



**BUILDING FOR TODAY  
AND THE FUTURE  
MAKING THE CASE FOR GREEN  
AND AFFORDABLE HOUSING  
INVESTMENT IN EUROPE**

# CONTENTS

This document aims to inspire housing investors throughout Europe to align their environmental and social impact, effectively tackling both the housing and climate crises.

Through case studies and recommendations, it aims to help businesses maintain financial viability while prioritising investment in affordable and green housing projects.

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# 1 INTERSECTING CRISES

## Climate crisis

Globally, buildings contribute **37%** of energy-related CO<sub>2</sub> (36% in Europe)



The EU's goal is to **reduce 55% of its CO<sub>2</sub> emissions by 2030** compared to 1990s levels, and achieve



**net-zero by 2050**

## Investment need

Global investment needed to decarbonise existing buildings and **reach net-zero by 2050** is estimated at **USD 5.2 trillion**




The Renovation Wave Strategy calculates the additional investment needed in renovations for the EU to meet the **55% target by 2030** as **€275bn per year**

## Housing crisis

Adequate Housing (secure, affordable, habitable, accessible, etc.) is recognised in the 1948 Universal Declaration of Human Rights as a critical component of the right to an adequate standard of living. Ensuring access to affordable housing is one of the goals within the SDG Agenda (Goal 11.1)

**In 2023, 15 million people in Europe were overburdened by housing costs<sup>1</sup>**



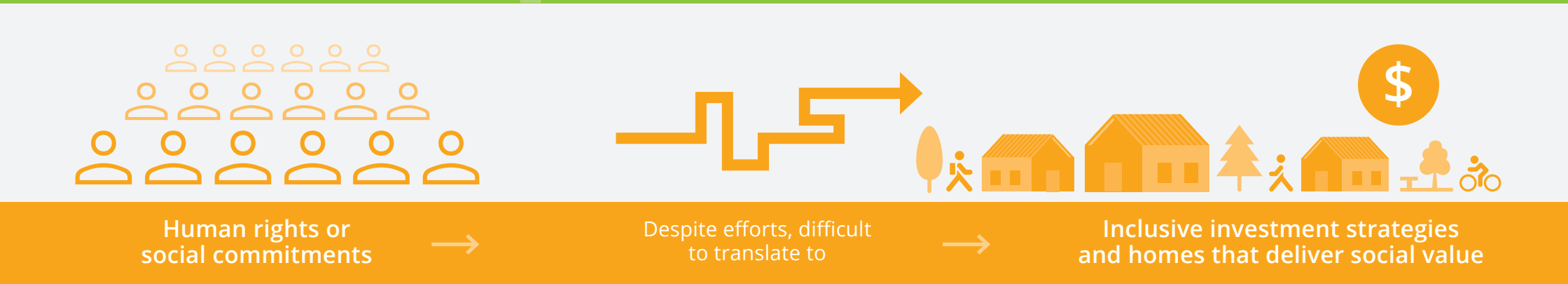
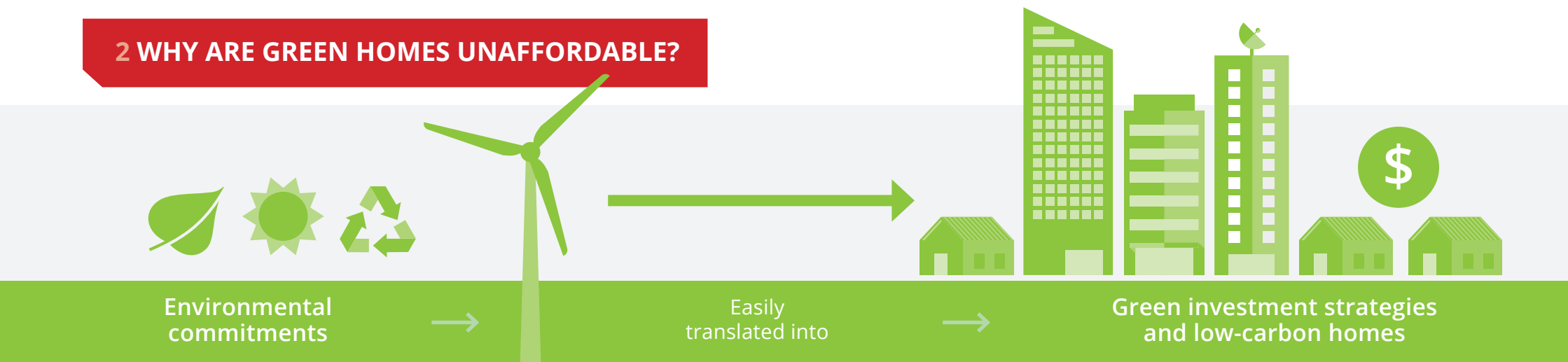
**22% of the low-income population lives in a dwelling with a leaking roof, rot, or damp walls, floors or foundation**

Across Europe, at least **895,000 people were homeless in 2023**



<sup>1</sup> Households are overburdened when total housing costs represent more than 40% of the total disposable income. Source: Eurostat (2023), [Housing Cost Overburden Rate](#)

## 2 WHY ARE GREEN HOMES UNAFFORDABLE?



### Investor perspectives

“ We have clear environmental and social commitments, but aligning them is challenging, particularly when trying to make green housing more affordable. We need examples of businesses doing it

“ There is a clear business case for the E, but we don't have one for the S

“ EU regulations are raising the bar on social impact. Real estate companies need to get ahead of regulations to remain appealing for investors

### 3 E&S ALIGNMENT IN HOUSING: OPPORTUNITIES



Individual investors can align their environmental and social impact by influencing the business model of the organisations they have invested in or by shifting their investment to organisations which are delivering greater social and environmental impact.

**Gain competitive advantage by aligning with upcoming EU environmental finance regulations**

**Access potential funding opportunities, often with preferential lending conditions, by engaging with governments and CSO in mixed-financed affordable housing programs**

**Avoid stranded assets by:**

- Retrofitting poorly performing housing stock or exceeding minimum energy efficiency standards when building or acquiring homes while protecting affordability
- Preparing for potential regulatory changes on social impact

**Minimise investment risk and maximise long-term occupancy by investing in projects that are built for residents, not for speculators:**

- Provide a mix of homes (sizes, price points, tenures) which meets the socio-demographic composition of local communities
- Include common areas and green spaces
- Increase tenant protection measures
- Engage residents in decision-making
- Foster local economy by including commercial spaces and creating stable employment opportunities

**Minimise costs and improve affordability by investing in projects that effectively engage relevant stakeholders:**

- Maintenance costs by creating vibrant, mixed communities with a strong sense of belonging
- Legal costs and lost time by ensuring meaningful participation of affected communities

Prioritisation of investment in projects that incorporate these approaches can improve the environmental and social impact of individual real estate businesses and investors while remaining profitable, but **shifting from extractive short-term pressure for high returns to a focus on long-term, lower but stable returns.**

**Collective leverage for change in the housing sector**

Beyond individual opportunities on responsible investment, financial actors have the collective capacity and leverage to influence the housing sector and make housing more affordable and green. Financial sector actors working together to align their own policies with environmental and social standards can have significant impacts on the performance of many industries linked to housing.

Therefore, a collective and systemic increase in investment in housing projects that incorporate rights-based approaches has the potential to increase the offer of such investments and ultimately lead to increased affordability and sustainability in the housing sector.

## 4 THE SPECTRUM OF CAPITAL

The real estate sector currently accounts for 60% of global assets, with investors ranging from privates to governments, pension funds, insurance companies, private equity, philanthropists and more.

Different types of investors have distinct aims and drivers, and will therefore invest in organisations with different business models, from housing cooperatives for low-income families to extractive real estate investment trusts which treat homes as commodified financial assets. These investors can broadly be mapped on the spectrum of capital below.

Approach	Conservative	Responsible	Sustainable	Impact-driven	Philanthropy and public	
Financial goals	←— Accept competitive risk-adjusted financial returns			→— Accept lower risk-adjusted returns	Accept partial capital loss	Accept full loss of capital
Impact goals	Avoid harm					
				Benefit all stakeholders		
					Contribute to solutions	
	<b>Don't consider</b> High potential for significant negative outcomes for people and the planet	<b>Avoid harm</b> Seeks to prevent negative outcomes for people and the planet	<b>Benefit</b> Aims to contribute to positive outcomes for people and the planet	<b>Contribute</b> Actively creates major positive outcomes for vulnerable communities and the planet		

As the UN Guiding Principles on Business and Human Rights make clear, all business enterprises, including investors - regardless of their approach - have social and environmental responsibilities to avoid infringing the human rights of others, and to address adverse human rights impacts they cause or to which they are linked. This **includes responsibilities with respect to the Right to Housing**.

Furthermore, given the **investment sector's clear contribution to Europe's current lack of affordable housing and carbon emissions**, there is an **urgent need for the entire sector to acknowledge its role so far**, and its **responsibilities and capacities to address negative social and environmental impacts in this area**. Doing so will require **new thinking**, and as the UN Special Rapporteur on the Right to Housing has emphasised, "new initiatives should be developed in order to bridge corporate and government finance, housing, planning and human rights".

To inspire action across the spectrum of capital, this document highlights initiatives with a range of financial and impact goals, but all seeking to improve the affordability of green homes.

## 5 CASE STUDIES

Real estate development  
by Home.Earth

Saxonvale development model  
by Stories and Mayday Saxonvale

Housing cooperatives  
by Sostre Civic

Social Real Estate  
by Inclusio

Low-profit real estate  
development by Omplim

Social housing  
by Habitat 3

We have identified front-running businesses and not-for-profits who are experimenting with innovative business models, to try to improve the social impact of green homes.

The case studies span the sale and rental sectors, as well as alternative forms of housing tenure, and all combine private finance with different types of investment.

### Actions making green housing more affordable

### Cases that incorporate these actions

Minimise risk and maximise long-term occupancy by providing homes that meet local socio-demographic composition



Maximise long-term occupancy by including green areas and common spaces



Minimise risk and maximise long-term occupancy by increasing tenant protection



Minimise risk and maximise long-term occupancy by engaging tenants



Maximise long-term occupancy by creating stable employment opportunities



Minimise maintenance costs by engaging stakeholders and fostering sense of belonging



Minimise legal costs by engaging affected communities



Avoid stranded assets by retrofitting or by exceeding minimum energy efficiency standards when building or acquiring homes



Avoid stranded assets by preparing for social impact regulation



Gain competitive advantage by abiding to present and future regulations



Access funding opportunities by engaging with governments and CSO



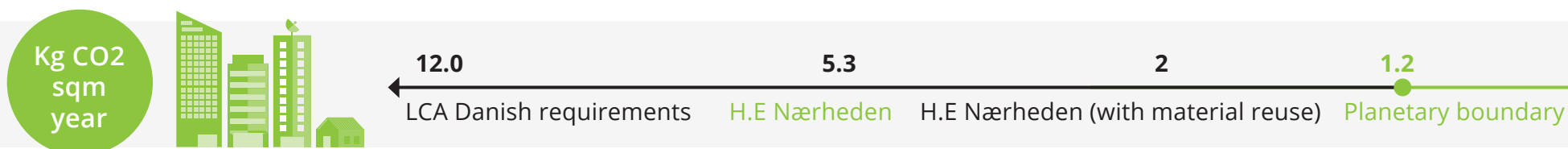
## 5.1 REAL ESTATE DEVELOPMENT BY HOME.EARTH

**Home.Earth** is a Danish evergreen real estate company that builds low-carbon homes. Its governance model includes tenants as shareholders, giving them a return on investment that effectively means their rents are below market rate.

As of 2023, there are three ongoing projects, comprising a total of 345 housing units, with 37 already in use and 308 soon on the market.

### Environment

- H.E Nærheden project: 5.3 CO<sub>2</sub> kg/m<sup>2</sup>/year emissions (55% lower than the LCA Danish standards), aiming for 2.0 with material reuse



### Social

- Sub-market deposits or no-deposits policy
- No-eviction policy
- Committed to never selling the units
- Communal spaces
- 15% share of equity return to tenants, equivalent to rent discount of ~20%

### Finance

- Reduced tenant turnover, reduced maintenance costs and increased building lifespan
- Target net return to investors approx. 10-14% IRR within a 10-year horizon
- No transfer restrictions, as liquidity is facilitated by Home.Earth after 5 years
- EU Sustainable Finance Disclosure Regulation: eligible under Articles 8 and 9
- 10-15 opportunities in the pipeline in the Greater Copenhagen area



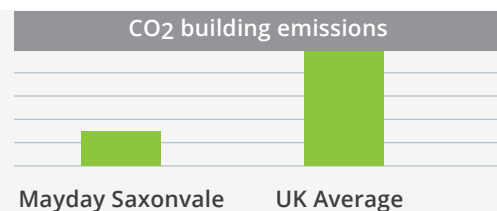
## 5.2 SAXONVALE DEVELOPMENT MODEL BY STORIES AND MAYDAY SAXONVALE

**Stories**, a socially responsible property development company, is partnering with **Mayday Saxonvale**, a not-for-profit social enterprise, to develop the Saxonvale site in the village of Frome, United Kingdom.

The outline planning application has been approved and includes 209 housing units, with additional commercial and community areas.

### Environment

- Expectation to reduce CO<sub>2</sub> emissions of the buildings by at least 70% compared to the UK average
- Preservation and reuse of historic structures and buildings
- Adoption of circular principles in construction, including reusing and retrofitting where possible



### Social

- 40% of the housing units are designated as affordable housing (24% social housing, 6% shared ownership, 10% TBC)
- Frome residents or those with a connection to Frome have right of first refusal for market homes
- Creation of 11,000m<sup>2</sup> of employment space, supporting up to 570 jobs
- Community-owned assets, including a hotel, studio space, and lido

### Finance

- Construction capital costs lowered and duration of borrowing reduced by offering homes as “shells” for self-builders
- Aim for a £2m community bond, expected to generate 5% annual IRR
- Phasing of commercial zones starts with the lower cost units
- Stories has recently secured £100 million equity commitment from Aviva Capital Partners

## 5.3 HOUSING COOPERATIVES BY SOSTRE CIVIC

**Sostre Civic** is a non-profit cooperative that promotes access to housing tenure through cooperative housing and the right of use in Catalonia. It operates on a membership basis, assisting members in establishing co-housing communities, governance structures, energy-efficient and sustainable building designs, as well as in accessing land tenure and finance.

As of 2023, there were a total of 13 live projects providing 140 homes.



### Environment

- All newly built homes meet the highest environmental certification (A): 13-16 kWh/m<sup>2</sup>/year and 2.3-2.7 kg CO<sub>2</sub>/m<sup>2</sup>/year
- Acquired homes vary from best ranking (A) to worst (G). 80% of Barcelona's current homes are classified as E-G



### Social

- Tenure in the right of use, which entails a moderate initial contribution and a stable or decreasing monthly contribution, and prevents sub-renting and housing access to non-residents
- Sostre Civic targets individuals with a yearly gross income between €10,000-30,000 (average gross income in the region: €17,553). Individuals who are landlords cannot become members
- Initial average down payment €3,680-33,150, average monthly rent €300-680
- Communal spaces



### Finance

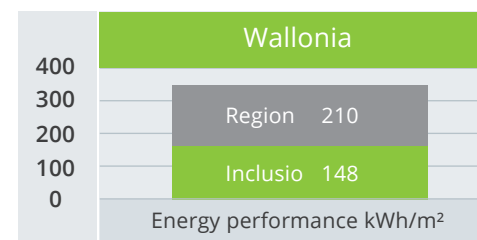
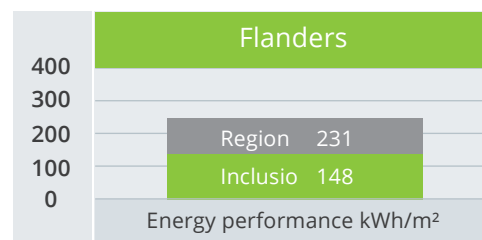
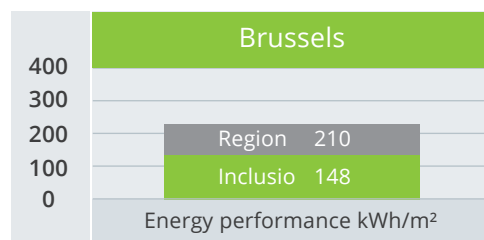
- 3% annual IRR for investments contributing to social capital
- 8 projects in the pipeline with 336 housing units by 2023
- Valuation of fixed assets for live projects in 2022 ranged from €344,550 to €3,462,570
- Waiting list of 856 members as of 2022

## 5.4 SOCIAL REAL ESTATE BY INCLUSIO

**Inclusio** is a social real estate company based in Brussels that aims to make quality, affordable, long-term housing available to people or communities unable to afford market rents.

### Environment

- 1,047 of the 1,226 (85%) housing units certified in 2022 with the “EPRA : Cert – Tot” Indicator, which certifies a consumption under 250 kWh/m<sup>2</sup>/year
- Average energetic consumption of Inclusio housing units in 2021 by region, and compared to region average:



### Social

- Close collaboration with CSOs and municipalities to identify local housing needs
- 1,226 mixed housing units in affordable rent programs, with 3,268 residents
- 144 housing units for 174 disabled people
- Other assets: 3 reception centres for asylum seekers, 1 building for homeless people accommodation, 1 high-school, 1 daycare and 2 office buildings for non-profits.
- Social housing rents are 25-30% below market level, subsidised by local and municipal governments

### Finance

Data by 30th September 2023

- Dividend per share: €0.70
- Portfolio value: €303m
- Occupancy rate: 98.3%
- Mix of public and private investors

## 5.5 LOW-PROFIT REAL ESTATE DEVELOPMENT BY OMLIM

**Omplim** is a low-profit real estate development company that oversees the entire production cycle of real estate projects for impact investors, third-party entities or communities in Catalonia. The organisation is committed to transforming the existing building methods and housing accessibility, while preserving its inclusive nature, sustainability, and quality.



### Environment

- All new builds meet the highest energetic certification “A”: consumption between 15-26 kWh/m<sup>2</sup>/year and 4 Co<sub>2</sub> kg/m<sup>2</sup>/year. More than 60% energy consumption reduction compared to second-ranked certification (“B”)
- Completed projects incorporate sources of renewable energy, and future projects aim at incorporating a renewable energy provision 20% above the requirements
- Life cycle carbon assessment for the 4 phases of finished projects between 600-1100 KgCO<sub>2</sub>/m<sup>2</sup>



### Social

- Communal spaces in 50% of completed projects
- Completed and ongoing projects include 50% social housing. Future projects aim for over 50%
- Between 5-7% of fees charged by Omplim are re-invested in local community projects



### Finance

- Portfolio value of managed assets of €30m
- Housing for sale 100% privately funded, and social housing 15% financed by public investment and 85% private

## 5.6 SOCIAL HOUSING BY HABITAT 3

**Habitat 3** is a Spanish foundation that manages social housing in Catalonia. It links social entities working with vulnerable individuals and governments to provide affordable and quality social housing.

The foundation searches and obtains housing from private property owners, companies and governments, or acquires it through right of first refusal, and grants housing access to individuals at risk of homelessness.

The foundation also provides social support to tenants, and modernises the housing stock to improve housing conditions and energy efficiency. Employment of rehabilitation jobs is done through social job placement companies to individuals at risk of social exclusion.

### Environment

- Rehabilitation of 128 housing units in 2022, 25 of which included retrofitting

### Social

- 72% of rehabilitation activities undertaken by social job placement companies
- Average monthly income of the households was €623 in 2022, with an average monthly rent of €120 (19.3% of income)

Average monthly  
income €623



Average rent: €120  
19.3% of total income

- Household family structure (mostly nuclear families but also single parents)

### Finance

- 902 homes under management, of which 175 are owned by the foundation
- Portfolio value (2022): €9m
- Average purchase price of housing unit: €67,000
- Public & private finance mix

## 6 REGULATIONS

Current and emerging EU regulations impacting investment in green and affordable housing:

- **Regulation on the establishment of a framework to facilitate sustainable investment (EU Taxonomy) - Regulation (EU) 2020/852. In force.**
- **Corporate Sustainability Reporting Directive (CSRD) - Directive (EU) 2022/2464. In force.**
- **Sustainable Finance Disclosure Regulation (SFDR) - Regulation (EU) 2019/2088. In force.**
- **Energy Performance of Buildings Directive (EPBD) - Directive 2010/31/EU. Provisional agreement on revision reached in 2023, to be formally adopted in 2024. In force.**

A just transition provision has been incorporated into the EPBD revision: "To combat energy poverty and reduce energy bills, financing measures must incentivize and accompany renovations, particularly targeting vulnerable customers and the worst-performing buildings, where a higher share of energy-poor households resides."
- **Carbon Border Adjustment Mechanism (CBAM) - Regulation (EU) 2023/956. In force.**

Came into force on 1st October 2023, with the first reporting period for importers ending on 31st January 2024. It initially applies to imports of certain goods with carbon-intensive production, at the most significant risk of carbon leakage: cement, iron and steel, aluminium, among others.
- **Proposal for Green Claims Directive. To be voted on in March 2024 by the Parliament.**

The proposal is limited to environmental labels only, but it includes labels containing environmental or social aspects, or both. Therefore, it might impact social value with KPIs. If approved as is, it may modify the Unfair Commercial Practices Directive (2005/29/EC) by adding "environmental and social impact" to the list of product characteristics about which a trader should not deceive a consumer - art 6(1).
- **Corporate Sustainability Due Diligence Directive. To be approved in 2024.**

If approved, the proposal will increase transparency for investors in the real estate sector, but it currently excludes the financial sector and will therefore have limited direct impact on the affordability of housing. Future iterations of the CSDDD may include the financial sector.
- **Social Taxonomy. Not yet developed.**

Aims to clearly define what constitutes a social investment, similar to what has been done with environmental investments. Housing is one of the topics that could be covered by a potential social taxonomy.

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