures, including social and affordable housing, private rental (including Build-to-Rent), market-sale housing, and specialist segments such as supported housing and older people's housing.

Institutional investment in the sector has grown significantly in recent years and is expected to continue. While much of this growth has been concentrated in Build-to-Rent – with around £40bn deployed over the past decade<sup>3</sup> – investment is also expanding across affordable and specialist housing, supported by increasing policy focus and a widening range of investable models. Across the “Living” sectors more broadly, investors are planning to deploy a further £45bn between 2025 and 2029.<sup>4</sup> In the affordable housing sector, institutional capital has become an increasingly important source of funding. The market is estimated at £6-7.5 billion of deployed capital, with private finance now accounting for a significant share of new delivery.<sup>5</sup> This reflects a broader shift towards partnership models between public bodies, housing providers and institutional investors.

The investment opportunity is underpinned by substantial and growing housing need across the UK. The country faces a housing shortfall of over 4.3 million homes, with demand rising across all regions and tenures.<sup>6</sup> There are more than 1.3 million households in England on social housing waiting lists. In addition, one of the most acute pressures is the continued rise in temporary accommodation, with over 131,000 households in England and costs exceeding £2.8bn annually.<sup>7</sup> This highlights the scale of unmet need and the growing strain on local authorities and public services. Yet addressing this housing need is not solely a question of overall supply. There is significant variation in the type of housing required and the specific pressures faced in different places – from affordability challenges to homelessness and the condition of existing housing stock.

### Policy Context

The government has expressed significant ambitions to accelerate housing delivery towards its target of delivering 1.5m homes by the end of the parliament (2029). Under its flagship Social and Affordable Homes Programme (SAHP), it has promised a ‘decade of renewal’ for social housing, committing to delivering 300,000 regulated affordable homes between 2026 and 2036 – of which 60% (180,000) will be social rent.<sup>8</sup>

The 2025 Spending Review also delivered a major package of funding and policy reforms intended to support the government's delivery ambitions. Cumulatively, the measures will provide much-needed long-term funding certainty and policy clarity, further de-risking investment particularly in affordable housing.

This includes the establishment of a **National Housing Bank**, through the redesignation of Homes England as a public financial institution able to provide a wider range of financing tools such as loans, equity and guarantees. Backed by £16 billion of public financial capacity, the Bank is intended to unlock significantly greater levels of private investment and accelerate housing delivery at scale.

Alongside capital funding reforms, the government has introduced a long-term rent settlement for the social housing sector, providing a 10-year framework from April 2026 in which rents can increase annually by CPI +1%. This provides greater certainty for housing providers, lenders

and investors and supports long-term financial planning and borrowing capacity. The government has also confirmed the reintroduction of social rent convergence, allowing rents that are currently below formula levels to gradually increase over time.

Furthermore, recent and potential upcoming reforms to the **National Planning Policy Framework** support faster and more standardised local planning and approvals. These reforms are intended to increase predictability, lessening planning and policy risk and allowing for easier investment into plan-aligned developments.

**Together, these measures signal a clear policy direction towards greater partnership between government, housing providers and institutional investors in delivering new housing at scale.**

Lastly, there have been increasing calls to classify housing as a form of infrastructure. Proponents argue that doing so could help unlock additional investment by recognising housing as essential national infrastructure, similar to transport or energy systems.<sup>9</sup> While this change has not yet been implemented, it is increasingly proposed as a way to support long-term, predictable funding frameworks, which could attract greater private investment and enable more strategic, long-term planning of housing delivery.

3. Knight Frank, UK Multifamily: Market Outlook, 2026.

4. Knight Frank, NextGen Living – 2025.

5. The Good Economy (commissioned by Esmee Fairbairn Foundation), Investment Deep Dive – Social and Affordable Housing in the UK. Due to be published later in 2026.

6. Centre for Cities, The housing building crisis: The UK's 4 million missing homes, 2023.

7. Shelter, Bills for homeless accommodation soars by 25%, hitting £2.8bn, 2025.

8. Despite the government's steps to increase supply, it has faced criticism from the Housing, Communities and Local Government Committee, which reiterates a stated need for at least 90,000 net additional social rent homes per year, asserting that the target of 180,000 new social rent homes over the next decade therefore falls short of this target (though acknowledging the government plans to deliver more social homes through other means outside this target, such as Section 106 agreements).

9. Simon Century, Managing Director, Legal & General – National Housing Federation guest blog, Reclassifying housing as infrastructure could take the housebuilding revolution to the next level, 2025.

## 3 / Market Opportunity and Maturity

UK housing has evolved into a recognised institutional real assets sector. However, levels of maturity – and the extent of local impact – vary across sub-sectors and strategies.

- Build-to-Rent (BTR)** is well established, with growing levels of stabilised stock and repeatable operating models. However, delivery has become more challenging in recent years due to rising construction costs and viability pressures, with affordability implications for both investors and residents.
- Purpose-built student accommodation** is similarly mature, supported by long operating track records and international capital participation.
- Single-family rental** and **later living** are less advanced but scaling rapidly, with increasing platform depth and improving income visibility.
- Affordable housing** is long established but undergoing structural change. Delivery has historically been led by housing associations and local authorities, but increasing financial constraints, alongside rising costs, have created a growing role for institutional capital. This is often delivered through partnerships and long-term contractual structures, with income typically supported by government-backed sources such as Housing Benefit or Universal Credit. Alongside this, there has been a notable emergence of for-profit Registered Providers, first introduced in England in the early 2010s following changes to the regulatory framework, which provide a regulated route for institutional investors to directly own and manage affordable housing, contributing to the scaling of investment into the sector.
- LHA-based affordable housing models** are a less mature but growing area of institutional interest, closely linked to rising homelessness pressures and local authority demand. These models are typically structured through partnerships with local authorities or housing providers, with income supported by Housing Benefit and linked to Local Housing Allowance rates. While operationally more complex, they offer a highly targeted approach to addressing acute local housing needs, particularly in reducing reliance on temporary accommodation.

Across the sector, increasing maturity is reflected in more predictable income streams, greater standardisation of lease and management structures, and closer alignment with institutional investor requirements, including inflation linkage and diversification benefits.

However, maturity does not necessarily correlate with impact or additionality. Strategies focused on stabilised, income-producing assets may offer greater operational certainty, while those involving development, refurbishment or needs-based housing can play a more direct role in addressing local housing challenges, often with greater complexity.

For LGPS, housing can support several key investment objectives, including diversification and resilient income. More fundamentally, it represents a highly place-based form of investment, underpinning a wide range of local outcomes including health, community stability and economic participation. The extent to which these outcomes are realised, however, depends on the strategy adopted and its alignment with identified local housing needs (as explained in further detail in the Spotlight on page 11).



### Spotlight On: Differing Levels of Impact and Contribution Across Housing Investment Strategies

Investing in housing to deliver positive local outcomes introduces a third dimension – impact – alongside financial risk and return. The structure of an investment not only determines how risk and return are distributed, but also shapes the level of impact delivered and the potential for negative outcomes. These three dimensions should therefore be considered together.

However, not all housing investments should be expected to deliver the same level of local impact. Key factors influencing local impact include:

- Additionality:** Whether investment is creating new homes, improving existing stock, or simply acquiring stabilised assets. Strategies focused on development, regeneration or refurbishment typically deliver greater impact than those acquiring existing portfolios of operational, occupied homes. Even within the affordable housing sector, there can be significant variation in terms of additionality. For example, acquiring Section 106 units may deliver baseline levels of provision, whereas strategies that go beyond minimum requirements or directly enable new supply can deliver greater impact.
- Tenure and target group:** Housing targeted at underserved groups – particularly social rent and LHA-based models – generally delivers the greatest direct impact, as it supports households in greatest need. By contrast, general private rented housing primarily increases overall housing supply. While this plays an important role in addressing the national housing shortage, it is typically less targeted towards the needs of the most underserved groups.
- Alignment with local needs:** Strategies designed to address specific local pressures – such as addressing reliance on temporary accommodation, homelessness or acute affordability challenges – are more likely to generate meaningful place-based outcomes.
- Partnerships and engagement:** Approaches that involve strong, ongoing engagement with local stakeholders and go beyond statutory requirements are more likely to embed a clear and intentional place-based focus.



These differences mean that housing strategies sit along a spectrum of impact, risk and return, and may also carry differing risks of negative impact. For LGPS investors, this has important implications. Effective capital deployment requires a clear understanding of how different strategies contribute to local outcomes, and how this aligns with fiduciary objectives. In practice, this may involve balancing portfolios across different strategy types, or prioritising investments where there is clear evidence of additionality and alignment with local need.

Understanding and navigating these distinctions will be critical for LGPS investors seeking to deploy capital in a way that is both financially robust and capable of delivering meaningful, place-based outcomes.

The table below summarises investment opportunities and relative levels of market maturity across key housing sub-sectors.

| Sub-sector   | Opportunity  | UK market maturity   |
|--|--|--|
| <b>Private rented sector</b>                       | Build-to-Rent (also referred to as 'BTR'): Purpose built, institutionally owned and professionally managed residential property which is rented on the open market. 'Multifamily' Build-to-Rent describes rental apartments in core urban locations – often including communal amenities – and 'single family rental' describes houses, usually in suburban areas. Some strategies also incorporate discounted or key worker housing, offering reduced rents for specific groups such as NHS staff or public sector workers, helping to address local affordability pressures.<br><br>Other institutional purchase models involve buying existing homes (e.g. derelict or in need of retrofit) and managing and renting out those homes on the open market.  | Strong investment flows, but still a small part of the overall rental market, with significant room for expansion to address supply gaps.  |
| <b>General needs social and affordable housing</b> | For those whose needs are not served by the open market. Offers low risk, inflation-linked income and long-term tenancy models. Regulated social and affordable housing must be managed by Registered Providers of Social Housing (RPs). The investment model is via equity investment funds either in partnership with non-profit RPs or new for-profit RPs owned by institutional investors. Not-for-profit RPs are capital constrained, and so there is significant opportunity for institutional investors to play a role in addressing this funding gap.<br><br>Primary tenure types in the regulated sector include social rent, Affordable rent, shared ownership and discounted market rent. In the unregulated sector, temporary accommodation provides a short-term response to homelessness, while other models deliver LHA-linked general needs housing. These models can operate outside of the RP framework and often resemble social rent in affordability, providing more stable, long-term housing options for households currently in temporary accommodation (see further details on the spectrum of tenure types in the affordable housing sector on page 13). | Long-established sector with increased participation from institutional investors in recent years.   |
| <b>Temporary accommodation</b>                     | Emergency Accommodation: Short-term housing provided by local councils to individuals or families experiencing homelessness with a priority need, often including B&Bs or hostels.<br><br>Costs are not linked to Local Housing Allowance (LHA) and are typically significantly higher. Local authorities recover part of these costs through Housing Benefit subsidy, but this does not fully cover expenditure, meaning councils often need to fund the shortfall from their own budgets. This creates substantial and growing pressure on local authority finances, with temporary accommodation costs increasingly cited as a risk to financial sustainability for councils.   | Historically made up of micro-landlords, with relatively few large-scale strategies. There are now a small number of supported housing funds attracting institutional investment. This is a small but growing area.  |
| <b>Supported housing</b>                           | Housing combined with support services for individuals with some additional needs, including people with disabilities, mental health conditions, or those at risk of homelessness. Provision is typically delivered through partnerships between investors, Registered Providers and specialist care or support providers.<br><br>Rents are largely funded through Housing Benefit or other government-backed payments, and can be set at 'exempt rent' levels (meaning they are exempt from usual Housing Benefit restrictions).  | Established but specialist, with increasing institutional interest. Characterised by stable income but higher operational complexity and reliance on strong partners.  |
| <b>Specialised supported housing</b>               | Accommodation for people with complex needs, such as individuals with learning disabilities, autism or mental health conditions, alongside tailored care and support services delivered by specialist providers. Properties are typically leased on long-term agreements to regulated housing providers who either provide support directly or appoint care providers. Rents are largely funded through Housing Benefit or other government-backed payments, with rents generally set at 'exempt rent' levels due to the complex nature of the resident's support needs.   | Attracted increasing institutional interest over the past decade, with several specialist investment platforms and listed vehicles established to deploy capital into the sector. However, compared with mainstream residential sectors such as Build-to-Rent or student accommodation, the market remains relatively niche and operationally specialised. |
| <b>Older people's housing</b>                      | Retirement Living (Sheltered Housing): Housing primarily for independent older people with some support services like communal facilities.<br><br>Assisted Living (Extra Care Housing): Offers more support than sheltered housing.  | Maturing with high growth potential. Driven by an aging population, seeing increasing investment in integrated communities. Supply growth is strong but still lags demand.   |
| <b>Student accommodation</b>                       | Purpose-built or specially managed residential properties designed exclusively for student tenants, offering academic-year leases, communal facilities, and tailored amenities near higher education institutions.   | Highly mature and robust. Attractive sector with consistent demand, though can compete with local housing demand.  |

## Spotlight On: Affordable Housing in the UK



Within the UK, affordable housing can be distinguished between various tenure types, extending across "big A" Affordable Housing and "small a" affordable housing:

- "Big A" Affordable Housing refers to regulated tenures defined by government policy, including social rent, Affordable rent and shared ownership. These homes are typically subject to rent regulation, allocation frameworks and oversight by the Regulator of Social Housing. Rental homes are generally targeted at individuals who have come from social housing waiting lists, while shared ownership residents must be below defined income thresholds to be eligible.
- "Small a" affordable housing, by contrast, refers more broadly to housing that is priced below market levels but not formally regulated. This can include discounted market rent products, key worker housing or intermediate rental products delivered through institutional investment strategies such as Build-to-Rent.

Figure 2: General needs affordable housing spectrum

| Temporary Accommodation  | Social Rent  | LHA-Based Housing  | Affordable Rent  | Shared Ownership                                  | Discounted Market Rent                        |
|--|--|--|--|---|---|
| <b>Rent:</b> Not linked to LHA, costs are typically higher and vary by provision type, with partial recovery through Housing Benefit subsidy | <b>Rent:</b> ~50% market, set by government formula                        | <b>Rent:</b> Linked to LHA (Housing Benefit). Access for bottom 30% of the market    | <b>Rent:</b> Up to 80% market, set by government formula               | <b>Part rent + ownership</b>                      | <b>Rent:</b> Discounted to market             |
| <b>Target:</b> High need, a short-term solution for those experiencing or at risk of homelessness  | <b>Target:</b> Low income or high need, from local authority waiting lists | <b>Target:</b> Those currently in temporary accommodation or at risk of homelessness | <b>Target:</b> Low-moderate income, from local authority waiting lists | <b>Target:</b> Middle income or first-time buyers | <b>Target:</b> General renters or key workers |
| License-based  | < More regulated or needs-based  |  |  | More market-based >                               |   |

# 4 / Expected Returns and Investment Structures

## Investment Styles and Return Profile

Financial returns from housing investments are derived mainly from rental income and increases in property values over time. The level of return can vary depending on the type of housing, the stage of development, whether subsidies are involved, and how the investment is structured.

Strategies focused on stabilised assets or debt financing tend to generate more predictable, often inflation-linked income, while higher-return strategies may involve taking on more risk through development, refurbishment or operational improvements.

Housing investments can also differ depending on when investors enter the project lifecycle. Some investors focus on completed, income-producing buildings, while others invest earlier in the process, for example by acquiring land, securing planning permission or funding construction. Because of this, the same housing sub-sector (such as Build-to-Rent or retirement housing) can include a range of investment approaches. For instance, a fund that buys land and secures planning before selling the site may be considered value-add or opportunistic, whereas an investor purchasing a completed building to generate stable rental income would typically follow a core strategy. It follows that the investor's level of contribution to local impact will be higher where it is taking a more active role, for example in funding the development of new supply, repurposing underutilised buildings to create new housing, or funding the refurbishment of older stock, vs simply acquiring existing operational portfolios.

Funds often hold mixed portfolios, meaning they may operate across several investment styles within a single strategy. For example, a fund may both acquire stabilised, income-producing assets and develop new homes. As a result, individual funds typically include elements of multiple investment styles (e.g. core and value-add) rather than fitting neatly into a single category.

The table below sets out expected gross and net internal rates of return (IRR) commonly associated with different forms of housing investment. IRR is one of a number of metrics used to assess private capital fund performance. The illustrative IRR ranges presented should be interpreted with appropriate caution. They are indicative and reflect a combination of asset-level performance and fund-level returns, incorporating typical fee structures, leverage and execution strategies used by institutional investors in UK housing. Actual returns will vary by structure, strategy and market conditions. Also, there are no standardised benchmarks for UK housing-specific returns; therefore ranges are based on alignment with broader real estate market expectations.<sup>10</sup>

| Style                | Description  | Illustrative Target Gross IRR Ranges | Illustrative Net IRR Ranges | Example strategies  |
|----------------------|--|--------------------------------------|-----------------------------|---|
| <b>Core</b>          | Low-risk strategies focused on stabilised, income-generating housing assets, typically with long-term leases or strong occupancy                               | 6-8%                                 | 5-7%                        | Stabilised Affordable housing or Build-to-Rent portfolios   |
| <b>Core-plus</b>     | Stabilised assets with scope for modest value enhancement, such as operational improvements, repositioning or sustainability upgrades                          | 8-11%                                | 6.5-9%                      | Established Affordable Housing or Private Rented Sector (PRS) portfolios undergoing refurbishment, repositioning and/or retrofit works  |
| <b>Value-added</b>   | Strategies involving moderate to higher risk, targeting value creation through development, refurbishment, active management or changes in use                 | 11-15%                               | 9-13%                       | Regeneration of older social housing estates, conversion of commercial buildings into affordable, student, or retirement living units. Forward funding or forward completion strategies |
| <b>Opportunistic</b> | Higher-risk strategies focused on development, complex repositioning or distressed opportunities, aiming for higher returns through significant value creation | 15%+                                 | 12%+                        | Greenfield development, conversions of non-residential buildings with significant planning/structural challenges  |

10. Institutional investment in UK housing generally targets returns that align with the standard real estate risk spectrum (core, core-plus, value-add and opportunistic). However, there are no widely published benchmarks covering the housing sector as a whole across these investment styles. The return ranges presented here should therefore be interpreted as indicative estimates, informed by industry research and commonly cited return expectations across the broader real estate market (e.g. RICS; Savills; CBRE).



## Spotlight On: Investing in Refurbishment and Repurposing Existing Stock

Not all housing supply challenges need to be addressed through new development alone. There is a significant untapped opportunity in bringing existing homes back into use. In England alone, there are over 300,000 long-term empty homes, and more than 1 million homes are currently out of use when including second homes and other vacant properties.<sup>11</sup> These properties represent a substantial potential source of housing supply that could be unlocked more quickly than new-build development.

In addition to funding the delivery of new-build housing, there is therefore a growing opportunity for institutional investors to support the refurbishment and repurposing of existing housing stock. These strategies focus on acquiring existing properties, upgrading them to improve quality and energy efficiency, and bringing them back into use as affordable or supported housing. For example, the **Resonance National Homelessness Property Fund 2** operates by acquiring properties, refurbishing them (including improving energy efficiency), and leasing them to housing partners such as charities and housing associations, who then house individuals and families at risk of homelessness (see case study on page 24).

Repurposing existing stock – whether through refurbishing empty homes, converting underutilised buildings, or upgrading substandard properties – can often be delivered more quickly and with lower planning risk than new-build schemes. It can also play a key role in addressing immediate housing pressures, particularly in areas with constrained land supply or where development viability is challenging, as well as helping to regenerate areas.

From an investment perspective, these strategies can offer a combination of social impact and value creation. Improvements to asset quality and EPC ratings can enhance long-term asset performance while contributing to net zero objectives. At the same time, by targeting specific cohorts – such as households in temporary accommodation or at risk of homelessness – these approaches can deliver high additionality, helping to relieve pressure on local authorities and public services while improving outcomes for residents.

## Investment Routes

Common routes to investing in the housing sector include direct equity/debt (e.g. co-investment with developers or strategic/local authorities), specialist housing funds including Real Estate Investment Trusts (REITs), and blended finance joint venture vehicles (which can include government guarantees and grants).

The examples presented in the table below are not intended to be exhaustive. Rather, they have been selected to illustrate examples of the range of funds, vehicles and organisations operating within this area.

11. [Action on Empty Homes, Facts and Figures.](#)

# 5 / Challenges, Risk Factors and Mitigations

Investing in the UK housing sector can offer attractive opportunities, but it also involves a number of challenges and risks. Managing these effectively requires working with experienced and reputable partners, including investment managers, Registered Providers (RPs) and developers as well as establishing strong risk management and mitigation strategies.

Key challenges and mitigations are outlined below:

| Risk   | Mitigation  |
|--|---|
| <p><b>Delivery risk:</b> Planning complexity and regulatory hurdles can cause delays in project delivery and increase costs, particularly as the regulatory environment is evolving (e.g. building safety, decarbonisation standards).</p>   | <p>Focus on locations where planning policies are supportive and there is a track record of housing delivery, while recognising that these areas do not always correspond with those experiencing the greatest housing need. Investment strategies should therefore balance deliverability with consideration of locations where housing shortages and affordability pressures are most acute.</p> <p>Engaging early with local planning authorities can also help identify and resolve potential issues. Risks can be further reduced by delivering projects in phases, setting aside contingency budgets for unexpected costs, and working with experienced development partners.</p>                                   |
| <p><b>Policy risk:</b> Housing investment is exposed to changes in national or local policy, including grant regimes, housing benefit frameworks and potential rent controls, which can affect income assumptions and asset values. Policy risk is particularly relevant in affordable and regulated tenures.</p>  | <p>Spread investments across different types of housing and investment structures rather than relying on a single model. Ongoing policy monitoring and alignment with government housing priorities can help reduce the risk of unexpected policy changes affecting returns.</p> <p>In the affordable housing sector, the government announced a new 10-year rent settlement starting in April 2026, alongside plans for a new £39bn Affordable Homes Programme and a consultation on rent convergence. This scale of the funding announcement indicates a significant commitment from government to building more homes, while the rent settlement provides stability and confidence for RPs and investors.</p>          |
| <p><b>Affordability risk:</b> Rent levels can increase faster than tenants' ability to pay, which can lead to financial pressure on households, increased arrears or reputational concerns. This is particularly relevant in market rental housing where rents are typically set with reference to local market levels. The Renters' Rights Bill reinforces the principle that rents in the Private Rented Sector (PRS) should generally be set in line with the market.</p> | <p>In affordable housing, rent increases are often regulated by government policy (currently CPI +1% for the next 10 years), providing predictable rent growth. However, some models – such as LHA-based housing – link rents to Local Housing Allowance levels, which are tied to the welfare system rather than CPI. This can provide a different form of income stability and, in some cases, stronger alignment with underlying housing cost pressures.</p> <p>In the PRS, some funds choose to limit rent increases to inflation-linked levels (e.g. CPI or CPI+1%), rather than purely market-driven increases. This can help manage affordability pressures, support tenant stability and reduce arrears risk.</p> |
| <p><b>Cost volatility risk:</b> Rising construction costs, labour shortages and increasing land values can compress margins and reduce forecast returns, particularly for development-led strategies. Cost volatility may also challenge fixed-price assumptions and delivery schedules.</p> <p>In recent years, rising build cost inflation has challenged the viability of many schemes.</p>   | <p>Where possible, use fixed-price construction contracts to limit the risk of costs rising during the build, alongside appropriate contingency budgets. Land strategies should prioritise active development and timely delivery, with disciplined pricing and clear build-out plans, and explicitly avoid practices associated with land banking. Working with experienced contractors and development partners, and maintaining strong cost control throughout the project, can further help manage cost risks while ensuring homes are delivered efficiently.</p>   |

| Investment route                                    | Description  | Examples  |
|---|--|---|
| <b>Direct Equity</b>                                | Direct ownership of housing assets or projects   | – LGPS joint ventures, own-and-operate assets   |
| <b>Bonds</b>  | Investing in debt securities issued by housing providers or related entities, providing fixed or inflation-linked income. This can include bonds issued by housing associations, local authorities or government-backed agencies to finance housing delivery and investment              | – Housing association bond issuances (e.g. Clarion, L&Q)<br>– Affordable housing bonds via The Housing Finance Corporation (THFC)<br>– Local authority housing bonds (e.g. via Municipal Bonds Agency)<br>– Specialist bond funds (e.g. Columbia Threadneedle UK Social Bond Fund)                          |
| <b>Private Funds</b>                                | Indirect exposure through specialist funds – may include a regional allocation or sidecar within a national strategy   | – CBRE UK Affordable Housing Fund<br>– Man RI Community Housing<br>– Octopus Affordable Housing Fund<br>– Savills IM Simply Affordable Homes Fund<br>– Patrizia Sustainable Communities<br>– Resonance National Homelessness Property Fund 2<br>– Columbia Threadneedle UK Residential Real Estate          |
| <b>Listed REITs</b>                                 | Publicly listed companies that own and manage income-generating property portfolios, providing liquid exposure to real estate  | – PRS REIT<br>– Residential Secure Income plc<br>– Atrato Social Housing (SOHO) REIT  |
| <b>For-profit Registered Provider (RP)</b>          | Establishing an RP as a regulated entity, that is registered with the Regulator for Social Housing. The RP must meet regulatory standards on governance, financial viability and consumer outcomes, and is then able to own and manage affordable housing within the regulated framework | – Sage Homes (Blackstone)<br>– Legal & General Affordable Homes<br>– M&G Shared Ownership   |
| <b>Private Debt / Project Finance</b>               | Lending to infrastructure projects (senior debt, mezzanine, green bonds)   | – Bank lending<br>– Octopus' lending strategy includes funding for residential developments including affordable housing<br>– Pluto Finance as a specialist private credit lender to UK housebuilders and housing providers, particularly SMEs  |
| <b>Public-Private Partnerships, Blended Finance</b> | Combining public and private capital to de-risk projects   | – Homes England-backed Habiko Partnership with Pension Infrastructure Platform and Muse (a nationwide placemaker and developer)<br>– Treveth – Cornwall-Council backed developer<br>– GMCA/GMPF/L&G Housing investment partnership  |
| <b>Joint ventures (JVs)</b>                         | Partnerships between investors and housing developers, local authorities or housing associations to deliver or acquire housing assets, sharing development risk, capital and expertise   | – MADE Partnership master developer platform – JV between Barratt Developments, Homes England and Lloyds Banking Group<br>– ECF – JV between Muse, Homes England and Legal & General<br>– The Impact and Places Partnership – JV between Capital and Centric, Homes England and Swiss Life Asset Management |

## Spotlight On: Existing Examples of LGPS Investments in UK Housing

As highlighted in our original White Paper, there are already various examples of LGPS Funds and Pools engaging with the UK Housing Sector through a range of investment routes. For example:

- Greater Manchester Pension Fund** allocated £100 million to L&G's Affordable Housing Fund in a specifically tailored regional 'sidecar' vehicle for the Northern Pool. This will allow GMPF and other Northern Pool partners to deploy capital into affordable housing developments in the North West. A further allocation has been made to the Thriving Investments New Avenue Living Manchester fund alongside Better Society Capital and GMCA to provide affordable homes to essential workers in the Greater Manchester area.
- London CIV** launched a UK Housing Fund in 2023 focused on increasing the supply of good quality affordable

housing. As of July 2025, it had allocated £530m both in London and throughout the UK, partnering with five external fund managers.

- Devon Pension Fund** has made investments in affordable housing through its 3% allocation to its local impact portfolio. Investments have been made in the Gresham House Thriving Investments Residential Secure Income LP ("ReSI LP"), where part of Devon Pension Fund's commitment has unlocked delivery of new affordable homes in the county.

This is not an exhaustive list – these are purely illustrative examples based on information included in the original White Paper, included to provide practical examples of delivery and investment activity within the sector to date.

## 6 / Regional Investment Landscape

Considering the regional landscape, it is important to recognise that the UK faces a significant national shortage of housing. The government has set a target of delivering 1.5 million homes by 2029, reflecting the scale of the supply gap across the country.



| Risk  | Mitigation   |
|---|--|
| <p><b>Macroeconomic risk:</b> Economic downturns or localised market corrections can affect property sale prices or rental demand.</p>  | <p>Focus on areas where there is a long-term shortage of housing and a strong local economy with a mix of different employers. Locations with growing populations and strong demand for housing are generally more resilient over time. Investments that prioritise steady rental income, rather than relying heavily on property price growth, may be exposed to less risk.</p> <p>Reducing borrowing levels can further improve resilience during economic downturns.</p>  |
| <p><b>Impact risk:</b> Poor alignment with local housing needs, low asset quality, weak service delivery or underperforming operators can lead to negative social outcomes and reputational damage.</p> <p>There are also concerns about the financialisation of housing, in which investment-led approaches may prioritise financial returns over resident wellbeing, potentially leading to higher costs or housing provision that does not reflect local needs. This can undermine long-term asset performance and stakeholder support, particularly for housing strategies supporting vulnerable individuals (e.g. SSH, Transitional housing, Temporary accommodation).</p> | <p>Embed clear social impact objectives, quality standards and service benchmarks within investment and operating agreements, recognising that relevant impact risks will vary by strategy and tenure. For example, affordability pressures may be more material in market rental strategies, while service quality and resident outcomes are particularly critical in housing for more vulnerable groups. Careful partner selection, active asset management and ongoing resident and stakeholder engagement are therefore key to managing these risks and delivering positive outcomes.</p> <p>Investors should also guard against tokenistic community engagement by selecting funds or entering joint ventures with partners that have clear, targeted strategies for meaningful engagement with local communities, ensuring that housing developments reflect local needs and priorities.</p> |

Yet within this national picture there is considerable variation in the type of housing needed in different places. For example:

- Demand for purpose-built student accommodation is typically concentrated in major university cities.
- Affordable housing pressures are often most acute in high-cost regions such as London and the South East.
- Demand for market-sale housing or family homes are greatest in areas experiencing population growth or economic expansion.
- Temporary accommodation need is most concentrated in London, with over half of all households in temporary accommodation in England located in the capital.<sup>12</sup> However, use of temporary accommodation has also risen significantly across the rest of the country in recent years. This trend is placing growing financial pressure on local authorities, with homelessness-related spending increasingly cited as a risk to their financial sustainability, and with wider implications for both the housing system and public services.

It is also important to recognise that there can sometimes be trade-offs and tensions between different housing tenures. In some locations, strong investor demand for particular asset classes, such as student accommodation, has resulted in significant delivery of these schemes, while general needs housing for local residents may remain under-supplied. Ensuring that housing delivery reflects local needs therefore requires a balanced approach that considers the mix of tenures being delivered in a particular area.

In many areas, improving the availability of suitable and affordable housing is also critical to attracting and retaining talent. A lack of housing supply, particularly at price points accessible to key workers and early-career professionals, can constrain labour mobility, limit access to employment opportunities and act as a barrier to business growth. Addressing housing shortages is therefore not only a social priority but also an important enabler of local economic performance and regional competitiveness. This has been highlighted as a key issue in areas across the country, including Cornwall, Glasgow and South Yorkshire.

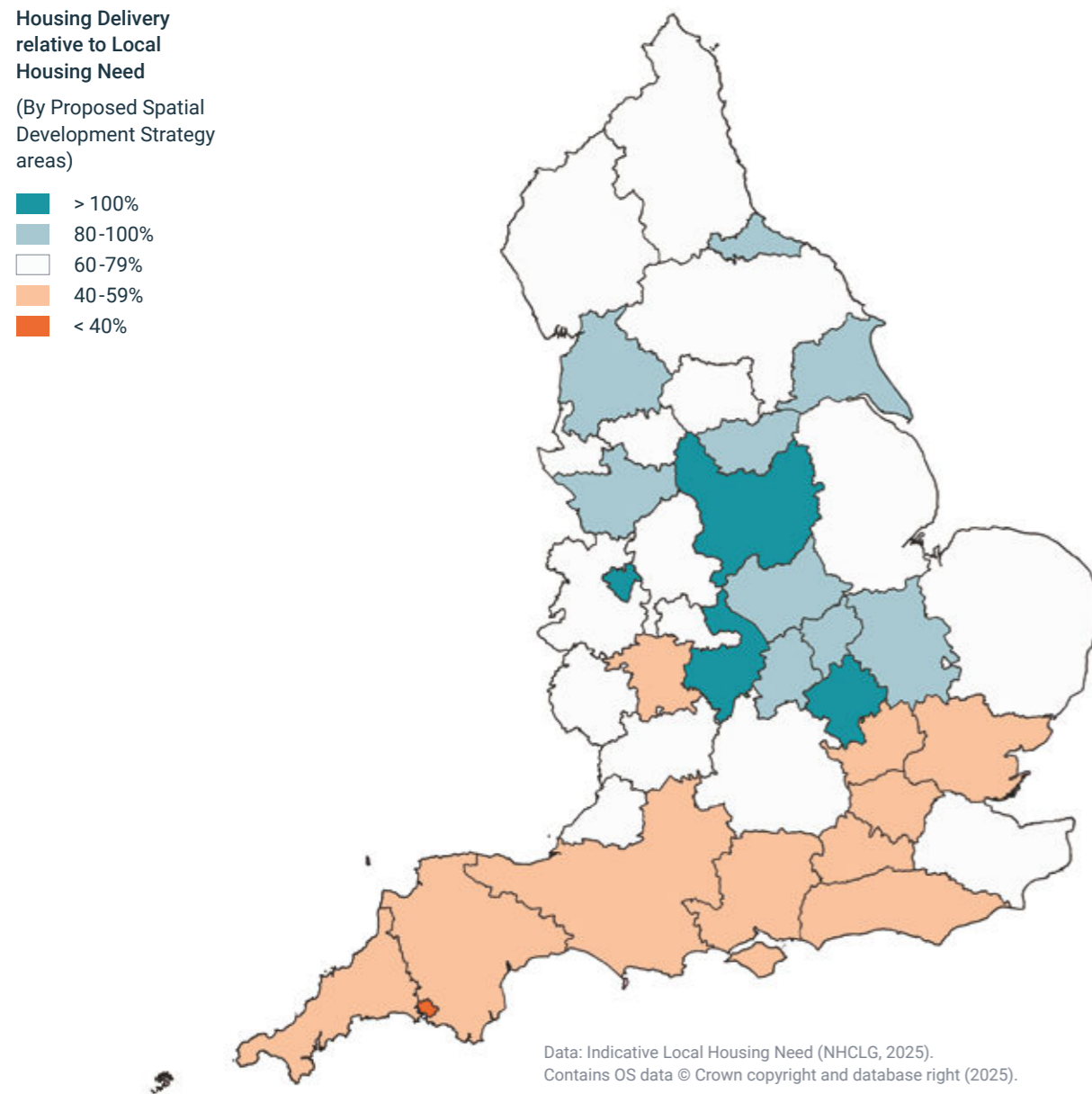
12. Centre for Homelessness Impact, *Temporary accommodation in England: is it value for money?* 2024.

# 7 / Principal Participants

A range of indicators can be used to assess local housing need across tenures, including the size of local authority housing waiting lists, the house-price-to-earnings ratio, comparisons between housing density and population density, the number of local families in temporary accommodation, and/or projected population growth. Each of these measures provides a different perspective on housing pressures, and no single metric provides a complete picture. As a result, housing needs should be assessed against a range of criteria, and investment decisions should be informed by local evidence and planning frameworks. Alignment with the priorities of local and strategic authorities, including Spatial Development Strategies and Local Growth Plans, is particularly important in ensuring that new investment supports the types of housing that are most needed.

Despite these regional variations, what is clear across the UK is that demand for housing has consistently outstripped supply. Analysis of housing delivery shows that in many areas of England, recent delivery has reached less than 60% of identified local housing need over the past three years based on the Standard Method (see Figure 3). Addressing this gap will require not only increased investment in new-build development but also the retrofit and refurbishment of empty homes and underutilised properties where suitable. It will also require a wider set of enabling conditions – planning reform, land availability, infrastructure provision and development capacity will all play a critical role in achieving the step change in housing supply needed to meet national targets.

**Figure 3: Housing delivery over last three years relative to Standard Method target**



The UK housing sector involves a range of public and private participants that together finance, develop, own and manage housing. Key actors include central and local government bodies, housing associations, private developers, institutional investors, banks, specialist operators, and charities. Each plays a distinct role, from setting policy and providing funding to delivering, owning and managing housing assets, often working in partnership to support housing delivery across different tenures.

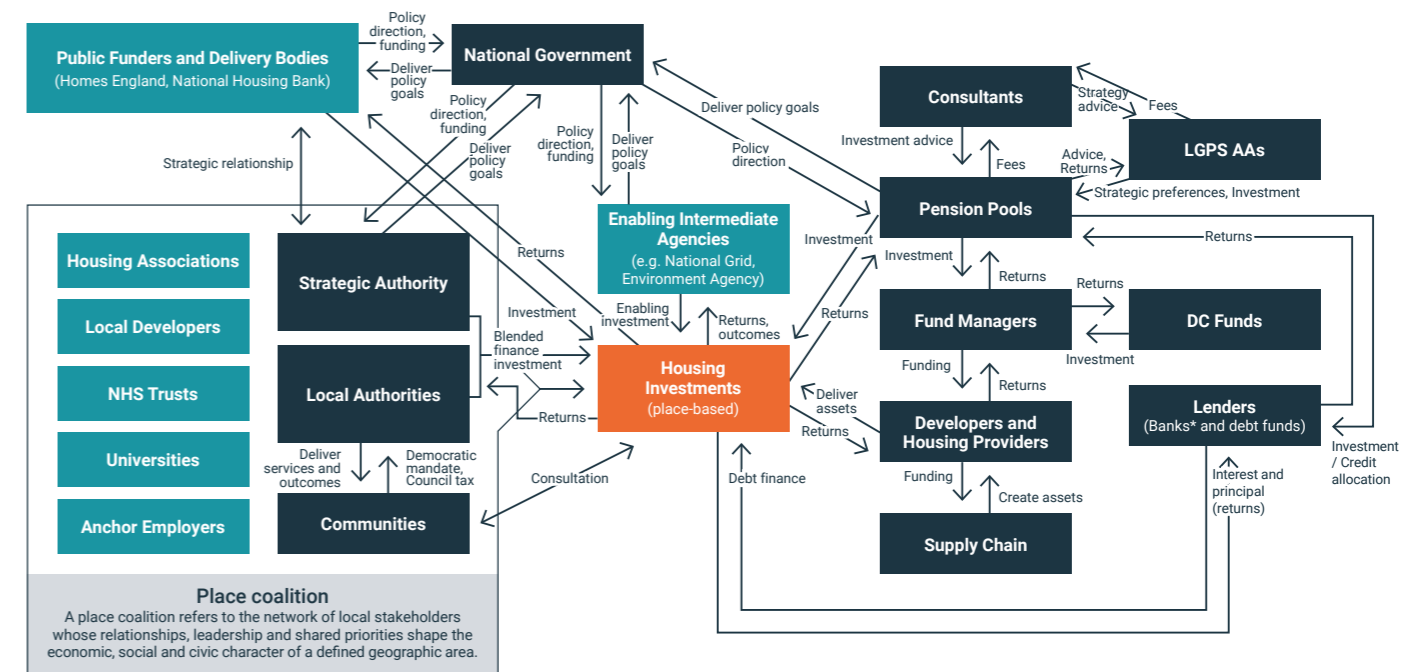
## Public Sector

- **Homes England**, including the National Housing Bank, a publicly-owned subsidiary of Homes England and designated Public Financial institution (PuFin).
- **Ministry of Housing, Communities and Local Government (MHCLG)**.
- **Devolved governments, strategic authorities and local authorities**.
- **Public Agencies**, e.g. the Regulator for Social Housing, Housing Ombudsman.
- **Industry Associations**, e.g. National Housing Federation, representing affordable housing providers.

## Private Sector

- **Non-Profit Housing Associations/RPs**, including large organisations (e.g. the G15 including L&Q, Clarion, Peabody) and smaller organisations, which are often regionally-focused or specialising in specific tenure types (e.g. supported housing).
- **For-Profit Housing Associations**, e.g. Sage Homes, Legal & General Affordable Homes, M&G Shared Ownership.
- **Major housebuilders / developers**, e.g. Barratt Redrow, Bellway, Persimmon, Vistry.
- **SME housebuilders / developers**.
- **Specialist housing investment funds and investors**, e.g. CBRE Affordable Housing Fund, Octopus Affordable Housing Fund, Patrizia Sustainable Communities, Resonance National Homelessness Property Fund 2.
- **Housing / residential REITs**, e.g. PRS REIT, SOHO REIT.
- **Social investment wholesalers**, e.g. Better Society Capital.
- **Banks / private lenders**, e.g. Lloyds, Barclays.
- **Investment platforms**, e.g. Pension Infrastructure Platform.
- **Aggregators**, e.g. The Housing Finance Corporation, MORhomes.
- **Care providers**, as key partners in specialised models such as SSH.
- **Charities**, e.g. Shelter, Crisis, Centrepoint, St Mungo's (third sector).

**Figure 4: Local Investing Ecosystem Relating to Housing**



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\*Note that banks typically provide lending from their own balance sheets, with returns accruing to the bank rather than directly to institutional investors. While banks may act as delivery partners within the housing ecosystem, they do not generally intermediate institutional capital in the same way as private debt funds.

# 8 / Illustrative Case Studies

## BETTER SOCIETY CAPITAL

Casting light on the impact of equity investment in affordable housing: The latest chapter for Better Society Capital and The Good Economy's Equity Impact Project.

### About Better Society Capital

Better Society Capital is the UK's leading social impact investor, with a mission to grow the amount of money invested in tackling social issues and inequalities. Since 2012, it has invested £1 billion and helped build a market that has directed more than £11 billion into social purpose organisations. In the social and affordable housing space, it has invested in 21 funds and helped grow the sector to over £6 billion in value.

### The Equity Impact Project

Since 2020 Better Society Capital (BSC) and The Good Economy (TGE), together with several fund managers and industry bodies, have been working in partnership on an initiative to improve the standard of impact management and reporting in the social and affordable housing sector. Its aim is creating greater transparency, consistency, and ultimately supporting market growth.

Over the last decade, increasing amounts of private capital have flowed into residential housing. Previously, however, there were no standards or guidelines to help steward this investment. In 2021, BSC and TGE published an impact framework and reporting expectations,<sup>13</sup> and uptake among fund managers in this space has been encouraging.



#### Disclaimer

The investment case studies included in this report have been provided by the relevant fund managers and are presented for illustrative purposes only. The Good Economy has not independently verified the accuracy, completeness or fairness of the information contained herein, and no representation or warranty, express or implied, is made as to its accuracy or completeness. The inclusion of these case studies does not constitute, and should not be construed as, investment advice, a recommendation, an offer or solicitation to buy or sell any security or investment product. Past performance is not a reliable indicator of future results. The Good Economy is not authorised or regulated to provide investment advice. Recipients should form their own independent judgment and seek professional advice as appropriate before making any investment decision.

13. [The Equity Impact Reporting Project](#).

### Latest findings

Building on this shared language, BSC and TGE recently published *The Impact of Equity Investment in Affordable Housing*<sup>14</sup> – a study analysing more than 14,700 homes and £1.6 billion of gross assets across six fund managers, benchmarked against National Affordable Housing Supply data. It provides the first aggregated picture of how institutionally backed Registered Providers are contributing to affordable housing delivery.



### The impact of institutional investment

- **Targeting the least affordable regions:** The South East (23%), London (18%) and the East of England (16%).<sup>15</sup>
- **Meeting space standards:** 63% of homes in the sample meet Nationally Described Space Standards, compared with around 43% across wider sector benchmarks.
- **Stronger energy performance:** More than 80% of homes hold an EPC B rating, with almost 10% reaching EPC A, a significant contrast to the majority of England's private rented sector, which sits at EPC C or D.
- **Clear additionality:** Investment fund managers delivered a higher proportion of homes without relying on grant or Section 106 agreements (21% compared with 12% nationally), contributing additional supply where traditional routes are constrained.

### What comes next?

- **Fund managers:** adopt these reporting standards if you haven't already, and encourage your peers to do so.
- **Asset owners:** request these standards in your reporting from managers, and use the insights to inform your residential housing allocations.
- **Policy makers, regulators and grant makers:** use these insights to shape policy and market outcomes.

The risk-adjusted returns along with the tangible outcomes of social and affordable housing make it a compelling foundation to a local investment plan.

14. [BSC & TGE, The Impact of Equity Investment in Affordable Housing, 2025](#).

15. According to ONS data, these regions face the greatest affordability pressures in the UK.

# RESONANCE NATIONAL HOMELESSNESS PROPERTY FUND 2

Since 2002, Resonance has been one of the UK's leading social impact investment companies, connecting capital with enterprises that change lives and strengthen communities. It is a B Corp social enterprise, with a team of seventy working across offices in Launceston, Bristol, Manchester, and London.

Over the past 12 years Resonance has built a strong track record in developing and managing award-winning property funds designed to deliver both financial returns and social impact. Its first four funds were pioneer funds<sup>16</sup> that helped develop its model ahead of the launch of its first institutional property fund, National Homelessness Property Fund 2 (NHPF2), in 2021.



## Key Metrics

- **Fund name:** National Homelessness Property Fund 2 (NHPF2).
- **Fund size:** £174m raised (of which 91% has been invested).
- **Asset class and sector:** LHA-linked Affordable housing.
- **Geography:** Bristol, Oxford, Milton Keynes, Greater Manchester, Gloucestershire, and Merseyside.
- **Minimum commitment:** £5m.
- **Fund structure:** Limited Partnership.
- **Target and actual IRR (net):** c.6% target for NHPF2 (over a 10-15 year hold), with current IRR forecast as 6.1%.
- **Investors:** Pension Funds, Local Authorities, Trusts and Foundations.

## Key features

- ✓ Local impact through side letters.
- ✓ High additionality investment strategy.
- ✓ Refurbish, retrofit and regenerate.
- ✓ LHA-based lease structure for fair risk sharing.
- ✓ All homes meet DHS and EPC C+.

## Impact goal

To increase the provision of high-quality, affordable homes in the heart of communities – providing life-changing homes and pathways out of crisis. In doing so, Resonance aims to transform the lives of households experiencing (or at risk of) homelessness, help to alleviate some of the financial and resource pressures facing local authorities, and deliver an institutional investment model capable of addressing homelessness at scale.

## Impact strategy

Resonance raises investment from institutional investors and uses it to acquire homes off the open market, refurbish them, then lease them to housing partners (on IRI leases to share risk appropriately). Housing partners then sub-let the homes to tenants at risk of homelessness, with rents typically aligned to Local Housing Allowance (LHA) rates. This ensures that the homes are affordable to households on the lowest incomes, who are often moving from unsuitable temporary accommodation.

## Investment objective

Resonance's investment objective encompasses both a financial return objective and a non-financial sustainable investment objective (its 'impact objectives'), which focus on achieving positive environmental and social outcomes, making this fund compliant with the 'Sustainability Impact' label under the FCA's Sustainability Disclosure Requirements (SDR) regime.

## Financial objective

The fund aims to deliver an ungeared investor return of approximately 6% per annum, based on a long-term hold strategy. The return is to be achieved through a combination of rental income and the capital appreciation on the properties.

## Impact objective(s)

The fund has five impact objectives, against which impact performance is measured and assessed. Following its theory of change, strong performance against these impact objectives is expected to drive positive outcomes experienced by tenants, housing partners, local authorities and other stakeholders.

Unlike large-scale, new-build, regulated affordable housing developments, this alternative investment model brings existing private sector properties into the social housing sector, integrating them – “pepper-potted” – throughout communities. This approach is highly additional, creating high-quality affordable homes that would not otherwise exist, while promoting social inclusion, reducing stigma, and strengthening community cohesion. Resonance's funds offer a distinctive social impact proposition and an investment model that is deliberately different from, yet complementary to, traditional affordable housing strategies.

This enables institutional investors to deliver on their local investment objectives while achieving institutional-grade returns. Through tailored side letter agreements, Resonance supports investors in aligning capital deployment with place-based priorities, and it provides ongoing assistance with the associated reporting requirements. This includes supporting local impact measurement and disclosure, such as through the Place-Based Impact Investing (PBII) Reporting Framework adopted by several LGPS.

“ We are extremely proud of the positive social impact delivered by NHPF2, which we measure and report on annually. – Resonance

In its latest annual impact evaluation, Resonance found that as of the end of March 2025:

- **307 homes.**
- **Over 950 people housed and supported.**
- **9 housing partners.**
- **66% tenants** report **improvement in their mental health.**
- **67% tenants** say their new home makes them **feel better** compared to their last accommodation.
- **72% tenants** said they were **happier in their new neighbourhood** than their previous one.
- **55% tenants** report their tenancy has had a **positive impact on their support networks and relationships.**
- **83% tenants** report that their home is having a **positive impact on their children.**

Across its entire homelessness property portfolio (all five funds), Resonance's social impact report<sup>17</sup> outlined that as of the end of March 2025:

- **99% tenants** have **sustained their tenancy for 6 months or longer.**
- **77% tenants** (eligible for work) are either **employed or making progress towards employment** (e.g. in training or equivalent).
- **80% of move-ons are positive.**

**Independent analysis conducted by Alma Economics explored the significant financial and non-financial impact of Resonance's homelessness property funds:**

Between 2013-23, its funds are expected to have generated substantial public savings, including **£104 million** in reduced temporary accommodation costs for local authorities, and a further **£36 million** in central government savings through reduced spending on healthcare and other services.

Over the next decade (2025-2035), based on anticipated growth, the funds are expected to deliver more than £500m in cost savings; **£349m for local authorities** as alternatives to temporary accommodation, and **£196m for central government.**

In addition to the cost savings, Alma Economics valued the measurable wellbeing gains experienced by tenants (2013-23) at around **£17,500 per person**. For 2025-26, this is expected to deliver **£196m in wellbeing benefits.**

This equates to an expected **social return on investment (SROI) of £1.9m** social value add each year for every £10m invested, driven by reduced public spending and improved quality of life, for 2025-35.

16. Our earlier 'Pioneer' funds were also invested in by institutional investors, including local authorities opting up to professional client category, but were developed prior to pension fund investment and used to develop the model at smaller scale in specific geographies.

17. Resonance Homelessness Property Funds, Social Impact Report 2024/2025.

## PATRIZIA SUSTAINABLE COMMUNITIES UK

PATRIZIA is a global real assets investment manager with over €55bn of assets under management. Since its foundation in 1984, PATRIZIA has a strong heritage and track record of investing in the living sector, currently managing a living portfolio of €19bn.

In 2021 PATRIZIA launched PATRIZIA Sustainable Communities, an impact fund with an intentional strategy to build affordable, energy efficient and low carbon homes, alongside the delivery of community spaces and public facilities to bring people together and build more inclusive communities.

PATRIZIA Sustainable Communities UK will be launched in 2026, a UK-focused version of the successful impact fund series, responding to the housing crisis by building new homes for low-median income households.



### Key Metrics

- **Fund name:** PATRIZIA Sustainable Communities UK.
- **Fund size:** Target of £500m.
- **Asset class and sector:** Real estate impact fund with the intention to build affordable, energy-efficient, and low-carbon homes for low-to-median income households, with investments guided by community engagement, delivering community space that brings people together to reduce loneliness and build more inclusive communities.
- **Geography:** UK.
- **Fund structure:** Closed-ended.
- **Target and actual IRR (net):** Targeting a dual return, a financial return of 15% gross IRR and positive social and environmental impact measured through ten impact KPIs.
- **Investors:** Institutional investors.

### Key features

Strong conviction that the most impactful strategy is to deliver additional homes, either through new development or the repositioning of existing buildings to residential use, adopting a value-add investment strategy to solve the housing crisis. Strong alignment to deliver the dual return as half of the carried interest is linked to the delivery of the ten social and environmental impact KPIs.

Affordable housing includes both social housing and private market homes which meet the PATRIZIA Sustainable Communities affordability guideline (housing costs plus energy bills are no higher than 35% of disposable household income), targeting those households on low-median incomes. All homes delivered by PATRIZIA Sustainable Communities UK will exceed regulatory standards, targeting best-in-class performance in energy efficiency, carbon reduction, biodiversity, and green building certification. To strengthen communities and to reduce loneliness, every project includes communal spaces, public facilities, and tailored social programmes, shaped by community engagement and PATRIZIA's proprietary data intelligence insights.

PATRIZIA Sustainable Communities UK is a national strategy with the option to add regionally defined vehicles to deliver place-based impact investment. Whilst the fund is closed-ended with returns to be driven by capital growth, there will be flexibility to hold assets built by the fund long-term to benefit from stable income.

## PATRIZIA Sustainable Communities Investment Case Study: Social Housing in Dublin



The first investment made by the PATRIZIA Sustainable Communities impact fund series was in Dublin, Ireland, building 290 social housing units which were handed over to an Approved Housing Body in December 2025, with the handover ceremony attended by the Irish Minister for Housing.

- **Affordability:** 290 social housing units sold to an Approved Housing Body, contributing to the reduction of the waiting list for a social home in Dublin.
- **Environmental:**
  - ✓ All homes achieved an EPC rating of A.
  - ✓ Spaces are fully electrified using air-source heat pumps.
  - ✓ Sustainable construction practices resulted in 30% less embodied carbon generated from construction vs. the typical Irish standard for a new build residential development.
  - ✓ The property has installed 46 rooftop solar PV panels.
  - ✓ The entire footprint includes 2,447 sqm of green space with multiple biodiversity initiatives.
  - ✓ Spaces are HPI certified.

- **Social:** During the development process, community engagement and PATRIZIA data intelligence tools identified educational inequality. In response, PATRIZIA Sustainable Communities convened workshops with local stakeholders which resulted in the creation of a new 1,400sqm library and community space, funded by PATRIZIA Sustainable Communities and sold to the local municipality to operate for the long term.
- **Financial return:** The investment has delivered a realised IRR in excess of the fund target.

## 9 / Strategic Fit for LGPS

Housing presents a strong strategic fit for the LGPS due to its ability to provide long-term, stable and often inflation-linked income, which aligns well with pension liabilities, while also offering diversification benefits relative to traditional asset classes such as equities and commercial real estate. The sector is supported by structural demand and chronic supply shortages, helping underpin occupancy and rental growth over the long term. Housing investment can also support local economic and social outcomes, allowing LGPS funds to align financial returns with place-based investment objectives and growing policy expectations around investing in the UK economy and local communities.

| Strategic Priority             | Infrastructure Alignment  |
|--------------------------------|---|
| Housing and Affordable Living  | Directly addresses housing affordability and supply, a key social priority.   |
| Regional Growth                | Housing projects generate local jobs (construction and management), support broader regional regeneration agendas, and help attract and retain talent by improving access to suitable and affordable housing, strengthening local labour markets.   |
| Regeneration                   | Unlocks land and assets – including existing, disused properties – for redevelopment, revitalises communities, and supports local services.   |
| Net Zero and Sustainability    | New housing can be built to high energy-efficiency standards, reducing carbon emissions and energy bills. Existing stock can be retrofitted and refurbished to support the same goals.  |
| Health and Wellbeing           | Quality homes improve public health outcomes (stability, living standards, and quality of life) and enhance community resilience.   |
| Community Resilience           | Intentional placemaking can help increase local mixing and improve community sentiment, also leading to improved public health outcomes and enhanced community resilience.  |
| Value for Money for Government | Can deliver long-term value for money for local and central government through reducing reliance on expensive and inadequate temporary accommodation. Includes direct savings plus wider cost-savings to other public services (e.g. NHS, social care, police) through improved long-term outcomes. |

## 10 / Conclusion

Housing is increasingly recognised as a core component of the UK's real assets landscape and an asset class well suited to long-term institutional investors. Structural undersupply, strong demographic demand and supportive policy frameworks underpin the long-term investment case, while a growing range of investable models – spanning market rental housing, affordable housing and specialist living sectors – has improved the accessibility and maturity of the sector. At the same time, policy reforms, greater funding certainty and initiatives such as the National Housing Bank are helping to create a more stable environment for investment and delivery.

For the LGPS, housing offers a compelling combination of financial and strategic benefits. Residential assets can deliver long-duration, income-generating returns that align well with pension liabilities, while also providing diversification from traditional commercial real estate sectors. Housing investment can also support broader place-based outcomes, including regeneration, economic development and improved access to housing within the communities in which LGPS members live and work, therefore enabling LGPS to act as long-term stewards of local assets and places.

As LGPS pooling and policy expectations increasingly emphasise domestic and local investment, housing may offer a particularly relevant channel for deploying capital in ways that support both financial performance and local priorities.

To date, LGPS funds have pursued a wide range of approaches to investing in the UK housing sector, reflecting differing positions along the risk-return-impact spectrum. These include strategies focused on stabilised, income-generating assets as

well as those involving development, regeneration or targeted interventions to address specific housing needs. As set out in this report, these approaches can vary significantly not only in their financial characteristics, but also in the level of impact delivered and the degree of additionality achieved.

There are also important differences in the intentionality of investment strategies. Some approaches are explicitly designed to address specific local challenges – such as housing people on social housing waiting lists, reducing affordability pressures, or tackling homelessness – while others focus on delivering market housing supply. While this broader supply still plays an important role in addressing the housing crisis, it is typically less targeted towards the needs of the most underserved groups. This variation reflects different investor priorities, appetites for risk, and approaches to impact measurement and management.

For LGPS investors, this highlights the importance of being clear about where and how capital is deployed across this spectrum. Understanding the relationship between risk, return and impact, and the degree of intentionality embedded within different strategies, will be critical to ensuring that housing investments align with both fiduciary objectives and desired place-based outcomes.

## Glossary

**Additionality** – The extent to which an investment creates new homes, improves existing stock, or addresses unmet housing need, rather than acquiring existing assets.

**Affordable Housing (“Big A”)** – Housing provided at below-market rents and regulated by government policy, including social rent, Affordable rent and shared ownership.

**Affordable Housing (“Small a”)** – Housing offered at below-market levels but not formally regulated, such as discounted market rent or intermediate rental products.

**Affordable Rent** – A regulated tenure where rents can be set at up to 80% of local market rent.

**Build-to-Rent (BTR)** – Purpose-built rental housing developed and managed at scale, typically by institutional investors.

**Development risk** – The risk associated with planning, permitting and constructing a project before it becomes operational.

**Fiduciary duty** – The legal obligation to act in the best financial interests of beneficiaries.

**For-Profit Registered Provider** – A regulated housing provider operating on a for-profit basis, often backed by institutional investment.

**Inflation-linked** – Income or asset values that rise in line with inflation, helping to preserve purchasing power over time.  
**Internal rate of return (IRR)** – The annualised rate of return expected to be earned on an investment over its lifetime.

**Local Housing Allowance (LHA)** – A government-set allowance that determines the level of housing benefit available to tenants in the private rented sector, often used to set rents in LHA-based housing models.

**Long-dated liabilities** – Financial obligations that extend many years into the future, such as pension payments.

**Market maturity** – The extent to which a sector can attract and deploy institutional capital at scale, with established investment structures and risk allocation.

**Private Rented Sector (PRS)** – Housing rented at market rates by private landlords, including institutionally owned rental housing.

**Refurbishment / Repurposing** – The process of upgrading or converting existing properties to improve quality, energy efficiency or bring homes back into use.

**Registered Provider (RP)** – An organisation registered with the Regulator of Social Housing to deliver and manage social and affordable housing.

**Section 106 (S106)** – A planning mechanism requiring developers to provide affordable housing or infrastructure as part of new developments.

**Shared Ownership** – A tenure allowing residents to purchase a share of a property while paying rent on the remaining portion.

**Social Rent** – The lowest-cost regulated housing tenure, with rents set using a government formula and allocated to households in greatest need, typically via local authority waiting lists.

**Supported Housing / Specialised Supported Housing (SSH)** – Housing combined with support services for individuals with additional needs, such as disabilities, mental health conditions or complex care requirements.

**Temporary Accommodation (TA)** – Short-term housing provided by local authorities to households experiencing homelessness or at risk of homelessness, often at significant cost to public services.

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## About Us

The Good Economy is a leading, independent impact advisory firm. We exist to accelerate the transition to a good economy, where financial systems deliver not just returns but better outcomes for society. We support fund managers, asset owners, allocators and public authorities to align investment decisions with purpose, embedding impact into how economic investment is allocated and governed. By working through established systems, we shape how value is defined, how markets behave, and what good investment looks like – helping our clients lead with integrity and drive meaningful change.

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