LIVING AT THE CROSSROADS

AFFORDABILITY, CLIMATE, AND REAL ESTATE INVESTMENT

A PRELIMINARY ASSESSMENT OF THE IMPACTS THAT HOUSING FINANCIALISATION IS HAVING ON PEOPLE AND THE PLANET IN EUROPE.

THE TASKFORCE ON AFFORDABLE AND SUSTAINABLE HOUSING (TASH)

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THE SHIFT #RIGHT2HOUSING
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EXECUTIVE SUMMARY

Housing unaffordability has reached crisis levels and is increasingly destabilising economies, societies, and democratic institutions. Secure, decent, affordable, sustainable housing is a human right, yet households find themselves devoting growing shares of income to rent, mortgages, and energy bills. When this right is unfulfilled, inequality rises, living standards erode, labour mobility declines and social discontent rises. In many countries, housing stress has become a catalyst for political polarisation and populist movements that undermine trust in institutions, weaken policy coherence, and threaten market stability.

Solutions that focus narrowly on deregulation and increasing supply risk accelerating climate change and nature loss, translating into higher insurance losses, impaired mortgage collateral, stranded assets, municipal fiscal stress, and broader macroeconomic volatility. Without coordinated action, climate risk in housing will lead to catastrophic long-term impacts for communities, investors, and governments.

To safeguard social stability and economic prosperity, housing must therefore become affordable within planetary boundaries.[1]

Housing unaffordability and unsustainable building practices stem from multiple interacting drivers—demographics, zoning, construction costs, labour shortages, welfare retrenchment, and climate policy gaps. Yet one increasingly influential force remains underexamined: the financialisation of housing. Housing is no longer treated primarily as a human right and as social infrastructure but is increasingly shaped by global capital markets, portfolio strategies, and return benchmarks that are detached from local incomes, needs, and environmental constraints.

Over the past two decades, institutional investors have deployed trillions into residential real estate, transforming housing into a global investment strategy that can be accessed across asset classes. This expansion has coincided with rising unaffordability and uneven decarbonisation outcomes, but causal pathways remain poorly understood.

For investors—particularly large, diversified asset owners such as pension funds and sovereign wealth funds—housing affordability and climate risk are not peripheral concerns but material systemic risks that ultimately feed back into a weaker and more volatile macroeconomic and market outlook, under--mining long-term returns. Affordable, energy-efficient, and resilient housing is therefore not just a niche impact strategy, but also a core component of long-term risk management and durable value creation for diversified investors whose portfolios are highly dependent on market stability.

Despite this, the pathways through which different investment models affect affordability, sustainability, and systemic risk remain poorly mapped. This lack of clarity hampers effective policymaking, responsible investment, and market stewardship. This report addresses that gap, setting the foundations for a mapping of pathways through which investors influence housing markets—both positively and negatively.

1 The safe limits for human pressure on the nine critical processes which together maintain a stable and resilient Earth. Boundaries are interrelated processes within the complex biophysical Earth system. Planetary boundaries cannot be considered in isolation in any decision-making on sustainability.

INVESTMENT APPROACHES AND IMPACTS

Institutional investment can either exacerbate or help address the twin housing and climate crises. Transparency in the sector remains low; the lack of comparable, outcome-level data that connects investment activity to real-world affordability, habitability, and emissions is a challenge. Existing sustainability and impact frameworks often focus on inputs and intentions rather than outcomes. Nonetheless, evidence consistently shows that impacts vary significantly depending on the investment model used. This research summarises these distinctions grouping investment strategies into three categories. The classification has been inspired by UN PRI's Investor Pathways, which have been adapted to reflect this report's evidence. It can inform how the Pathways are understood and operationalised in the context of housing investment:

APPROACH A
MANAGING RISK

Investors use Environmental, Social, and Governance (ESG) activity primarily to protect asset values and manage property-level risks, rather than to influence impacts relating to affordability, health, the environment, or wider system outcomes. For instance, they might invest in energy-efficient or resilient homes where this supports returns, but maintain practices—such as rent escalation or transferring retrofit costs to tenants—that can displace communities and escalate unaffordability.

APPROACH B
ADDRESSING SYSTEM-LEVEL RISK

Investors seek competitive risk-adjusted financial returns by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions. Investors acknowledge that housing unaffordability and emissions create system-level risks affecting long-term financial returns. They invest in resilient, efficient homes and underserved market segments, often with affordability clauses or long leases—though effectiveness depends heavily on regulatory and subsidy design and affordability, habitability, and security of tenure are not granted permanently.

APPROACH C
PURSUING IMPACT

Investors may or may not target risk-adjusted rates of return, while pursuing a positive measurable impact by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions and pursuing positive sustainability outcomes across investments. Investors intentionally target measurable social outcomes, including long-term affordability, habitability, and community resilience, accepting concessionary or blended returns where needed. These models use reinvested surpluses, public or philanthropic capital, and permanent affordability covenants.

This research identifies and analyses European examples associated with each investment strategy. It concludes that the dominant trajectory—characterised by some level of speculation, rent-gap strategies, cross-border portfolio optimisation and advocacy for deregulation—has intensified affordability pressures and exacerbated environmental impacts. Yet it also identifies a growing number of innovative approaches that, to varying degrees, are more in line with human rights and planetary boundaries. Incentivising and scaling these investment approaches can play a crucial role in strengthening social cohesion and slowing down the climate crisis, improving long-term outcomes for people, governments, and markets.

For **investors**, the findings provide a clear view of how capital deployment affects the human right to housing, societal cohesion, and climate risk. While a subset of impact-driven investors are structuring investment products and strategies that can alleviate housing and environmental pressures, these models remain niche. Many of these models are concessionary, and while they have the potential to derisk or catalyse mainstream capital seeking risk adjusted returns, it is also critical to consider how mainstream markets function. To drive systemic change, affordability and sustainability must be considered as contributing to stronger risk-return profiles. This requires a systemic shift in how value, risk, and public benefit are priced by all investors— regardless of the approach category they currently fit in. Encouragingly, some large asset owners have begun to integrate system-level risk considerations—such as climate transition risk and social stability—into investment beliefs, benchmarks, and portfolio construction, signalling early movement toward this approach.

For **policymakers and regulators**, the evidence can catalyse and inform the development of urgently-needed standards for investments—created with affected communities, tenants, developers, and investors—that guide and govern responsible residential investment. Findings support the design of policy interventions—particularly conditionalities and social safeguards—that clarify how affordability is defined and measured, ensuring that institutional investment contributes to intended goals of fulfilling the right to adequate housing within planetary boundaries. In exchange for long-term affordability requirements and ensured habitability, targeted government intervention can serve as a structural risk mitigant, reducing volatility and social instability, supporting aggregate demand required for a healthy economy, and enhancing the fundability of affordable housing portfolios. Critically, subsidies, guarantees and other policy interventions can function and be framed as preventive fiscal tools.

Taken together, the findings make clear that aligning housing investment with human rights and planetary boundaries is not optional, but a prerequisite for long-term social stability, economic resilience, and market integrity.

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1. INTRODUCTION

This section sets out the scale of the housing and climate crises, explains why financialisation has emerged as a critical yet underexamined driver of these challenges, and introduces TASH and the purpose of this publication.

1.1 CONTEXT AND SCOPE

The global housing crisis has reached unprecedented scale. An estimated 1.8 billion people lack adequate housing, while rising housing costs are consuming an ever-larger share of household income (UN-Habitat, n.d.). Real house prices in OECD countries have risen 37% over the past decade, and housing has become 16% more expensive relative to incomes (Doroszczyk, 2024). Across the European Union (EU), 8.2% of the population spends more than 40% of disposable income on housing as of 2024, and 15.6% lives in unfit housing as of 2023 (Eurostat, 2025a; Eurostat, 2025b). In England, the value of privately rented homes rose by an average of 432% between 1990 and 2022 (Musto, 2024).

Climate change is intensifying these pressures. Higher energy bills, more frequent extreme weather events, and rising sea levels are worsening housing insecurity, destroying homes and creating stranded assets. Buildings currently account for 38% of global emissions, 37% of the global energy burden and half of the world's resource extraction through their construction and operation (United Nations Environment Programme, 2020; European Environment Agency, 2024). Cutting these emissions is therefore essential, and an estimated 97% of Europe's buildings need to be retrofitted to meet 2050 climate goals (BPIE, 2017). However, widening affordability gaps risk locking-in energy-inefficient building stock and deepening both social and environmental vulnerability.

Housing therefore sits at the centre of a twin crisis of inequality and climate—one that creates growing instability and poses systemic risks to the institutions that sustain democratic societies. These pressures also heighten political and economic volatility. Housing stress is increasingly exploited by extremist political movements, offering simplistic explanations for complex economic realities. Legitimate concerns are redirected towards scapegoating, particularly of vulnerable groups, rather than towards systemic solutions. This dynamic threatens evidence-based policymaking, erodes trust in public institutions, and fuels polarisation and economic volatility.

Debates around housing have long centred on demographic pressures, zoning policies, regulatory barriers, construction costs, and levels of public investment. These remain critical elements of any effective response. Yet one critical factor remains underexamined: the growing financialisation of housing.

Over the past two decades, institutional investors—including pension funds, insurance companies, sovereign wealth funds, and asset managers—have deployed trillions of dollars into residential real estate, fundamentally altering how housing markets operate. This trend is accelerating. According to the INREV (European Investors in Non-Listed Real Estate) Annual Index Fund, residential allocations in Europe grew from 6.6% in 2013 to 22.7% in 2023 (INREV, 2024a). With limited political appetite for large-scale public spending, this trend will further accelerate as governments and multilateral banks are increasingly seeking to mobilise private capital to improve housing affordability and reduce emissions from existing building stock.

This shift toward private capital is not confined to market-rate housing. It is increasingly reshaping the provision and financing of social housing across Europe, which varies by country but is typically provided by public bodies or non-profit and regulated providers, and is designed to offer affordable, secure homes below market rents. While it serves social objectives—such as housing low- and middle-income households—it is often financed through a blended capital model, combining public support (grants, land, guarantees, tax incentives) with private financing from banks, institutional investors, or bond markets, with housing provision and investor returns typically constrained or conditioned by regulation, contracts, or public support mechanisms to protect long-term affordability and public benefit.

As institutional investment becomes a rapidly-growing force in housing markets, understanding its impact is essential. Yet research to date remains limited. Most analyses treat investors as a homogeneous category rather than examining the different strategies at play and the distinct effects they may have on affordability and sustainability. This gap has significant implications for people, policymakers, and investors themselves.

Escalating housing unaffordability and climate-related impacts in the built environment are not only social challenges but material systemic threats to economic and financial stability. When households are overburdened by housing costs or exposed to climate-driven hazards, the effects ripple outward—destabilising communities, straining public budgets, and potentially weakening labour markets. For investors, policymakers, and regulators, these pressures translate into growing system-level risks, including rising household indebtedness and default rates, declining labour mobility, reduced aggregate demand, mounting fiscal pressures from housing support and disaster recovery, and the stranding of climate-vulnerable housing stock. As these stresses accumulate, they can drive rising credit and insurance losses, concentrate physical climate exposures, and ultimately amplify financial instability across banking, insurance, and capital markets, heightening macroeconomic volatility.

For governments and policymakers, these trends raise concerns beyond housing provision alone. Rising unaffordability and climate-related housing risks translate directly into higher public expenditure on housing benefits, emergency accommodation, healthcare, and social services, while simultaneously constraining labour mobility and economic growth. At the same time, the growing role of global capital in local housing markets complicates the effectiveness of traditional policy tools—such as zoning, rent regulation, and building standards—by introducing actors whose investment decisions are driven by financial benchmarks rather than local policy objectives. Understanding how financialisation reshapes housing outcomes is therefore critical for governments seeking to design credible, fiscally sustainable, and democratically legitimate housing and climate strategies.

Investor behaviour can amplify affordability pressures, accelerate emissions and physical-climate exposures, or deepen inequality, all of which can feed back into markets as volatility. Conversely, investor action can reduce these vulnerabilities and generate positive spillovers that improve systemic resilience. Understanding these risks and opportunities is therefore foundational to responsible stewardship.

For large institutional investors, particularly pension funds and sovereign wealth funds with diversified portfolios that track the performance of the overall economy, these market dynamics translate into systemic and systematic risks that cannot be diversified away and ultimately erode long-term portfolio returns (Lukomnik and Hawley, 2021).[2] Good housing strengthens communities, supports economic stability, and mitigates climate risk, making it as critical to long-term portfolio performance as it is to social wellbeing. In this context, affordable and sustainable housing is therefore not merely a niche impact strategy, but also a core component of resilient, diversified portfolios that mitigate systemic risk while delivering stable, long-term value.

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2 As noted in the book, Moving Beyond Modern Portfolio Theory: Investing That Matters by Jon Lukomnik and Jim Hawley, "more than 75 percent of the variability in the return to an investor is caused by systematic risk – that is, some combination of beta and how much exposure an investor has to that beta."

Asset owners and allocators—positioned at the top of the capital markets value chain—are uniquely placed to shift incentives for investees downstream. They also have strong reasons to do so. Asset allocators such as pension funds have intergenerational fiduciary duties and thus have a particular stake in mitigating long-term risks in markets. However, within many institutional investors, stewardship teams and incentives may conflict with the incentives of investment teams, who are typically expected to meet or exceed short-term financial benchmarks over one-to-three-year horizons.[3] The result is encouraging company executives to prioritise near-term returns in ways that can conflict with longer-term institutional mandates and stewardship objectives. These benchmarks are grounded in historical market performance that systematically undervalues human, social, and natural capital, reinforcing investment practices that fail to internalise externalities.

This dynamic reflects not poor intent, but structural blind spots in how financial incentives and governance have evolved. Further fragmentation arises from asset-class silos, where separate teams pursue benchmark outperformance without accounting for system-wide impacts across portfolios. Combined with pressure to deploy large volumes of capital, these structures can crowd out innovative, cross-cutting investment approaches, limiting the flow of capital toward regenerative investments aligned with long-term risk-adjusted returns.[4]

While improved climate and housing-related disclosures by real estate and construction companies are essential, disclosure alone is insufficient if investors lack the internal governance, incentives, and analytical frameworks to act on this information. Addressing these risks therefore requires changes not only at the company-level but within investment institutions themselves—aligning mandates, incentives, and financial analysis practices with human rights standards, intergenerational fiduciary duties and the recognition that long-term returns depend on resilient communities and ecosystems. Some large asset owners have begun to incorporate such system-level considerations, including Norges Bank Investment Management, the Government Pension Investment Fund of Japan, California Public Employees' Retirement System (CalPERS), California State Teachers Retirement System (CalSTRS), Ontario Teachers' Pension Plan, and the New York State Common Retirement Fund.[5]

However, without a clear understanding of the pathways through which investors affect housing markets—both positively and negatively—and the feedback loops through which these impacts accumulate as financial opportunities or risks, challenges relating to affordability, sustainability, inequality, and financial instability are poised to grow.

Recognising and acting on these dynamics is essential for investors, policymakers, and regulators seeking to stabilise housing systems and safeguard long-term market performance. Yet today, these pathways and feedback loops remain poorly understood and rarely incorporated into investment decision-making.

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3 Conflicting signals often arise when stewardship teams, for instance, encourage improved environmental performance while portfolio managers continue to prioritise short-term financial metrics tied to asset growth, leverage, and yield maximisation.
4 These structural contradictions and incentive misalignments are described in Rothenberg, Danso & Van Gansbeke (2025).
5 See statements and reports by Norges Bank Investment Management (2024), California State Teachers Retirement System (n.d), Ontario Teachers' Pension Plan (2024), New York State Common Retirement Fund (2024) as well as Burckart & Lydenberg (2021) and The Investment Integration Project (2024).

1.2 ABOUT TASH

The Taskforce on Affordable and Sustainable Housing (TASH) is a collaborative initiative convened by the Predistribution Initiative (PDI), the Institute for Human Rights and Business (IHRB), and The Shift, with the International Union of Tenants (IUT) and the World Benchmarking Alliance (WBA) as members. It was established in response to the growing recognition that housing sits at the intersection of two interlinked global crises: deepening inequality and accelerating climate breakdown.

TASH was established to address a critical gap: despite the growing role of institutional investors in residential real estate, there has been limited systematic mapping of how different investment approaches affect housing outcomes, how these impacts translate into systemic risks for economies and diversified portfolios, and how existing accountability mechanisms could be strengthened or aligned. The Taskforce aims to build a shared evidence base and convene diverse stakeholders—including investors, policymakers, civil society organisations, tenant representatives, and technical experts—to support the co-creation of standards, risk frameworks, and disclosures that align housing investment with human rights obligations and planetary boundaries.

1.3 ABOUT THIS REPORT

This publication, TASH's first, represents the first phase of its work. It provides a preliminary, evidence-based assessment of how the financialisation of housing is shaping affordability, sustainability, habitability, and security of tenure. Drawing on over 100 sources, and focusing primarily on Europe, the report maps key investment pathways through which institutional capital influences housing outcomes—both positively and negatively—while situating these dynamics within broader human rights and planetary boundary frameworks, with a slightly stronger emphasis on affordability than sustainability, reflecting the relative weakness of existing social standards. Evidence from the United States (US) is used selectively for comparative and contextual reference.

The report is intentionally diagnostic and scoping in nature. It does not seek to establish new standards, prescribe specific regulatory reforms, rank individual investors, assess specific investment opportunities, or provide a comprehensive quantitative impact assessment across jurisdictions. Nor does it claim to resolve the complex trade-offs inherent in housing and climate policy. Instead, its purpose is to clarify mechanisms, surface underexamined risks and opportunities, and identify where existing market practices and policy approaches fall short of meeting human rights obligations and climate goals.

As such, this publication should be understood as a foundation for subsequent phases of work, rather than a final blueprint. Future TASH work may include: extending the analysis to additional jurisdictions; case studies and deeper dives into specific investment models, ownership structures, and regulatory regimes; analysis of system-level financial risks and feedback loops associated with housing unaffordability and climate transition failure; co-creation of standards of practice and disclosure frameworks for investors and companies; and engagement with policymakers, regulators, civil society, and market actors to translate findings into accountable, interoperable, and actionable guidance.

2. SCALE & DYNAMICS OF FINANCIALISATION

This section describes how and why institutional capital has expanded in residential real estate, the size of this shift, and the different forms it takes across European markets.

2.1 THE RISE IN RESIDENTIAL REAL ESTATE INVESTMENT

The concept of financialisation, while broad and often imprecise, has become central to describing structural market shifts in housing markets. Housing is increasingly treated primarily as a financial asset rather than a place to live. Institutional investors have expanded their presence in housing markets worldwide, and financial motives and management techniques play a defining role in transforming housing into an investable strategy.

Institutional investors are financial entities that manage and deploy capital on behalf of shareholders and clients. These include asset owners and allocators—such as public pension funds, sovereign wealth funds, endowments, insurers, and development finance institutions—that ultimately hold large pools of capital and decide how to allocate them across asset classes to meet long-term obligations. They also include asset managers hired to invest this capital in line with specific mandates–private equity and private debt firms, venture capital firms, active and passive managers of listed securities—as well as investment vehicles such as listed real estate companies and Real Estate Investment Trusts (REITs). Although these actors may sometimes appear local, their operations are fundamentally international, with investment decisions and ownership structures largely detached from the cities and regions where the assets themselves are located.

This expansion into real estate as an asset class has been driven by the professionalisation and globalisation of institutional investment, together with policy choices that favoured capital flows into property. Until the late 1980s, pension funds were largely domestic and conservative, but deregulation and financial liberalisation in the 1990s opened the way to more liquid and diversified global strategies (Van Loon et al., 2017).[6] By the 2000s, Modern Portfolio Theory, asset liability management practices, and prevailing interpretations of fiduciary duty and financial materiality entrenched a portfolio-management logic in which real estate was prized for stable income and diversification rather than local housing needs. Outsourcing to external asset managers and benchmark-driven performance reviews has further normalised this orientation and emphasised relatively short-term performance horizons (one to five years).

Post-2008, a combination of falling interest rates, distressed housing markets, and weak or non-existent tenant protections accelerated investors' interest in real estate as a competitive investment strategy. As returns on traditional assets like bonds declined, real estate emerged as a compelling alternative, offering steady income streams, relatively low volatility, capital appreciation, and portfolio diversification benefits. In many countries (e.g., the US, Germany, Ireland, and Spain), investors took advantage of post-crisis market distress and snapped up undervalued properties and mortgages (Christophers, 2022). Starting in the US, in the early 2010s several large firms began pursuing rental-focused strategies purchasing single-family homes to create portfolios held for rental rather than quick resale (Mills, Molloy and Zarutskie, 2015).

6 For example until the late 1980s, the portfolios of Dutch pension funds were concentrated in domestic fixed income, real estate, and some equities. Van Loon et al. (2017) documents the full evolution of the professionalisation of Dutch pension funds, but similar trajectories unfolded in many other countries.

Between 2005 and 2015, the share of newly launched real estate funds targeting residential assets grew from 14.2% to 22.2%, and within the INREV Annual Index Fund residential allocations in Europe increased from 6.6% in 2013 to 22.7% in 2023 (Christophers, 2023; INREV, 2024a). Leading global managers such as Blackstone, Brookfield, Greystar, PGIM, and AXA have since become heavily embedded in housing: Blackstone's housing share, for example, grew from 0% to 20% of its real estate portfolio between 2009 and 2020 (Christophers, 2023).

2.2 SCALE AND CONCENTRATION

The scale of global real estate markets and the portion now held for investment illustrate why these shifts matter. In 2022, global real estate was valued at $379 trillion, with residential properties making up 76% of this total (Tostevin & Rushton, 2023). An estimated $62 trillion is held as investment real estate rather than owner-occupied housing, based primarily on institutionally tracked assets (Burmester et al., 2023). Determining the residential share of investment-held real estate is challenging due to differences in definitions and data coverage. Alternative estimates suggest that global residential real estate held for investment could be as high as $133 trillion.[7]

Institutional investors now control $12.3 trillion in income-producing real estate worldwide, encompassing both residential and commercial assets, with 40% held by listed entities and nearly 60% concentrated in major metropolitan areas (Burmester et al., 2023). Non-listed real estate fund managers oversaw €3.9 trillion in Assets under Management (AUM) in 2022 (INREV, 2024b), while real estate investment managers more broadly managed $6.09 trillion (Global Investment Managers, 2023). Market concentration is significant: the top 10 firms alone account for $1.9 trillion in real estate AUM (Institutional Real Estate, 2023). All these figures combine residential and commercial property, while the residential share of institutionally owned real estate remains difficult to quantify due to limited investor reporting. In 2021, $3.6 trillion of global institutional capital targeted European real estate. Most (c. $2.5 trillion) was deployed via real estate funds managed by private equity or other asset managers, and the share of residential assets was estimated at $1.5 trillion (Gabor & Kohl, 2022). While this accounts for only 4.5% of Europe's estimated €29.9 trillion residential property stock (INREV, 2022), the average masks stark geographic variation.

Institutional ownership tends to be heavily concentrated in major urban centres. In 2021, the Berlin region alone accounted for €42 billion in housing assets held by institutional investors, representing 28% of the estimated €150 billion held across major European urban markets. London followed with €27.7 billion (18.5%), while Amsterdam represented a further €23.4 billion (15.6%). Paris and Vienna contributed smaller but still significant shares—€13.4 billion (8.9%) and €11.2 billion (7.5%), respectively. Altogether, these five cities comprised nearly 80% of institutional housing assets, underscoring the extent to which investment activity remains concentrated in a limited set of high-demand metropolitan regions (Gabor & Kohl, 2022). Here, investors become key real estate actors, shaping housing supply dynamics, setting industry standards, legitimising potentially speculative practice, and exerting significant control over access and demand.

Institutional exposure to residential real estate spans multiple channels (Figure 1). On the equity side, investors may hold assets directly, or indirectly via private real estate funds, listed

7 This figure can be approximated by subtracting an estimated $154 trillion in owner-occupied housing (Burmester et al., 2023) from the roughly $287 trillion total value of global residential real estate (Tostevin & Rushton, 2023), yielding an implied income-producing residential stock of approximately $133 trillion.

8 Note that this residential AUM is estimated as real estate portfolios that include housing and that it is impossible to identify the exact value of residential assets alone, since investors do not report these separately.

REITs, or real estate companies. On the debt side, they can lend through residential mortgages, private real estate debt and direct lending strategies, purchase fixed-income instruments issued to finance housing portfolios, or buy securitised products such as mortgage-backed securities and bonds. These structures enable pooling, diversification across geographies, and scaling of investments with relatively low transaction costs. Strategies differ significantly across local contexts, with variation in liquidity, risk–return profiles, and the degree of investor control.

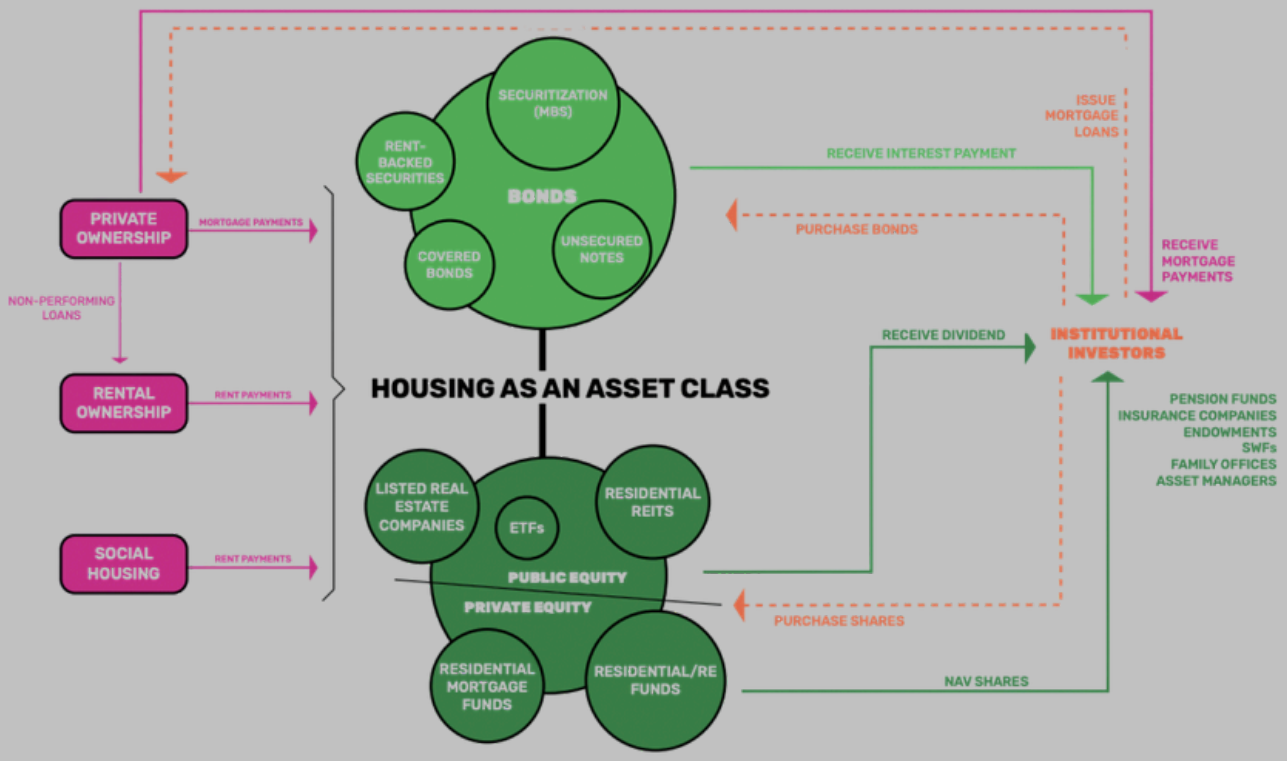

Figure 1 – Institutional Investment Pathways in Residential Housing Markets
Source: Gabor & Kohl, 2022

The share of private rental housing managed by institutional investors varies widely across Europe. Iceland (17%) and Sweden (14%) have the highest shares, while Germany, the Netherlands, Denmark, Finland, and the Czech Republic fall between 3–5% (Holm et al., 2023). In the United Kingdom (UK), 2% of private rental sector homes are held by institutions (Savills, 2024). In Spain, institutional residential investment reached circa €4.3 billion in 2024, a year-on-year increase of c. 40% (DWS, 2025), controlling 1.6% of the country's rental market (García et al., 2024). In contrast, institutional landlords play only a marginal role in France and Poland, where their share is just 0.1–0.2% of the national housing stock (Holm et al., 2023). Even where national shares are low, investor concentration at city- or neighbourhood-level—particularly in areas with shorter-term rentals associated with tourists or students—can make them decisive market actors, shaping supply, access, and price dynamics (Holm et al., 2023). Investor interest is also broadening into residential sub-segments such as private rented sector / build-to-rent, student housing, flex living, affordable housing, co-living.

North American capital remains prominent in Europe: of the $1.5 trillion in residential real estate AUM in Europe, US-based pension funds and insurance companies account for roughly $650 billion—more than double the exposure of their European counterparts at about $300 billion (Gabor & Kohl, 2022). Over 90% of pension funds in Europe consistently reported investing in real estate between 1990 through 2009, primarily via asset managers rather than direct holdings, and more than half invest in listed real estate companies (Andonov et al., 2013).

2.3 VARIATION ACROSS LOCAL CONTEXTS

Institutional investors enter housing markets through various routes, shaped by the domestic path-dependencies: national housing policy, investment into public housing, tenure regimes, welfare provision, and regulatory, tax and financial frameworks. These factors, including the balance between homeowners and renters in each city, condition investment opportunity and the feasibility of large-scale acquisitions.

The cities discussed below are selected purposively to capture variation in tenure structures, regulatory frameworks, and stages of housing financialisation across European contexts. Rather than constituting a representative sample, they illustrate how institutional strategies differ across renter-heavy and owner-oriented housing systems, drawing on cases where sufficient empirical evidence is available.

Despite lack of clear data on global financialisation dynamics such as the monetary policies that have sustained low interest rates, previous research allows the identification of typical dynamics. Where large shares of the population rent privately, institutional landlords may find a ready-made terrain for bulk acquisitions and rental strategies.

Berlin exemplifies this: roughly 85% of residents rent, with nearly 70% of units held by private landlords, companies, or investors, and only about 5% qualifying as social housing (Holm et al., 2023). Mass privatisation of state or social housing in the 1990s enabled investors to acquire multiple blocks of properties. Today, investors control around 10% of the housing stock (Holm et al., 2023). Institutional landlords such as Vonovia, Covivio, Adler Group, GCP, and Heimstaden dominate the rental landscape, operating as large, internationally listed companies with diversified shareholder bases including global investors like BlackRock and Norges Bank (Holm et al., 2023).

Brussels is renter-heavy, with only c. 40% of residents owning their homes (compared to about 70% nationally). Private rentals (housing rented out by private landlords or private companies, as opposed to public bodies) account for 51% of the stock and social rentals another 9% (Franklin et al., 2022; Kahane et al., 2019). However, ownership is highly fragmented—75% of units are held by small landlords owning one to five dwellings, and large-scale landlords represent only a tiny fraction of the market (Périlleux, 2023)—making bulk acquisitions difficult.[9] As a result, the city is at a more nascent stage in terms of institutional activity as compared with Berlin. Local developers like Atenor and Immobel continue to expand large-scale rental projects, while international funds and Belgian REITs (e.g., Cofinimmo, Home Invest, Inclusio) are increasingly active, often focusing on niche segments such as co-living, student housing, senior housing, and market social housing due to the limited supply of large apartment blocks (Holm et al., 2023).

9 Ownership of rental units remains overwhelmingly in the hands of small and mid-sized individual landlords: 75% of individually owned rentals are held by landlords with one to five units, and large-scale landlords owning more than 20 or 50 units represent just 1.2–3% of the corporate stock.

London presents a more mixed tenure system, with 53% of households renting in either the private or social sector (i.e. council and housing association housing) (Holm et al., 2023). The city has become the UK's primary hub for housing financialisation. While institutional investment has traditionally concentrated on commercial real estate, over the past decade the residential sector has become an expanding frontier, rising from less than 1% of real estate in institutional portfolios in 2010 to around 15% in 2021 (Holm et al., 2023; Alakeson, 2011; Knight Frank, 2022). Institutional capital is also expanding from student housing (the purpose-built student accommodation sector) into build-to-rent, co-living, and care homes, channelling capital through REITs, pension fund subsidiaries, and private equity firms (Watt, 2021; Gabor & Kohl, 2022; Holm et al., 2023; Cushman & Wakefield, 2022; Roberts, 2016). In London, private providers now control 84% of beds in adult social care facilities (Savills, 2022).

By contrast, in owner-oriented contexts such as Athens and Milan, opportunities for institutional capital have emerged more selectively. Athens is dominated by small-scale homeownership—around 68% of households own and occupy their dwellings, a legacy of the post–Civil War urban land system that fostered fragmented private property (Emmanouel, 2015). Since 2017, Athens has attracted growing international capital—particularly from family offices and institutional investors—through low property prices, a developing market for non-performing loans, and incentives like the Golden Visa programme offering residency to non-EU purchasing or renting property worth over €250,000 (Holm et al., 2023). Milan likewise remains owner-oriented, with about 70% of households owning their homes and only 25% renting as of 2019 (Holm et al., 2023).[10] In recent decades, housing policy in Italy has followed a radical path of neoliberalisation, combining continued incentives for homeownership with full rent liberalisation, the partial privatisation of public housing through right-to-buy schemes, and the withdrawal of state funding and production responsibilities in favour of regional governments (Coppola, 2012).

2.4 INVESTMENT APPROACHES & VEHICLES

2.4.1 Private Equity Real Estate Funds

European-based real estate private equity funds have expanded rapidly in response to institutional demand, tripling over the past decade to around €1 trillion (Gabor & Kohl, 2022).[11] Private data (Preqin) indicated nearly 900 funds active in European residential real estate by 2021, with around 200 dedicated solely to housing and many others combining it with commercial assets (Gabor & Kohl, 2022). Fund launches have risen steadily since the 2000s—interrupted only by the global financial crisis and the pandemic—with most domiciled in the US or UK, though German and French funds are also significant. While some funds focus on single markets (e.g., UK, Germany, Italy, France, Netherlands), many pursue multi-country or pan-European strategies, reflecting the sector's growing internationalisation.

10 Investors such as Prodea and Golden Horizon have acquired and renovated entire buildings, with Prodea's shift from a domestic REIT to being controlled by global private equity underscoring the transnational nature of these flows, which, though still modest, signal the early stages of significant housing financialisation in Athens.

11 Gabor & Kohl (2022)'s calculation on the basis of European Central Bank (ECB) data for real estate funds in the Euro area. However, the official statistics such as the ECB Datawarehouse or Eurostat, do not provide a breakdown of residential housing assets in institutional portfolios.

2.4.2 Real Estate Investment Trusts (REITs)

REITs are publicly-traded companies that own and manage residential housing, offering liquid exposure for institutional investors. Originally developed in the US and Canada, REITs are incentivised by regulatory frameworks that provide tax advantages in exchange for distributing a high percentage of income as dividends (typically approximately c. 80-90%) and maintaining a high percentage of assets in real estate (roughly 75%). As publicly listed vehicles, REITs are particularly attractive to institutional investors seeking liquid, scalable exposure to residential real estate through capital markets.

REITs have become a dominant institutional investment vehicle, and are part of the real estate strategies of 56% of the largest North American institutional investors and 64% of the largest global institutional investors[12] (Sullivan and Walten, 2024). Since their introduction in Europe in the mid-2000s, REIT structures have proliferated across the region (Gabor & Kohl, 2022). In Spain, the REIT model known as SOCIMIs (Sociedades Anónimas Cotizadas de Inversión Inmobiliaria) was established in 2009 and liberalised in 2012 when adjustments were made to ease listing requirements, broaden the scope of eligible assets, and shorten minimum holding periods for rental properties. SOCIMIs benefit from near-complete exemptions on corporate income and capital gains taxes, provided they distribute at least 80% of rental income to shareholders. Similar tax-privileged regimes exist elsewhere, such as Germany's G-REITs and France's SIICs (Sociétés d'Investissements Immobiliers Cotées), enabling cross-border capital flows into residential property markets. SOCIMIs now account for roughly 50% of all residential and 80% of commercial property market transactions in Spain.

These tax incentives have made REITs highly attractive to global institutional investors and the default structure for managing large-scale property portfolios. REITs are often used primarily as vehicles for tax optimisation rather than as a genuine public investment vehicle. Spanish SOCIMIs illustrate this dynamic: despite their listed status, public liquidity remains limited, with more than 90% of shares held by parent or controlling groups and only around 6% available for trading (Gabor & Kohl, 2022).

2.4.3 Social & Affordable Housing

The decline in state-provided social housing through privatisation and retrenchment has opened avenues for either fully- or partially-privately owned and managed social and affordable housing, which is increasingly reshaped into an investable financial strategy. Hybrid models charge "moderate rents" pegged to market levels but cushioned by subsidies, tax breaks, or access to cheap public land or better financing conditions, such as lower interest rates. While such arrangements can mobilise private capital for housing that is below market rate, they often prioritise financial risk management and investment returns over expanding the supply available to the lowest-income households.

In the UK, social impact finance illustrates the scale and evolution of these markets. Big Society Capital's market sizing analysis estimates that the total value of social investments reached £10 billion in 2023, with around half channelled through social and affordable housing funds and other vehicles investing in real assets, alongside bank lending[13]. This represents a ten-fold increase in investment volumes over little more than a decade, deepening the role of private capital in the provision of social and affordable housing and marking a clear shift away from reliance on bank loans alone towards a more diversified ecosystem of products and investment vehicles.

12 Figures are based on public plans and sovereign wealth funds that invest at least 1% of their total AUM in real estate and invest in REITs as part of their real estate (rather than equities) allocation.
13 Better Society Capital (2023).

3. IMPACTS OF FINANCIALISATION

When responsibly deployed, institutional investment can play a crucial role in financing resource-efficient homes, reducing urban sprawl and reducing land conversion, and retrofitting the existing stock. Yet it often risks fuelling unaffordability, accelerating displacement, and increasing embodied carbon emissions through unnecessary demolition and construction. This section reviews risks and opportunities across three interlinked dimensions: the right to adequate housing, environmental outcomes, and governance and systemic effects.

3.1 AFFORDABILITY & THE RIGHT TO ADEQUATE HOUSING

Housing is a human right, recognised under the Universal Declaration of Human Rights, binding UN treaties, and the United Nations Sustainable Development Goals. Universal access to adequate housing is included among the 17 Sustainable Development Goals (SDGs) (UN-Habitat, n.d) and, more generally, its fulfillment has profound, lifelong impacts on wealth, education, health, and overall economic security. Under international law, governments have the obligation to guarantee the right to adequate housing, and real estate investors have responsibilities in ensuring that housing within their portfolios is affordable, secure, accessible, decent and sustainable (The Shift, 2024). This section analyses how institutional investors impact access to housing through four dimensions:

AFFORDABILITY

Housing is affordable when households can obtain and maintain in the long-term adequate housing without spending so much on housing costs that they are unable to meet other essential living needs.[14]

SUSTAINABILITY

Housing is sustainable when it meets present housing needs while remaining environmentally responsible, economically viable, and socially inclusive over the long term.

HABITABILITY

Housing is decent and habitable when it provides safe, healthy, and dignified living conditions, including adequate space, basic services, and protection from physical and environmental harm.

SECURITY OF TENURE

Housing is secure when dwellers are free from the threat of forced eviction.

14 Linking affordability to a specific income threshold helps policy advance on affordability. For instance, the International Union of Tenants (IUT) advocates in the EU for housing costs to be a maximum of 25% of the household disposable income. However, to ensure housing is affordable for all income groups, healthy income mixes must be included in housing ecosystems.

The financialisation of housing occurs alongside—and sometimes in response to—other structural drivers of unaffordability. In some contexts, investors may be responding to existing scarcity, stepping into markets where regulatory constraints or public underinvestment have already generated supply-demand imbalances or providing much-needed investment for novel sustainable building technologies and materials. In some cases, investors can produce investment products and strategies that seek to alleviate housing pressures, reduce emissions and respond to affordability, some of which produce material positive impacts for communities. Institutional capital can improve affordability and habitability by financing new homes, conversions and upgrades. There is growing evidence that an increase in housing supply results in positive yet small decreases in housing prices, but there is little consensus on the magnitude (Jofre-Monseny & Segú, 2025). Some studies across European cities show that an additional 1% in housing stock would lower house prices by around 1.4% to 1.5% (Mulherin, 2019).

In practice, most conventional institutional housing strategies have focused less on expanding supply and more on acquiring, consolidating, and re-pricing existing housing stock. Many investors act in a delocalised manner, driven more by shareholder imperatives than local housing needs.

Although housing markets remain inherently local, they have become increasingly influenced by global capital movements, with large capital inflows often associated with rising house prices and greater international synchronisation, particularly around the global financial crisis when abundant global liquidity coincided with domestic financial deregulation. While the strength of this relationship has varied over time and across countries, and has moderated in more recent years as macroprudential regulation has sought to limit these effects, housing prices remain increasingly exposed to the same global risk factors that shape capital flows and financial asset prices (Hoffmann, 2025). Even when framed as socially oriented, investments can intensify affordability pressures by weakening the link between local wages and housing costs. Though entry routes vary, case studies from Madrid, Berlin, and London reveal displacement, rent increases, and deterioration of housing conditions (Yrigoy, 2021; Christophers, 2022; Janoschka et al., 2019; Fields, Uffer 2016).

The inflow of institutional capital into local housing markets can create a risk of leapfrogging local residents and small-scale investors. Institutional investors are typically able to leverage cash, data, and speed to acquire properties, giving them privileged access to distressed or time-sensitive transactions—such as foreclosures—that require rapid execution and upfront payment and are less accessible to owner-occupiers. Large-scale buy-to-rent investors, in particular, draw on diverse financing sources that allow them to bypass mortgage financing and secure properties at discounted prices. When purchasing otherwise comparable homes, institutional investors are often willing to pay a premium and can outbid individual buyers, reflecting their scale, lower cost of capital, and expectations of sustained rental income growth.[15]

15 An early study in the US confirmed these dynamics empirically (Mills, Molloy and Zarutskie, 2015).

Investor activity has an incremental spillover effect on local markets, increasing housing prices for extended periods. Early academic studies in the US document price trends as soon as investors entered the housing market. One study finds that a 10% increase in investor purchases in a census block is associated with a 0.20% rise in house prices (Allen et al., 2018). Another study finds that, between 2009 to 2017, one standard deviation higher purchases by institutional investors leads to 1.46% higher housing price growth for the median house, with prices growing significantly faster than income (Garriga, et al, 2022). This same study also finds that institutional investor purchases disproportionately impact the bottom price tier, where a one standard deviation increase in buying raises housing price growth by 2.29%, significantly worsening affordability for first-time buyers. Yet another study finds that, between 2007 and 2014, large real estate portfolio investors reduced housing affordability by reselling properties purchased at the 37th percentile of the market at prices closer to the 70th percentile. To maximise yields, they concentrated in poorer neighbourhoods, further eroding affordability for lower-income households seeking to buy homes in those areas (Gay, 2015). The study also found that price increases are often the result of investors' resale of properties, with a large number of properties on the market being sold between investors.

In the EU, analysing housing markets between 2007 and 2021, the European Central Bank has found that institutional investor activity in the Eurozone has indeed been linked to sustained increases in house prices, as bulk purchases by large investors drive up demand (European Central Bank, 2025). In areas with high institutional involvement, the traditional connection between local incomes and house prices weakens, making housing less affordable for residents, even as prices become more influenced by broader financial market dynamics than by local economic conditions.

The "rent gap", first introduced by Smith (1979), refers to the difference between a property's current value, and its potential highest value, from an investing lens. Profit opportunities arise when disinvested urban properties can be redeveloped or upgraded to command much higher rents, incentivising investors to buy undervalued stock and extract returns. This process often erodes tenant protections and fuels gentrification and displacement.

Since the early 2000s, institutional housing strategies have increasingly shifted away from traditional models centred on resale, renovation, and incremental rent increases toward more aggressive models that prioritise maximising asset values and dividends. These include sustained rent hikes; inflated balance sheet valuations; higher leverage; reduced spend on maintenance; efficiency gains through automation and standardisation; passing modernisation costs onto tenants to justify rent increases; and the full exploitation of legal rent-setting mechanisms (Holm et al., 2023).

The strategies of global giants like Blackstone illustrate how opportunities to identify and close rent gaps can scale across territories. The firm has pursued a multi-territory rent-gap strategy it calls "buy it, fix it, sell it." After 2008, it became the largest owner of foreclosed single-family homes in the US, purchasing around 50,000 units through its subsidiary Invitation Homes and renovating them for higher rents (Christophers, 2022). Building on this success, Blackstone launched Blackstone Property Partners Europe (BPPE) in 2017 to target European markets with high rental demand and underinvested housing stock.

In Berlin, Blackstone acquired nearly 4,600 units across 176 buildings by 2018, capitalising on low prices and a surge in rental demand. In Stockholm, its takeover of D. Carnegie & Co. (later Hembla) enabled steep rent hikes in aging Million Programme estates, while in Copenhagen it targeted poorly maintained, rent-controlled housing, achieving average rent uplifts of 81% (Christophers, 2022). In Spain, where Blackstone is now the second-largest landlord with 19,600 rental units, its strategies have systematically weakened tenant protections in pursuit of higher returns (Janoschka et al., 2019). These include disinvestment to pressure tenants to leave, sudden cost increases, contractual uncertainty, and targeted evictions of vulnerable or

activist households. Expired leases were replaced with much higher rents, displacing long-term tenants and eroding community cohesion. Across these contexts, Blackstone's approach has reinforced gentrification by replacing low-income residents with wealthier occupants and driving up rents (Reed, 2019).

Higher rents rarely occur in isolation: they are also accompanied by strategies that undermine security of tenure and cause displacement. Data has shown that higher investor presence is linked to increased evictions, displacement, and homelessness. In Spain, investment funds replaced banks as the top cause of evictions post-2020. Between 2020 and 2021, investment funds filed for 25.49% of total evictions within Barcelona (Gabarre de Sus, 2022). Across cities, tenants face evictions, renovictions, and neglect-driven abandonment, processes that displace vulnerable households and weaken community stability.

In 2020, Greece introduced the "Hercules" securitisation scheme, modelled on Italy's non-performing loan framework, to transfer €30 billion (around 40% of banks' bad loans) into Irish Special Purpose Vehicles (SPVs) that issued bonds to international investors with partial state guarantees. While the scheme helped banks clean up their balance sheets, it had severe social consequences for borrowers. By transferring non-performing loans to servicers with enhanced enforcement powers, the scheme facilitated a sharp increase in home auctions and foreclosure proceedings, significantly heightening the risk of evictions and displacement for households. Roughly 700,000 loans—including around 120,000 primary residences—were exposed to potential enforcement actions, and by March 2023 more than 170,000 property auctions had already been posted, often affecting owner-occupiers facing income loss or long-term financial distress (Holm et al., 2023). A second phase expanded tax incentives for non-performing loan sales, further drawing in investor funds while exacerbating affordability pressures.

In recent years, these strategies have been increasingly enabled and intensified through the deployment of digital technologies and data-driven management systems. Since the Global Financial Crisis, institutional investors in the US and Europe have harnessed property technology ("proptech") and big data to scale housing portfolios and optimise returns, reshaping affordability, tenant rights, and privacy. Online platforms and proprietary "acquisition engines" enable large investors to outcompete individual buyers, as seen in the US where investors purchased 19% of homes in early 2024, while in Europe, firms like Vonovia and UK build-to-rent developers have adopted similar tools to expand market share (Del Prete, 2023; Katz, 2024). Algorithmic rent-setting systems such as RealPage have drawn antitrust action in the US (US Department of Justice, 2025), and tenant groups in Germany and the UK have raised concerns over automated rent increases and exclusionary screening. Property technology ("proptech") also powers "automated landlords" across both regions, using digital rent collection, tenant portals, smart-home technologies, and keyless entry to manage vast portfolios (Fields & Rogers, 2021; Fields, 2022). While stronger tenant protections and General Data Protection Regulation provide some safeguards in the EU, in both the US and Europe these technologies facilitate investor concentration, rent inflation, and extensive data harvesting, often without tenant consent, exposing renters to privacy breaches and discriminatory profiling (Whittaker, 2022; McElroy & Vergerio, 2022).

These dynamics are not limited to large corporate landlords but also extend to smaller institutional and quasi-institutional actors operating through intermediary platforms and investment programmes. In Athens, assets bought and renovated under the Golden Visa programme were often resold or converted into short-term rentals, driving up rents. Family offices facilitated investments in short-term rentals, acting as intermediaries between global investors and local opportunities while offering consulting on maximising returns. Others renovated assets to reposition them as prime short- medium- or long-term rentals, or in the niche market for medium-term rentals aimed at professionals on extended stays whose costs are often covered by employers; here, proptech company Blueground has played a leading role, offering furnished upgraded apartments at rents typically higher than long-term leases, further tightening local rental markets and displacing long-term residents.

3.2 THE SUSTAINABILITY IMPLEMENTATION GAP

This section examines the outlines the scale and nature of the decarbonisation challenge, analyses progress to date, persistent incentive barriers to energy efficiency, and the role of finance and regulation in shaping outcomes. It concludes by highlighting the distributional risks of decarbonisation pathways that are insufficiently attentive to social equity.

3.2.1 The Climate Challenge

Decarbonising the built environment is both a climate imperative and a financial challenge. To avoid the systemic risks of climate change, the Paris Agreement obliges governments to limit global warming to 1.5°C (above pre-industrial levels) which involves halving greenhouse gas emissions in the built environment by 2030 and achieving net zero by 2050. The built environment plays a decisive role in meeting these targets, given its long asset life cycles and substantial contribution to global emissions.

A large share of emissions associated with buildings arise not from their operation, but from embodied carbon—emissions generated through the extraction, production, transport, and assembly of construction materials, as well as through demolition and disposal across the building lifecycle (OECD, 2025). Concrete on its own is responsible for over 7% of global carbon emissions (Badera, 2024). By 2050, embodied carbon from new buildings is expected to represent approximately 50% of the total carbon footprint of the residential sector (OECD, 2025).

Despite the scale of embodied emissions, policy frameworks and corporate action remain critically limited in addressing them. The OECD estimates that 79% of countries do not account for embodied carbon in their emissions inventories (OECD, 2025). This omission obscures a major source of climate risk and undermines efforts to align the built environment with net-zero pathways.

The associated policy and financial framework have similar shortcomings. For example, financial incentives prioritise demolition and redevelopment over renovation, and cosmetic improvements over deep retrofitting mean that decisions taken today about construction, materials, and asset reuse will lock in emissions trajectories for decades.

The World Benchmarking Alliance (WBA)'s 2024 Urban Benchmark assessed the most influential 126 construction and real estate companies globally, including large-scale property owners, managers and developers.[16] It found that 28% of firms have time-bound commitments for Scope 1 and 2 emissions, and just 21% for Scope 3. Alarmingly, just 5% of firms have targets aligned with the 1.5°C pathway, and even fewer show any measurable progress towards reducing emissions—10% for Scope 1 and 2, and 9% for Scope 3. This highlights how, despite growing recognition of the built environment's central role in the climate transition, a significant gap persists between ambitions and actionable progress.

While embodied carbon dominates the emissions profile of new construction, operational emissions from existing buildings represent one of the most immediate and cost-effective opportunities for decarbonisation. Yet energy efficiency, often cited as one of the most immediate and cost-effective ways to curb emissions, remains persistently underprioritised across the sector.

A central barrier is the "split-incentive" problem, when the party who would need to invest in energy-efficiency upgrades (typically the landlord) does not directly receive the benefits of lower energy bills, which accrue to the tenant. Because landlords cannot fully recoup the costs of retrofits through higher rents or sale premiums, they have weak incentives to invest in deep energy improvements, even when those improvements are socially optimal.

Empirical evidence supports this diagnosis. One study estimates that renters consume approximately 2.7% more energy than they would in the absence of split-incentive barriers (Melvin, 2018). A recent analysis of the Dutch housing market found that rental properties are, on average, 7.7% less energy efficient than comparable owner-occupied dwellings, reinforcing the significance of incentive misalignment at scale (Aydin, Holtermans and Eichholtz, 2024).

Qualitative interviews with landlords further suggest that uncertainty around payback periods and the lack of direct financial benefits deter investment in energy efficiency.

While some progress has been made—through energy efficiency targets in new building codes, retrofit incentives, and tax rebates—corporate performance reflects these structural barriers. According to WBA's 2024 Urban Benchmark, only 16% of the 126 surveyed construction and real estate companies report energy efficiency performance metrics, 24% have time-bound targets, and a mere 7.1% show any actual improvement. Only 15% of firms have implemented energy efficiency monitoring systems—tools that are essential for tracking and improving performance and achieving real change. These figures underscore the gap between intention and implementation in operational decarbonisation due to a lack of robust systems and measurable outcomes.

16 The Urban Benchmark ranks the sustainability performance of the 300 most influential companies shaping urban environments worldwide, across sectors such as construction, energy, real estate, transport, waste and water management. The surveyed companies include 42 of the largest urban construction and engineering companies in the world, and 84 of the world's largest real estate companies, primarily operating in residential and commercial real estate markets. REITs or other financial institutions involved in real estate products are not covered.

3.2.2 Financing the Transition

The persistence of low energy efficiency investment is reinforced by broader financial dynamics that privilege new construction over the retrofitting and optimisation of existing stock. According to the UNEP Global Status Report, global spending on building energy efficiency reached approximately $273 billion in 2021—around 20 times less than the $5.8 trillion invested in new construction and buildings that same year (UNEP, 2022). This imbalance persists despite the substantial emissions savings that could be achieved through retrofit.

New construction, particularly in urban centres, often proceeds without sufficient consideration of lifecycle emissions and can exacerbate climate impacts such as the urban heat island effect (You et al., 2023). At the same time, the financialisation of housing can incentivise demolition, redevelopment, speculative holding, or underutilisation of land and buildings, contributing to urban sprawl and additional emissions from new builds (OECD, 2018). These trends run counter to the demonstrated need to reduce the average square metres of floor area per person in Europe (IRP, 2020), and undermine efforts to optimise the use of existing structures, which is critical to lowering carbon emissions.

Achieving deep decarbonisation of the built environment will require urgent action and substantial investment to meet both safety standards and net-zero targets. The social housing sector faces particularly acute challenges, given the need to expand affordable housing supply while retrofitting ageing stock. In the UK, for example, tens of billions of pounds in investment are required to meet evolving regulatory standards, reduce household energy bills, and align with the 2050 net-zero target (The Good Economy, 2020).

Institutional investors, with access to long-term capital and the ability to overcome coordination challenges associated with fragmented ownership, may be well positioned to finance large-scale retrofit programmes—particularly in multi-occupancy housing. Large investors such as Blackstone have begun to signal greater attention to environmental performance. In the US, its former subsidiary Invitation Homes has introduced measures such as smart thermostats and water-saving systems, though these remain incremental rather than transformative (Invitation Homes, 2023). At the group level, Blackstone has committed to reducing Scope 1 and 2 emissions by 15% within the first three years of ownership for certain new investments where it controls energy use (Blackstone, 2025). In Europe, Blackstone Property Partners Europe has established a Green Financing Framework to support energy efficiency upgrades (Blackstone BPPE, 2025). However, to date there is limited public evidence that housing investments and strategies by large investors have systematically delivered large-scale energy-efficiency improvements.

In parallel, housing associations in the UK have pioneered innovative financing instruments explicitly linked to energy-efficiency and decarbonisation investments. Cross Keys Homes issued the UK's first Green Bond in 2014 and Clarion the first Sustainability Bond in 2020, contributing to the rapid global expansion of green, social, and sustainability bonds (The Good Economy, 2020). In both cases, bond proceeds were used to finance or refinance the development and retrofit of affordable housing, including energy-efficiency improvements, decarbonisation measures, and other investments delivering both environmental and social outcomes. Sustainability-linked loans (SLLs), which tie interest rates to the achievement of social or environmental targets, have also gained traction among housing associations such as Optivo, L&Q, Peabody, and Clarion (The Good Economy, 2020).[17]

17 Conditions can be linked to outcomes like childcare training or supporting residents into employment.

3.2.3 Retrofits

Where retrofits do occur, costs are often passed on to tenants. Case studies from Germany show that "energetic modernisation" frequently leads to rent increases that outweigh energy savings. One study of ten social housing buildings in south-western Germany found that, despite a 70% reduction in energy consumption, more than half of households experienced higher overall costs due to rent increases, reinforcing tenant resistance to upgrades (Wolff and Weber, 2017). Similar concerns arise elsewhere: a 2016 study estimated that retrofitting Gothenburg's ageing multi-family housing stock would cost 155 billion SEK and warned that resulting rent increases could disproportionately harm low-income residents (Mangold et al., 2016).

Renovations and green retrofits can also be used to displace tenants and justify evictions. Without increased protections, the drive to decarbonise existing housing may be exploited by institutional landlords to undertake green renovations so they can evict tenants and raise rents. This risks catalysing public pushback against critical climate solutions.

Evidence suggests that meaningful energy upgrades are most likely where regulation explicitly conditions financial returns on improved performance. In Denmark, the 2020 "Blackstone law" required landlords to undertake energy-efficiency improvements before increasing rents (O'Brien, 2022). In the Flanders region of Belgium, rent indexation rules were linked to energy performance, preventing rent increases for the least efficient properties and limiting increases even for the most efficient ones—combining incentives and penalties (IHRB, 2024).[18] Tax policy can further reinforce these approaches by lowering retrofit costs through reduced VAT rates, tax credits, accelerated depreciation, or direct grants, such as France's MaPrimeRénov' programme, which targets insulation, heating upgrades, and whole-building renovations in existing homes, and the UK's zero-rated VAT on qualifying energy-saving measures.[19]

Without stronger regulation, investor accountability, and tenant protections, efforts to green the housing sector risk entrenching inequality by passing costs onto residents or enabling "renovictions." At the same time, innovative financing tools demonstrate that capital markets may be steered toward socially inclusive, low-carbon housing solutions. The task ahead is not simply to mobilise investment at scale, but to align financial flows with decarbonisation pathways that ensure both environmental integrity and housing affordability.

Regulation, tax incentives, public funding, and contract design (such as green leases) can all play a role in aligning financial returns with deeper retrofit investment, and reducing uncertainty around payback periods for retrofit investments. Effective collaboration is needed between local authorities, housing associations, investors, developers, and government, to align financial, social, and environmental objectives under a supportive housing policy framework (The Good Economy, 2020).

18 Landlords of properties with no Energy Performance Certificate rating or ratings of F and G could not increase their rents at all. Those in the middle (E/F or D/E) could increase them by 50% or 75% of the maximum permissible increase. Even for the most energy efficient properties, rents could only be increased by the indexation limit, preventing the worst cases of "renoviction".
19 See HM Revenue & Customs (2014).

3.3 GOVERNANCE

This section examines how governance—transparency, accountability, market concentration, and political influence—shape housing affordability, sustainability, and systemic risk across the real estate and financial sectors.

3.3.1 Transparency

This section primarily draws on corporate disclosures rather than investor-level data, as these sources provide the most systematic and comparable insight currently available on affordability and sustainability. Corporate performance should not be read as a direct proxy for investor intent, but it does reveal structural risks to which investors are exposed and over which they often exert influence through capital allocation and stewardship. Where disclosures are lacking, investors have an opportunity to engage with standard setters and companies to catalyse the production of more information on such climate-related risks, and with policymakers and regulators to mandate such levels of transparency.

In the past decade, the construction and real estate sector has started to embrace climate disclosures. WBA's 2026 Urban Benchmark found that 75% of the 145 most influential construction and real estate companies regularly report on emissions, including Scope 3, which include embodied carbon and other value chain emissions (WBA, 2026). While the quality of disclosures is mixed, the widespread adoption is encouraging.

Affordability, on the other hand, remains largely absent from corporate sustainability strategies in the real estate and construction sectors. The vast majority (84%) of companies in WBA's 2026 Urban Benchmark do not have 'Affordability' as a material topic in their sustainability report. They score zero in WBA's Affordability indicator, which looks into companies' transparency (reporting on the affordability of their products), time-bound targets to improve affordability, measured progress against targets, systematic actions taken to improve affordability and assessments of external factors on the affordability of their products/services for its customers.

Although just 16% report on any affordability metric, the range of metrics disclosed is wide and inconsistent. Reporting metrics include: (i) Area or number of affordable housing units completed annually, (ii) number of people served through social housing projects, (iii) proportion of developments that include a 10-20% affordable housing component, (iv) total value and number of rent subsidies given annually, (v) affordability index (ratio of property price to annual income), (vi) percentage of total real estate sales from the affordable category, (vii) % of houses priced below market or targeting a specific income quintile and (viii) % of houses that have capped rents.

The absence of common reporting standards for affordability in real estate and construction—unlike the Sustainability Accounting Standards Board (SASB) framework which includes standardised affordability metrics for essential services such as water and energy[20] —creates significant challenges. Without uniform metrics, it is difficult to track progress, hold stakeholders accountable, and develop effective policies to address housing affordability.

Currently, none of the companies assessed set time-bound, measurable targets to improve housing affordability. While some disclosures suggest relevant commitments—such as plans to build a specific number of affordable or social housing units by 2030, or ongoing commitments

20 The SASB framework covers affordability metrics for energy in the specific industry standards for utilities. While there are affordability metrics for water and energy, such metrics are lacking with respect to housing affordability.

to support government-led affordable housing programmes—these do not constitute concrete targets, primarily because they don't clearly define what qualifies as an "affordable house". In cases where affordability is defined, examples range from rental or purchase prices set below a certain threshold, or a certain percentage below market rates. However, these definitions are often disconnected from international affordability standards or local income levels, making it difficult to assess their true impact on housing accessibility. While some organisations advocate for a measurement based on a percentage of the median income, this is not reflected in international law, as any percentage of total income differs significantly in absolute terms between low-income and middle-income households.

Only 10% of the 145 analysed companies disclose actions to improve affordability, such as subsidised housing projects across multiple cities, or allocating a portion of development portfolios to social housing. However, it is difficult to assess the implementation or systemic impacts of these initiatives on housing affordability. Lastly, none of the assessed companies include customer affordability as part of their materiality or risk assessments, which could suggest that development activity is skewed toward higher-priced housing markets rather than affordable segments. This challenges the notion that supply expansion alone is sufficient to alleviate the housing crisis and underscores the limited role of large corporate developers in addressing affordability where demand is most acute.

Performance is also poor with regard to transparency on the adequacy or habitability of real estate products. A significant 45% scored zero across all key elements, including reporting, target setting, progress tracking, and systematic actions. While 13% of companies report on at least one metric of adequacy, most of these disclosures focus only on environmental factors—such as energy efficiency and sustainable material sourcing—and not on critical socioeconomic and health-related aspects like spaciousness, material quality, durability, and indoor air quality.

Taken together, these findings illustrate a significant transparency gap at the corporate level within the real estate value chain. However, they also raise a broader governance question: how visible are impacts on sustainability and affordability once ownership and control are mediated through financial actors? To address this question, it is necessary to shift from corporate benchmarks to investor-focused assessments. While in many cases real estate companies are the direct operators of housing assets, institutional investors increasingly shape housing outcomes through ownership structures, capital allocation, and stewardship practices. Yet transparency tends to weaken rather than strengthen as one moves up the investment chain.

Evidence from the WBA's 2025 Financial System Benchmark (WBA, 2025) underscores this point. Of the 400 keystone financial institutions assessed across subsectors (including asset owners, asset managers, banks, and insurers), only 23 (6%) disclose the categories of stakeholders whose human rights have been or may be affected by their activities. In an investment context, these "activities" primarily refer not only to institutions' own internal operations, but to the risks and impacts associated with their provision of products, services and capital.[21]

Transparency is even weaker with respect to engagement. This figure drops further to just 3% when assessing whether institutions provide at least two concrete examples of engagement with affected stakeholders within the last two years. Asset managers and asset owners—such as pension funds and sovereign wealth funds—perform worse overall on these indicators compared to banks and insurance companies. Given the former's increasing role as long-term owners and allocators of capital in residential real estate, often exercising influence through fund structures, governance arrangements, and stewardship rather than direct operation, this

21 The financial institution needs to be able to clearly explains how it identifies and assesses its human rights risks and salient human rights issues, including how contextual factors such as geography and socio-economic conditions are considered, and whether this assessment explicitly covers the human rights risks linked to the products, services, and capital it provides.

points to a growing accountability gap in parts of the investment chain where ownership concentration and strategic influence over housing assets are rising.

Taken together, these findings point to a pervasive transparency gap across the real estate and financial sectors, spanning environmental performance, affordability, adequacy, and human rights impacts. While partial disclosures exist, the absence of consistent metrics, time-bound targets grounded in consensus-built best practice (or standards of "what good looks like"), and outcome-based reporting severely limits comparability, accountability, and effective oversight.

3.3.2 Market Concentration, Lobbying & Political Influence

Affordability and displacement pressures are compounded by the growing concentration of housing ownership. A handful of large firms dominate rental sectors in major cities, giving them monopoly-like control over rents, maintenance, and tenant services—further amplifying affordability challenges. The growing concentration of power among corporate landlords can be understood both in terms of the concentration in geographies and home types, and the consolidation of capital in the hands of a few large institutional investors.

At the level of capital allocation, concentration is already pronounced. For instance, among Europe-focused private equity real estate funds, the top four fund managers raised 50% of the €167B raised by the top 20 fund managers between 2010 and 2020 (Gabor & Kohl, 2022). This concentration translates into highly centralised ownership and operational control in specific urban markets. In Berlin, Vonovia alone manages its portfolio through more than 700 subsidiaries, centralising strategy and rental pricing while insourcing housing-related services to maximise profits. This consolidation allows such firms to exert monopoly-like control over repairs, maintenance, and tenant services, often at the expense of quality (Holm et al., 2023).

Similar dynamics are evident in London, where ownership is highly concentrated across multiple housing sub-sectors. In social housing, there are 272 large housing associations managing at least 1,000 units, collectively accounting for more than 96% of the capital's social housing stock (The Good Economy, 2020). The build-to-rent sector in London is dominated by a small group of seven key players, led by Quintain, acquired by US private equity firm Lone Star in 2015 (Roberts, 2016). In purpose-built student accommodation in London, nine companies control the market, with Unite Students—converted to a REIT in 2017—playing a leading role (Unite Group PLC, 2022). Together, Unite and Blackstone control around 30% of private student accommodation beds and nearly half of university-nominated or leased beds in the city, illustrating both the degree of concentration and the increasingly globalised, financialised nature of London's housing system (Holm et al., 2023). In adjacent, housing-linked, poorly regulated sectors such as adult social care facilities, private providers now control 84% of beds in London, extending these dynamics beyond conventional residential real estate (Savills, 2022).

As concentration grows, so too does political leverage and lobbying power. Some institutional investors (e.g. asset managers) and real estate operating companies or sponsors with direct or close control over vast housing portfolios and market segments are able not only to shape local housing dynamics but also to influence policymaking to protect and expand their interests. Engagement with politics varies widely, depending on whether housing decisions are made at the local or national level, the strength of regulatory and planning frameworks, and the political culture. Their primary aim, however, is consistent: to de-risk and protect existing investments while creating new opportunities. Such influence is frequently exercised collectively through real estate and investment industry associations, as well as through direct engagement, with tactics ranging from lobbying for subsidies and guarantees, to involvement in planning committees, informal pressure on regulations, and roundtables with public officials.

This growing political influence can sideline tenant voices and shape policy in ways that prioritise returns over affordability or sustainability. In Berlin, large corporate landlords and property companies were historically less visible in housing politics, but financial pressures linked to inflation, rising costs, and declining share values have recently pushed them into more active lobbying and public relations campaigns. Large landlords, including companies like Vonovia, started to oppose measures such as Berlin's rent cap, expropriation initiatives, and environmental restrictions (Holm et al., 2023). Whether or not the rent caps, expropriation initiatives, and environmental restrictions are practical in terms of implementation and positive impacts relative to unintended negative consequences is not within the scope of this report. However, the example is shared to illustrate the relative bargaining power of larger well-funded entities versus tenants.

Comparable patterns appear elsewhere. In Brussels, lobbying is led primarily by domestic developers, especially through the Union Professionnelle du Secteur Immobilier/Beroepsvereniging van de vastgoedsector (UPSI-BSV), which represents 175 companies and plays a central role in shaping housing and planning policy. It has pressed for greater liberalisation of Brussels' "Good Living" urban planning framework, advocating streamlined permitting and opposing proposals to introduce binding reference rents or cap indexation during the energy crisis (Holm et al., 2023).

There are numerous examples of large global investors mobilising political influence and lobbying to resist regulation. In California, Blackstone and its subsidiary Invitation Homes spent over $10 million campaigning against Proposition 10, which would have expanded rent control by repealing the 1995 Costa-Hawkins Act. The measure failed (Sirota & Perez, 2018). Across Europe, the European Public Real Estate Association (EPRA) has lobbied to eliminate taxes on real estate companies, including REITs (Gabarre de Sus, 2022). One example of national-level industry coordination is the Asociación de Propietarios de Viviendas en Alquiler (ASVAL), the principal trade/landlord association in Spain that was set up in 2020 to represent the residential rental sector and to contribute to housing policy discussions. Bringing together both institutional and individual rental property owners, including large investors and companies involved in build-to-rent and professional rental markets, it exercised significant lobbying power during Spain's housing law debate between 2021 and 2023.[22] Academic studies have referenced ASVAL as an active policy influence actor.[23]

While engagement between investors and policymakers is a legitimate and often necessary part of housing governance, the growing concentration of ownership and influence underscores the importance of transparency, balanced stakeholder representation, and robust regulatory frameworks to ensure that housing policy serves broader social, environmental, and affordability objectives.

22 The proposed national housing law included rent controls in "stressed housing markets," minimum affordable housing requirements in new residential developments set at up to 30% in some cases, and stricter obligations for large landlords, such as limits on rent increases between tenancies, and enhanced tenant protections.
23 See Ardura Urquiaga et al. (2021); Vidal, Gil & Martínez (2024).

4. INVESTMENT MODELS & CASE STUDIES

This section examines how different institutional investment models translate into distinct housing outcomes, drawing on empirical evidence and case studies across asset classes and geographies in Europe and the US. Building on the mechanisms identified in Section 3, it shows how financial structures, governance arrangements, and regulatory frameworks contribute to shaping incentives around affordability, housing quality, and long-term sustainability.

4.1 PRIVATE EQUITY FUNDS

Private equity investment has become increasingly prominent in residential real estate markets. A growing body of evidence links high concentrations of private equity ownership to adverse outcomes for housing affordability, building maintenance, and tenant security, reflecting business models oriented toward short-term value extraction rather than long-term asset stewardship.

In the US, watchdog research indicates that States and metropolitan areas with the highest concentration of private equity–owned apartments tend to have experienced the steepest increases in cost-burdened renters (i.e. those spending 30% or more of their income on rent and utilities), as well as evidence of a recurring pattern of deferred maintenance and housing code violations. Data on private equity–owned single-family rentals shows higher rent growth, frequent eviction filings, and complaints of maintenance neglect in their properties. This suggests that, in many cases, aggressive cost-control practices are embedded in private equity business models (Private Equity Stakeholder Project, 2025; Americans for Financial Reform Education Fund, 2023).

Fields and Uffer (2016)'s comparative study of Berlin and New York shows that private equity funds pursuing high-leverage strategies have prioritised immediate cost-cutting over capital improvements—reducing maintenance, neglecting repairs, and minimising operational expenses to maximise debt service payments and quick returns. While funds occasionally pursued "spatial upgrading" through renovations in high-demand areas, these improvements targeted rent increases rather than sustainable building performance, and in lower-value properties, investors actively neglected basic maintenance entirely. There is also a structural disincentive for energy efficiency retrofits, which require upfront capital and deliver returns over longer time horizons than private equity's typical investment windows.

The 2008 crisis intensified this dynamic, as overleveraged properties experienced severe deterioration when investors could no longer sustain even minimal upkeep, highlighting how an emphasis on extracting maximum value in minimum time fundamentally conflicts with the patient capital investments needed for building decarbonisation and climate resilience. Engineering and facilities studies also reinforce that deferred maintenance—such as failing to clean coils, recalibrate controls, or replace worn components—causes heating, ventilation, air conditioning and building systems to drift from optimal performance, raising energy use over time (US Department of Energy, 2022).

Roughly 80% of European real estate private equity funds are open-ended vehicles, while 20% are closed-end funds (Gabor & Kohl, 2022). Closed-end funds are typically structured with a fixed investment horizon and a pre-defined exit strategy, requiring managers to acquire, revalue, and liquidate assets within a set period—often seven to ten years—in order to generate returns for investors. By locking in capital for fixed terms, these vehicles tightly align investor and manager incentives around short-term internal rate of return (IRR) targets,

encouraging rapid asset revaluation and final liquidation. As Brett Christophers (2023) argues, this alignment is reinforced by carried-interest structures tied to realised gains at exit, which privilege measurable financial uplift over long-term asset quality or social outcomes.

This return-driven governance design amplifies cost pressures at the level of the underlying asset. With performance assessed primarily through valuation growth and exit pricing, fund managers are incentivised to pursue strategies that increase net operating income in the short to medium term. In practice, this can translate into cost-cutting measures such as deferred maintenance, reduced spending on building services, pressure on property management contractors, and the standardisation of tenant services. These measures improve cash flow and headline yields but may erode housing habitability, tenant security, and long-term asset resilience.

Open-ended real estate funds operate differently: they have no fixed end date and allow for continuous investor entry and redemption. Their emphasis on recurring rental income rather than exit-driven capital gains can, in principle, support more sustainable management models oriented toward long-term asset stewardship. However, even these longer-horizon vehicles remain disciplined by yield expectations and liquidity demands. To remain attractive, open-ended funds must deliver competitive, regular distributions while maintaining sufficient liquidity to meet redemption requests.

This creates a structural tension. Open-ended funds combine illiquid assets with short-term investor redemption rights, which can expose them to liquidity mismatches. During periods of market stress, redemption pressure can force asset sales at unfavourable prices, triggering fire sales that amplify downturns and reinforce pro-cyclical behaviour. Anticipation of such risks can itself intensify cost pressures, encouraging managers to prioritise cash flow preservation and expense reduction even in stable periods. As a result, the capacity of open-ended funds to balance financial, social, and environmental objectives remains limited in the absence of stronger regulatory constraints, fiduciary reinterpretation, or explicit social mandates.

These dynamics have prompted the European Central Bank (2025) to warn that institutional investment in housing exerts both stabilising and destabilising effects: while institutional capital can provide liquidity and long-term financing capacity, large-scale acquisitions also risk inflating prices and increasing vulnerability to market corrections. A further concern is the lack of transparency in data on ownership structures, transaction volumes, and leverage, which obscures the true scale of institutional exposure and complicates regulatory oversight. As a result, policymakers face the challenge of designing a regulatory framework that safeguards financial stability without deterring the potential benefits of institutional participation, such as professionalised management and countercyclical investment capacity.

4.2 REITs

REITs occupy a distinct position due to their preferential tax treatment. Their scale, liquidity, and integration into capital markets shape both their investment behaviour and their impacts on local housing systems.

Large REITs increasingly dominate local housing markets, exerting significant pricing power, shaping development priorities, and limiting diversity in housing ownership models. Their scale, combined with favourable tax treatment and regulatory flexibility, allows them to crowd out alternative models like cooperative or community-led housing. While appearing neutral, the regulatory frameworks that enable REITs create systematic incentives that prioritise shareholder returns over housing affordability and quality. Although REITs are required to distribute a high proportion of taxable net income rather than gross revenue (up to 90% of income as dividends), the expectation that they deliver competitive and predictable distribution yields relative to other asset classes creates ongoing pressure on cash flows. The pressure to attract investors with a competitive distribution yield creates structural incentives that can conflict with tenant welfare, e.g. reduce funds available for property upkeep and long-term maintenance, potentially undermining housing stability and equity. Unlike traditional housing providers who reinvest rental income into maintenance and community improvements, REITs may prioritise aggressive rent increases and cost-cutting to maximise shareholder returns.

Despite these impacts, investors generally lack sufficient data to evaluate how REITs manage human rights risks linked to security of tenure and affordability (Herman & Ruiz, 2023). Moreover, because REITs must keep most of their assets in real estate to retain tax advantages, their capital inflows increase demand for property and thereby push house prices up. Residential equity REITs, in particular, buy and hold multifamily rental properties for the long term, which creates a lasting, rather than temporary, source of demand that further drives prices upward (Mills, Molloy and Zarutskie, 2019).

Empirical evidence shows that institutional investments via REITs have been associated with rising house prices and rents across large cities in both advanced and emerging economies between 2001 and 2022 (Banti and Phylaktis, 2025). Renovation-led strategies pursued by international real estate actors, such as those observed in Athens (Prodea, formerly Pangaia REIT of the National Bank of Greece, and Golden Horizon), have similarly been linked to rent increases on long-term leases (Holm et al., 2023).

Within this broader landscape, a subset of so-called “impact REITs” have emerged in Europe as a growing investment model that seeks to combine financial returns with measurable social outcomes, particularly in affordable and social housing. The most established examples are in the UK. Civitas Social Housing, listed on the London Stock Exchange from 2016 until its privatisation in 2023, was the first public REIT dedicated to care-based social homes and related facilities in the UK. At its peak, it had £3.5 billion under advisory, with a portfolio spanning homes for people with learning disabilities, long-term care needs, and special education, alongside schools and care

homes. Triple Point Social Housing REIT operates a similar model, focused on specialised supported housing.

These REITs acquired properties and leased them to both non-profit and for-profit housing associations on long, inflation-linked contracts to registered providers, which managed the tenancies and provided support services. For investors, the appeal lay in predictable, bond-like returns, underpinned by rental income largely financed through housing benefit payments (primarily delivered through the housing element of Universal Credit, which provides governmental income support to low-income tenants to meet rental costs), creating stable and low-risk cashflows. For registered providers, the model reduced the need for upfront capital investment.

However, structural weaknesses were exposed when several housing associations entered insolvency, underscoring concerns about the risk allocation in these specific structures. The housing associations that failed or faced severe financial distress were non-profit registered providers like First Priority Housing Association and Westmoreland Supported Housing. The Regulator of Social Housing has warned that in some cases providers received less rental income from housing benefit payments than what they were contractually required to pay in lease obligations, exposing them to financial stress when rents failed to keep up with inflation and casting doubt on the long-term sustainability of the model (Regulator of Social Housing, 2019).[24]

In response, the market has shifted toward more straightforward equity ownership models, where funds set up or invest in for-profit housing associations that own the homes directly and generate returns from rents, surpluses, and capital growth. This approach, seen in Blackstone's Sage and L&G Affordable Homes, is presented as a corrective to the structural weaknesses of impact REITs, helping to better align the interests of investors and providers. However, these models are still relatively new and the available evidence that they deliver demonstrably better outcomes for tenants in terms of affordability, security of tenure, or housing quality remains limited.

Variants of the impact-REIT leasing model are now emerging elsewhere in Europe. For example, in Spain, tuTECHÔ is a REIT that delivers social housing at rents around 30% below market rates, operating on a similar structure, though without long-term regulatory affordability guarantees (Serafí del Arco, 2025). tuTECHÔ's €40 million fundraising success indicates investor appetite for social housing investment at return levels that demonstrate commitment to below-market financial expectations for social impact (targeting 2% investor return). However, the absence of legal restrictions on future rent increases or portfolio speculation creates investor-dependent affordability, and the lack of specific Spanish regulation for social REITs leaves initiatives like tuTECHÔ without the legal framework to statutorily lock the affordability of the housing stock it manages. CEO succession risks highlight the vulnerability of mission-driven leadership to investor pressure or strategic changes.

Across Europe, impact-oriented REITs typically report a mix of tenant, community, and environmental indicators, including occupancy rates, lease lengths, tenant satisfaction, energy performance, and carbon emissions. Yet metrics and safeguards vary widely, and without common standards or enforceable obligations there is a growing risk of "impact-washing." Social branding alone provides no durable protection for tenants or communities.

Taken together, these dynamics point to the need for stronger regulatory and governance frameworks, including statutory limited-profit models and clearer social obligations linked to tax advantages. Ensuring that rents remain genuinely affordable over the long term and that investor incentives are aligned with housing quality and tenant welfare is essential if impact REITs are to deliver sustained social value.

24 The Bureau of Investigative Journalism found that up to 79 pence of every pound collected in housing-benefit-funded rent by some providers was paid out in lease payments to companies such as Civitas and Triple Point (McShane et al., 2020). Together, these findings suggest that lease payments may have been set too high relative to underlying income streams, highlighting a misallocation of risk within this impact-oriented investment structure.

4.3 THE SOCIAL & AFFORDABLE HOUSING SECTOR

This section provides a comparative overview of different institutional and financial models through which private and institutional capital has been mobilised for social and affordable housing across Europe. It begins with the UK, where hybrid public–private arrangements have been developed and where the retreat of direct public provision has opened space for private and institutional investors to step into social and affordable housing at scale. While the model of housing associations is uniquely British, the broader model of non-profit or limited-profit landlords dedicated to social housing is widespread across Europe.[25] The section turns to other European cases—including Brussels, Milan, and Austria—which illustrate alternative configurations of quasi-market provision.

Taken together, these cases illustrate how institutional investors have become important partners in mobilising capital for housing provision, often bringing in new resources, professional management, and long-term financing structures. Public support through subsidies and favourable regulation has played a critical role in de-risking private involvement, helping to expand supply and create new models of affordable housing delivery.

4.3.1 Social and Affordable Housing in The UK

In the UK, this mobilisation of private capital into affordable housing occurs through several distinct but interconnected policy channels, which differ in their regulatory basis, risk allocation, and relationship to public authorities. Broadly, private investment can be deployed through three main routes: (1) regulated housing providers; (2) planning-led obligations embedded in private development (Section 106);[26] and (3) long-term public–private contracting models, including the Private Finance Initiative (PFI).[27]

Together, these mechanisms illustrate how affordable housing delivery has increasingly been structured around hybrid public–private arrangements rather than direct state provision, reflecting the long-term retreat of direct public investment and the increasing reliance on market-based financing mechanisms to deliver social infrastructure. Private investment is also being mobilised for segments historically underserved due to perceived financial unattractiveness. In this section, we analyse the investment venues and implications for regulated housing providers, which have become the larger managers of social housing stock in the UK.

Overall, private investment being mobilised for affordable housing via regulated housing providers can be deployed through three main channels: (1) non-profit housing associations regulated as Private Registered Providers (PRPs); (2) for-profit housing associations (i.e. for-profit entities such as companies or funds) registering as PRPs; and (3) housing/impact companies (REITs) or funds that partner with PRPs, whether non-profit or for-profit.[28] Investors entering affordable and intermediate housing markets are also able to take advantage of public grants through the Affordable Homes Programme (AHP).

25 Many countries have similar institutions though under different names and rules: the Netherlands' woningcorporaties, Austria's limited-profit housing ecosystem, France's organismes HLM, and Germany's housing cooperatives all provide affordable homes while reinvesting surpluses. In the Nordic countries, municipal housing companies and tenant-owned cooperatives play a similar role.

26 Section 106 agreements are legally binding planning obligations in the UK that require developers to provide affordable housing as a condition for receiving planning permission. They typically require 10-40% of all housing units to be social or affordable.

27 PFI is a form of public–private partnership designed to mobilise private capital for public infrastructure. Housing projects have primarily focused on estate regeneration and refurbishment, and their use is much broader across other sectors (schools, hospitals, and transport infrastructure). Although growing attention has been put to how existing PFI assets can contribute to decarbonisation, there is little evidence of large-scale, systematic energy retrofit of PFI housing stock. Furthermore, UK PFIs have become controversial for their high long-term cost to the public sector and rigid contractual structures, although PFI wide use in other countries suggest that these issues may be a result of how the contracts have been negotiatied in the UK.

28 For an overview of different fund launches and strategies, see The Good Economy and Big Society Capital (2021). Social And Affordable Housing Investment Funds – Examples of Launches, p8.

Housing associations registered as PRPs are the largest providers of social housing in the UK and are primarily independent, not-for-profit or limited-profit organisations regulated by the state[29] that develop, own, and manage social and affordable housing.

Housing associations provide affordable housing primarily through two regulated rent regimes: social rent and affordable rent. Social rent is a deeply subsidised, income-sensitive tenure designed to ensure long-term affordability for low-income households; and rents are set using a national formula that results in rent levels that are typically around 50% market rates. Affordable rent allows housing associations to charge rents typically ranging between 65 and 80% of local market levels and is allocated by need.

Since the early 1980s, PRPs have expanded to become the main institutional providers of social and affordable rented housing in the UK, as local authority-owned social housing contracted and declining public investment (Holm et al., 2023). Though they continue to own and manage deeply subsidised social rent housing, housing associations have come to rely more heavily on private borrowing and cross-subsidy, resulting in a growing share of new supply being delivered at higher affordable rent levels. While PRPs now manage a larger share of the social housing stock—around 60% of UK's social housing sector and the remaining 40% by local authorities (The Good Economy, 2020)—the volume of newly built, deeply subsidised social rent housing has declined.

Housing associations finance development through a mix of borrowing, rental income, property sales, and government grants. Because non-profit housing associations cannot distribute profits, external investors participate mainly through grants, loan finance, or quasi-equity instruments such as subordinated debt. Housing associations can access private finance, and today, they borrow extensively and issue bonds to fund new developments. Following the Global Financial Crisis, as banks retreated from long-term lending, institutional investors stepped in to provide bond financing (The Good Economy, 2020).

Since 2008, for-profit housing associations have also been permitted to deliver affordable housing, and they can distribute dividends to shareholders. While they still account for a small share of total stock (c. 1% of total social housing stock in the UK), they are growing quickly.[30] They are estimated to have contributed almost 20% of new affordable supply in the 2024/25 financial year, creating a new entry point for institutional capital into the social and affordable housing market.[31]

Many PRPs deliver affordable housing through shared ownership schemes, in which a household purchases a share of a property while the remaining portion is retained by the registered provider. Over time, households can increase their ownership stake—known as "staircasing"—through additional payments until full ownership is achieved. However, the model has been criticised for its complexity and limited affordability. Purchasers are typically required to pay both a mortgage on their owned share and rent on the remaining share, while also assuming full responsibility for maintenance, service charges, and other fees. In addition, buyers must provide a deposit and cover legal and administrative costs, which together make the scheme inaccessible for many lower-income households. Shared ownership has also come under scrutiny for leaving some households effectively trapped in unsellable homes.[32]

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29 Under the Housing and Regeneration Act 2008, providers of social housing in England must be registered with the Regulator of Social Housing.
30 Their share of the market tripled in the three years to 2021-22 (Savills, 2023).
31 Blackstone is one of the largest for-profit PRP through its subsidiary, Sage Housing.
32 In many PRP-owned buildings, ongoing safety issues, particularly the persistence of dangerous cladding more than eight years after the Grenfell disaster, have made properties unmortgageable and unsellable, with no clear party taking responsibility for remediation. Residents face both financial and emotional distress, unable to move or start families while continuing to bear housing costs for homes they cannot safely inhabit or sell.

4.3.2 Brussels' Social Rental Agencies

In Brussels, Social Rental Agencies (SRAs) have emerged as an important hybrid model, combining public subsidy with private capital, delivering stable, government-backed rental income streams. They operate under two regional frameworks: SVK (Sociale Verhuurkantoor) in Flanders and AIS (Agence Immobilière Sociale) in Brussels and Wallonia. Both models lease privately owned dwellings and re-let them at below-market rents to low-income tenants, supported by tax exemptions, public guarantees, and renovation subsidies. Agreements typically run for 15 years, after which they must be renegotiated, balancing long-term security with landlord flexibility.

The model is similar to UK lease-based models where investors acquired properties and leased them to PRPs. However, compared with PRPs in the UK, SRAs represent a lighter-touch, more flexible way of channeling private housing into the affordable sector. PRPs—whether non-profit or for-profit— own or manage housing stock directly and are subject to ongoing regulatory oversight by the Regulator of Social Housing, which ties them into long-term affordability obligations. SRAs, by contrast, do not own housing but act as pure intermediaries: they lease units from private landlords on fixed terms, then re-let them at below-market rents. Institutional investors have channelled investment into the private landlords renting to SRAs (Holm et al, 2023).

The SRA model has proven effective in mobilising private housing for social purposes, offering private landlords stable, government-backed income streams while expanding access to affordable homes without requiring large public capital outlays. However, their ability to maintain affordability depends not on regulation but on contractual arrangements and ongoing public support, including tax incentives, renovation subsidies, and rent guarantees. Unlike PRPs, SRAs are not permanently bound to provide affordable housing; instead, affordability relies on continued subsidy and renegotiation cycles. The structural risk of the model for tenants is that when agreements expire, landlords may push for higher rents or sale. Therefore, the SRA model can be enabling institutional investment in social housing without ensuring permanent affordability (Oxenaar & Aalbers, 2025).

4.3.3 Milan's Real Estate Investment Mutual Funds

In Milan, Real Estate Investment Mutual Funds (REIMFs) have become central to the financing of quasi-market social housing and have emerged as a low-risk investment vehicle supported by public subsidies, delivering stable returns to investors (Cardinale & Belotti, 2022; Belotti, 2021). These closed-end equity investment funds, managed by asset management firms, grew from the late 1990s onwards through privatisation of public assets and were scaled nationally through the Fondo Investimenti per l'Abitare (FIA), launched in 2009 by the government and Cassa Depositi e Prestiti (CDP) as a national "fund of funds". The FIA pools billions from

institutional investors and banking foundations and channels them into local REIMFs, which finance new developments or refurbishments aimed at “intermediate” households—those too wealthy for public housing but unable to access the private market. REIMFs operate under agreements tied to subsidies or public support. For example, when the FIA channels money into a local REIMF, the fund commits to offering units at “canone moderato” (moderate rents). Projects typically use rents pegged below market level, often 20–30% lower, combined with selective tenant targeting to manage risk (Holm et al., 2023).

While these commitments are written into the financing structure and eligibility rules for tenants, affordability obligations are time-limited—often 15–25 years, depending on the project and subsidy scheme. They reflect the period during which the fund benefits from favourable tax treatment, subsidised land, or other state support. After the contract expires, there is no structural regulatory requirement to maintain affordability. Unless new agreements are negotiated or renewed subsidies are offered, funds are generally free to raise rents to market levels or even sell properties into the private market, undermining long-term affordability. This flexibility was deliberate: the state framed REIMFs as a way to stimulate private construction and crowd in institutional investors, not to create permanent non-market housing.

Thus, while REIMFs successfully created a low-risk, subsidy-backed investment vehicle for institutional investors to serve the state’s objective to stimulate the Italian construction sector and expand the supply of “intermediate housing”, they actually did little to meaningfully expand Milan’s residual social housing sector (Holm et al., 2023). They served more as a construction stimulus and financial product than a durable solution to Italy’s deep housing affordability crisis. Public housing (Edilizia Residenziale Pubblica, ERP), which serves only the lowest-income households, remains underfunded and overstretched.

4.3.4 The Austrian Limited-Profit Housing Associations Model – LPHA

The Austrian housing sector is highly rent-based, with a homeownership rate of only 55%. The main producer of affordable rental housing has been the limited-profit sector, the Austrian Federation of Limited-Profit Housing Associations (LPHA), formed by associations and real estate developers. With a combination of rent limitations, tax and legal incentives, subsidies and a strict framework for the limited-profit sector, the model has been championed for having a low degree of financialisation, as well as being successful and efficient in providing affordable housing in Austria. The dwellers within the limited-profit model have also higher standards of energy efficiency in the country, which is already high in Austria compared to other EU countries (Kössl, 2021)

Operating under the framework of the Limited-Profit Housing Act, there’s a limitation on the percentage of returns for the associations, usually around 2% (Baiges, Ferreri & Vidal, 2019). Due to those rent limitations, rent price per square metre is between €5-7, between €2-4 below the for-profit sector (Baiges et al, 2023; Koessl & Riessland, 2022). Equity is permanently tied up for limited-profit purposes, and surpluses are continuously reinvested. Extra returns generated must be reinvested in acquiring new plots, housing rehabilitation, and new construction. Through this revolving fund mechanism, higher social capital is achieved, and financial expenses are reduced.

Rental contracts in limited-profit housing association apartments must be indefinite. In some cases, after five years the tenant has the capacity to buy the housing unit through right-to-acquire, but speculative re-sales are restricted for the following 15 years. Subletting may contractually be prohibited, and it may also violate public subsidy conditions: therefore, subletting without LPHA permission can result in contract termination for the tenant. The dweller’s income conditions to access social housing are not too strict: in Vienna, 80% of the

population qualifies, and other municipal programmes have been established to ensure housing access for vulnerable groups.[33] The associations benefit from a reduction in taxes (turnover and corporate tax), and manage around 40% of all rental apartments in the country, around 20% of Austria's housing stock.

The financing is a public and private mix. In most cases, both debt and LPHA equity are used, with debt finance accounting for two thirds of sources. 35-40% of the external financing usually consists of a low-interest subsidised loan, and the highest share is typically made up of a capital market loan, which accounts for around 40-50% of the investment costs. Those loans are offered by entities known as housing banks, which usually act as trustees for the commercial banks in which they are integrated, and play a prominent role in financing limited-profit housing. These loans are financed through the issuance of Housing Construction Convertible Bonds (Wohnbauanleihen): convertible bonds of 10-15 years maturity that have a reduced capital gains tax. Issuers of housing bonds can be property developers (including LPHA) and credit institutions, which then loan to LPHAs (Koessl, 2024). The bond returns vary according to interest rates. For example, in 2025 Bank Austria offered 12-year maturity bonds at 3.2%.

To ensure long-term affordability, LPHAs cannot freely dispose of the "limited-profit" designation or dissolve at will. However, there are specific cases in which this qualification has been eliminated, allowing for the sale of the properties. After the loss of the designation, the entity must reimburse the received subsidies according to the entity's housing stock value. If the stock is undervalued in the books, subsidy returns are minimised (Baiges et al, 2019).

The Austrian limited-profit housing model demonstrates that large-scale mobilisation of capital for affordable housing can be achieved without relying on financialised, investor-driven structures. By permanently constraining profit extraction, locking equity into social use, and tying affordability to ownership rather than time-limited contracts, the model delivers long-term affordability and stability, albeit with less flexibility and slower capital turnover than quasi-market models elsewhere in Europe, and with public support remaining crucial.

4.3.5 Systemic Value and Risk of Affordable Housing

Social and affordable housing providers occupy a distinctive position at the intersection of public service delivery, place-based economic development, and long-term infrastructure investment. For example, housing associations generate significant social and environmental impacts by providing affordable housing across the UK, acting as anchor institutions in disadvantaged communities, employing 150,000 people, and investing in community programmes and regeneration. Investors—particularly those with social or impact mandates—are drawn to the sector's combination of inflation-linked income streams, stable and diversified cashflows, and low correlation with economic cycles, which together offer relatively low volatility and strong downside protection (The Good Economy & Big Society Capital, 2021). While some investors are motivated primarily by impact, institutional investors such as pension funds remain subject to fiduciary duties to deliver financial returns that cover their liabilities owed to their beneficiaries.

33 See City of Vienna (n.d.).

Social and affordable housing funds seek to deliver risk-adjusted returns to investors through a combination of long-term income and capital growth. For example, in the UK a common investment model is that the fund buys property, either partnering with or leasing to or directly controling PRPs (primarily for-profit), and receives rental income. These funds typically target net IRRs of 5–10% with annual yields of 3.5–5%, while realised returns have more commonly been in the 5–8% range (Big Society Capital, 2022; The Good Economy & Big Society Capital, 2021).[34]

From an investment perspective, the case for social and affordable housing increasingly rests not only on fund-level or project-level financial performance, but on how such investments contribute to investor-level portfolio resilience. Some investments may be attractive because they reduce overall portfolio risk, even if their standalone returns are more modest than other investments in the portfolio. Social and affordable housing has this profile. In situations where rental income is long-dated, inflation-linked, and underpinned—directly or indirectly—by government housing benefits or contractual public payments, these features substantially reduce demand risk and cashflow volatility, lowering the contribution of such investments to overall portfolio risk. As a result, some investors are willing to accept lower target returns in exchange for stability, diversification, and predictable income combined with measurable social impact. In this sense, the investor can still achieve a risk-adjusted rate of return.[35]

Large institutional investors increasingly recognise that the majority of their long-term returns are driven not by idiosyncratic asset performance, but by market beta—broad market and economic conditions that affect all assets. From this perspective, investments that reduce negative externalities or generate positive spillovers can improve the conditions under which an entire portfolio across asset classes, industries, and geographies performs. As a result, large institutional investors like pension funds are beginning to explore how investment decisions can support market stability, including the reduction of economic inequality (Lukomnik and Hawley, 2021).

Human rights and sustainability-oriented investment frameworks can help steer strategies towards those results. Beyond direct housing benefits, social and affordable housing can contribute to such system-level risk reduction by reducing economic inequality, improving tenant wellbeing, limiting displacement, improving health outcomes, stabilising communities, and reducing pressure on local authorities and public services. For example, 95% of residents in homes managed by Resonance, an impact investment fund focusing on homelessness prevention and move-on accommodation, report positive impacts on their support networks and relationships, illustrating the “deeper, knock-on effects” of stable, affordable housing (Pensions for Purpose, 2025; Johnson, 2025). These effects, while not always captured in project-level cashflows, may lower long-term fiscal and social risks that ultimately feed back into macroeconomic performance, upon which diversified portfolios depend. Such broader social and fiscal spillovers strengthen the case for institutional investors to consider social value in their investment decisions, and are increasingly recognised by both public authorities and long-term investors. Their place-based, long-term presence offers investors such as local government pension funds an opportunity to align financial returns with positive local and environmental outcomes (The Good Economy, 2020).

These considerations are also relevant for governments: municipalities could, for example, issue social impact bonds to finance social housing bought by institutional investors, with reduced demand on public services reflected in financing terms (interest paid). Similarly, demonstrated

34 While IRR represents the total annualised return expected over the full life of the investment, combining both periodic income (rents) and capital gains or losses upon exit, annual yield refers only to the yearly income received (primarily rental income) as a percentage of the investment value, excluding any capital appreciation. Realised returns are the actual returns achieved once investments have matured or exited, as opposed to projected targets.

35 For example, Resonance, an impact investment fund focusing on homelessness prevention and move-on accommodation, reports returns of around 6% IRR with a 3% cash yield for its homelessness and move-on housing funds. Fund manager Chris Cullen has noted that the stability of the rental income makes these returns attractive to some investors, as social housing assets can provide diversification benefits within their broader investment portfolios (Pensions for Purpose, 2025).

public savings could help justify lower tax or interest rates for social or public–private partnership housing, provided these benefits are clearly conditioned on social outcomes.

These benefits notwithstanding, the effectiveness of hybrid housing models depends critically on how affordability is defined, measured, and secured over time, as well as how tenure and habitability are secured and ensured. Long-term affordability and tenure are fully guaranteed where it is structurally embedded through regulation and institutional design—such as traditional housing associations—rather than relying primarily on time-limited contracts or subsidies (such as SRAs in Belgium and REIMFs in Milan), which offer weaker guarantees over time. While the latter models can stimulate construction and attract private capital, they have, in some cases, struggled to deliver a durable response to housing unaffordability. Even in successful cases like tuTECHÔ, the lack of long-term regulatory affordability guarantees means that questions remain about whether housing will remain affordable in the long term or whether tenants will be eventually displaced, and whether portfolios might ultimately be liquidated for profit.

Moreover, even where regulatory mechanisms exist to lock in affordability obligations, as with housing associations in the UK, where affordable rents are defined as a proportion of market levels, affordability is inherently contingent and can erode as market rents rise. Regulatory definitions of "affordable" can fail to guarantee that the individuals targeted for those properties can genuinely afford to live there. For example, as noted by Big Society Capital (2022) 80% of market rent in many boroughs of London is still out of reach for many workers and families. The AHP faces similar structural limits: funding is insufficient relative to demand, and much of its affordable rent provision, up to 80% of market rent, remains unaffordable for low-income households. Anchoring affordability to local or median income rather than market rents provides a more accurate and equitable measure of housing affordability.

A human rights coherent approach on affordability ensures that investors provide affordable and social housing to different income groups through a healthy mix. For instance, in the US, private investment in affordable rental housing at market-rate returns are made possible through the Low-Income Housing Tax Credit (LIHTC), which provides a dollar-for-dollar reduction in federal tax liability to investors who finance the construction or rehabilitation of housing reserved for low-income households. Credits are allocated by state housing finance agencies, typically covering either about 9% or 4% of eligible development costs annually for ten years (IRC §42), depending on project type and financing structure. Developers sell these credits to banks to raise project equity upfront, reducing project debt and enabling lower rents. In return, properties must keep units affordable (with rents capped and occupancy restricted to households earning less than a spec-ified median income) for at least 15-30 years. To qualify under IRC §42, a project must meet ongoing affordability, income, and rent restrictions. A project may qualify by satisfying one of several tests, each with distinct income-mix requirements.[36] The LIHTC demonstrates how affordability standards can create a stable, investable framework for

36 Under the 20-50 test, at least 20% of units must be occupied by households with incomes that are 50% or less of Area Median Gross Income (AMGI). Under the 40-60 test, at least 40% of units must be occupied by households with incomes that are 60% or less of AMGI. Under the average income test, at least 40% of units must be low-income, and the average income limit across those units may not exceed 60% of AMGI, with individual unit designations ranging from 20% to 80% AMGI. §42 defines affordable rent as 30% of the unit's applicable AMGI-based income limit, calculated using an assumed household size and reduced by an approved utility allowance.

mobilising private capital that ties eligibility and rent limits explicitly to area median income rather than prevailing market rents, although tenants have raised concerns over other dimensions of the right to housing.

A related concern is the tension between financial and social goals, particularly where social housing is owned at arm's length by private investors, such as through certain leasing structures used by REITs. In these arrangements, misalignments can arise between financial incentives on the one hand and social and environmental on the other, creating risks that the pursuit of financial returns is prioritised not only over long-term affordability, but also over habitability, maintenance standards, tenant security, resident welfare, adequacy and sustainability. For example, tenants across different German cities have denounced mould, dampness, leaking roofs, windows and doors; poor insulation, heating and hot water failures; flooding in basements; and other structural deficiencies in rent-capped housing managed by Vonovia. In California, tenants under the for-profit LIHTC schemes denounce floodings, pests and unmet accessibility needs (Urban Habitat, 2024). And Sage, a for-profit PRP, was recently reprimanded by the Housing Ombudsman for breaching the Equality Act 2010 and the Human Rights Act 1998 in its treatment of a tenant with disabilities (Housing Ombudsman Service, 2025).[37] Arguably, in the UK for-profit PRPs face a structural tension between their pressure to produce high returns to attract capital, and regulatory rent caps that limit their primary revenue source. This potentially creates incentives to extract value through cost-cutting, deferred maintenance, high leverage, or property appreciation and an emphasis on exit value—often at the expense of long-term affordability, housing quality, and tenant welfare.

The growing use of public funds to de-risk private investment in social and affordable housing has intensified debate about the appropriate balance between public support and private returns. While public support (whether in the form of tax breaks, subsidies, guarantees) is necessary to make projects financially viable, critics argue that broad legal and policy definitions of "social housing" can allow private investors to benefit from state support with limited long-term obligations, raising concerns that public funds may underwrite private gains and contribute to further financialisation of the sector (Darbyshire, 2020; Goulding, 2024).

These dynamics do not render hybrid investment models inherently problematic, but they do create material reputational and political risks, particularly if public support is not clearly and credibly conditioned to permanent and effective affordability across income groups, tenant protections, and social and environmental outcomes (The Good Economy & Big Society Capital, 2021). Therefore, public support must be limited to suitable models delivering truly affordable, sustainable, secure and habitable housing. From this perspective, policy design, regulatory oversight, and thoughtful investment structuring are all critical to ensure that public support strengthens and secures long-term social value while maintaining the sustainability of private capital participation in housing provision.

37 The review was prompted by one tenant's complaints, but it identified 17 other residents impacted by similar failings; it put forward 20 recommendations to address them. There have also been documented failures in the care and management of vulnerable tenants in specialised mental health and care facilities (Plomin, 2019). While these facilities do not form part of the regulated affordable housing sector, they nonetheless illustrate the structural tensions that can arise when profit-driven ownership models intersect with the provision of care to highly vulnerable populations.

4.4 INNOVATIVE OWNERSHIP AND INVESTMENT MODELS

Alongside mainstream institutional investment models, a range of alterantive ownership and financing structures have emerged, seeking to reconcile affordability, community control, and access to capital. While many of these models remain niche, they illustrate important design principles for aligning financial returns with long-term housing outcomes and highlight the barriers that currently limit their scalability.

4.4.1 Rent-to-buy and Models Supporting Homeownership

Investors are exploring hybrid models that blend rental stability with pathways to ownership. Kettel Homes, for example, offers "rent with an option to buy" structures aimed at the "squeezed middle"—households earning too much to qualify for affordable housing yet unable to purchase outright—enabling tenant transitions into ownership, while providing pension funds with stable rental income streams as unsold homes convert into long-term rentals (Pensions for Purpose, 2025).

Other models emphasise renter equity, allowing tenants to accumulate equity through rent payments over 10–20 years. This equity can then be used to purchase units, buy shares in the building, or rent at discounted rates while saving for a deposit (The Good Economy & Joseph Rowntree Foundation, 2025). Even modest ownership opportunities—whether through equity shares, buy-in schemes, or partnerships with lenders—help de-risk projects for investors by reducing turnover, enhancing resident engagement in property upkeep, and strengthening community ties while creating better long-term outcomes for residents. Complementary government-assisted schemes, such as discounted tenant purchase programmes and equity loans for first-time buyers, also support access to ownership, though their impact depends on affordability thresholds and long-term housing market dynamics (The Good Economy & Joseph Rowntree Foundation, 2025).

4.4.2 Public Catalytic Financing and Blended Finance Solutions

Public capital, though often constrained, has a uniquely catalytic role in addressing housing challenges. When deployed strategically, it can attract additional private investment and unlock innovative solutions.

As Trevor Stunden of Kettel Homes has argued, government entities like Homes England (the UK government's national housing and regeneration agency) currently lack the mandate and resources to support innovation at scale. Government action through guarantees or early-stage capital can build investor confidence and lower risk barriers; pension funds, while not first movers, can then provide the long-term, stable capital needed for scaling new housing platforms (Pensions for Purpose, 2025; Johnson, 2025).

Historical precedents include the UK government's investment in Sigma Capital Group, which helped launch The PRS REIT plc in 2017—the country's first real estate investment trust focused on single-family rental housing—backed at the time by the Homes and Communities Agency (now Homes England). The example is instructive less as a normative housing model than as a demonstration of how early public support can use limited capital to de-risk new

delivery and ownership structures, crowding-in institutional capital. In doing so it helped establish single-family rental as a viable investable strategy, expanding the supply of professionally managed and affordable rental housing across England.

Policy plays a decisive role in mobilising capital. For example, in the UK the Mansion House reforms, announced in 2023, aim to unlock pension fund capital for long-term investment in areas like housing, infrastructure, and innovation. By committing leading pension providers to allocate at least 5% of their default funds to unlisted assets by 2030, the reforms could channel billions into innovative housing platforms. However, while government still needs to play a catalytic role in de-risking early-stage investments before pension funds step in at scale, it is equally critical that it establish clear and appropriate criteria, standards, financing conditionalities and accountability frameworks to ensure such investments actually deliver sustainable, affordable, secure and adequate housing.

Regarding the former, government-backed instruments such as co-investment structures, guarantees, and planning reforms are powerful tools for enabling greater private sector participation in socially impactful housing projects. Nowhere is this more evident than in the work of the European Investment Bank (EIB), which combines financing, partnerships, and advisory support to drive affordable and sustainable housing. Over the past five years, the EIB has dedicated €15.6 billion to the sector, financing 265,000 new homes and 400,000 renovations, many of which prioritised energy efficiency and improved living conditions. Its public-private partnerships span multiple countries, with loans typically covering up to 50% of project costs (or up to 75% for energy-efficiency investments).[38]

Scalability requires a flexible financial toolbox that combines loans and grants to de-risk suitable projects, attract a wider range of investors, and tailor financing to local contexts and needs. Standards, conditionalities and evaluation criteria are also critical. To expand their existing programming, the EIB Group and the European Commission are laying the foundations for a new pan-European investment platform supported by a “one-stop-shop” portal launched in 2025 to connect developers, authorities, and financiers (European Investment Bank, 2025). Partners include the European Investment Bank Group (EIB), international financial institutions such as the Council of Europe Development Bank, the European Bank for Reconstruction and Development (EBRD) as well as National and Regional Promotional Banks and Institutions (NPBIs). The EIB plans investments of around €10 billion over next two years, and the NPBIs which are members of the European Long Term Investors Association (ELTI) and the European Association of Public Banks (EAPB) have invested EUR 75 billion in 2024 and aim to invest EUR 375 billion by 2029 (European Commission, 2025).

4.4.3 Distressed Debt Restructuring

A promising model is to deploy impact-oriented capital to acquire and restructure predatory or distressed housing debt, converting exploitative financing arrangements into secure, equitable homeownership. Many lower-income and minority households have long been excluded from access to traditional, regulated mortgage finance due to factors like redlining, limited credit histories, and unstable incomes. In that vacuum, “alternative” or “non-traditional” instruments such as contracts for deed and informal seller-financed loans have proliferated. These arrangements often transfer the burdens of ownership—maintenance, property taxes, and insurance—onto buyers, while withholding legal title until the final payment. Because they fall outside the scope of mortgage regulation, they usually lack consumer protections, standardised disclosures, and foreclosure safeguards. As a result, buyers can lose both their homes and accumulated payments quickly, with limited legal recourse. This can be described as a shadow housing-finance space.

38 Recent country-level examples include a €500 million loan in France to Banque des Territoires to expand long-duration “Booster” social housing loans (https://www.housingeurope.eu/european-investment-bank-loans/), a €60 million loan in Czechia to finance 700+ affordable apartments for public-sector workers, and a €93 million securitisation in Spain mobilising €185 million for near-zero-emission housing (https://www.eib.org/en/essays/affordable-housing-finance-europe). As EIB’s Muent notes, “housing problems are local problems,” often tied to land and planning issues.

One interesting approach is that of Blackstar Stability's Distressed Debt Fund, which purchases such distressed or predatory contracts and converts them into conventional, regulated mortgages in the US (Senatus, 2023). Through restructuring and title transfer, the fund seeks to turn precarious tenure into secure homeownership, allowing families to build equity and credit history while reducing payments. The model addresses both a market failure and a justice gap: instead of extracting value from financial distress, it stabilises households and communities, showing how investor-led mechanisms can, if designed intentionally, help unwind exploitative models. Blackstar's current portfolio consists of 181 single-family properties across 18 states, and the impact and return projections are strong, targeting a net 11-13% IRR.[39]

4.4.4 Community-led Ownership Models

Community-led ownership models are reshaping how affordability and wealth-building interact. This sector is grappling with tensions between long-term affordability—exemplified by Community Land Trusts (CLTs), which cap value appreciation—and wealth-building models that allow communities to capture market appreciation through shareholding. Hybrid structures, such as the Mixed Income Neighborhood Trust, attempt to bridge these priorities by combining permanent affordability with market-rate elements under community governance.

In the US, Grounded Solutions Network has developed an investment strategy that exemplifies this balance: a 7–10 year mixed-income hold period generates 6–8% IRR through a 50/50 mix of affordable and market-rate rentals, after which properties are sold to CLTs at affordable prices. This approach leverages income growth in strong markets to enable CLT acquisitions while returning capital to investors, thereby embedding affordability in perpetuity without long-term investor involvement. The model relies on scaling efficiencies, municipal partnerships, and a growing CLT infrastructure, which has expanded by 30% in the US over the past decade. Yet critical barriers remain, including high pilot-stage capital costs, time horizon mismatches with investor expectations, and lack of transparency around investor parameters such as return hurdles and minimum check sizes. While community ownership housing models depend on some concessionary capital to preserve community control, their reach could be expanded by pairing that capital with market-rate tools and stronger financing infrastructure. To build a sustainable market and offer a pathway to scale, the field needs to clarify and standardise its language and storytelling, develop intermediary infrastructure such as standardised products, benchmarking data, and capital aggregation, and design with scale in mind by preparing for institutional and fixed-income investment (Culbertson & Murphy, 2025).

Other community ownership models illustrate diverse approaches. Resident Owned Communities, championed by ROC USA, convert manufactured housing parks into cooperatives, preventing displacement by private equity. The Mixed Income Neighborhood Trust applies a perpetual purpose trust to portfolios blending affordable and market-rate housing, governed jointly by nonprofits, residents, tenants, and investors. Commercial models, such as

39 See Impact Assets (2025).

The Guild in Atlanta and the Kensington Corridor Trust in Philadelphia, extend this trust model to mixed-use developments, prioritising community organising over investor returns, and thus relying heavily on philanthropic capital. In Philadelphia, Kensington Corridor Trust blends a nonprofit operator with a perpetual purpose trust to remove mixed-use properties from speculative markets, with governance led by residents and business owners. Similarly, the Community Investment Trust (CIT) has represented a novel approach to addressing racial wealth gaps and community disinvestment through hyperlocal commercial real estate ownership. Developed by Mercy Corps in Portland, the model allows low-to-moderate income residents to invest $10-$100 monthly in commercial properties within their ZIP codes (Dinkins, 2020).

Emerging community-led alternatives also play a role in the EU. Models like Germany's Mietshäuser Syndikat take a different legal form but represent a parallel effort to decommodify housing through pooled ownership and solidarity structures. A network of self-organised housing cooperatives ("Hausvereine") are joined under the umbrella of the Mietshäuser Syndikat (Syndikat) that acquire, own, and manage residential projects permanently removed from speculative markets. Each project is owned via a limited liability company (Haus-GmbH), in which the Hausverein (residents) and the Syndikat share equal voting rights on key decisions (especially sale or any re-privatisation). Minorities of strong powers (veto rights) are built in to prevent privatisation if the transaction does not meet affordability requirements (Mietshäuser Syndikat, 2025).

The Community Land Trust Brussels (CLTB), founded in 2012, separates ownership of land and buildings, enabling residents to buy homes without land ownership; average purchase costs are c. 40% below private market due to this model (Community Land Trust Brussels, 2025). Fair Ground Brussels, a cooperative based on the CLT model, similarly acquires land to develop affordable housing and communal spaces and is explicitly non-speculative, aiming to take land out of the speculative market. Together, these initiatives have delivered multiple projects comprising dozens of apartments with many more underway,[40] and have also played an active role in shaping policy and partnerships to extend the model in Brussels and beyond.

Crucially, however, CLTB's financial model relies predominantly on public funding from the Brussels Capital Region and partnerships with social housing providers and public finance bodies. Where private capital is involved, it is intentionally mission-aligned and concessionary —mobilised through cooperative shares, ethical lending, or philanthropic contributions, with returns capped and subordinated to long-term affordability objectives. This structure safeguards affordability and shields housing from speculative pressures, but it also constrains the scale and speed at which the model can expand.

More broadly, community-led models embed legal and governance structures that limit resale or privatisation, locking in affordability in perpetuity and prioritise resident participation in decision-making, from tenant selection and rent setting to design and maintenance. While these features promote social stability, place attachment, and collective stewardship, delivering truly affordable, secure and habitable housing, they also materially limit the range of investors able to participate. High land and development costs, combined with the need for patient, below-market deeply concessionary returns, make these models difficult to reconcile with mainstream institutional investment requirements.

As a result, scaling remains challenging. Legal frameworks are highly context-specific—what works under German cooperative law or Belgian land-separation rules may not translate elsewhere—thereby limiting portability across jurisdictions. Projects are often small and localised, making it difficult to address national housing shortages. Institutional investors remain cautious due to capped or unconventional returns, illiquidity, and limited standardisation of financial structures. Consequently, many initiatives continue to depend on public subsidy, philanthropy, or solidarity finance—effective for preservation and demonstration, but insufficient on their own under current market expectations to deliver housing at the scale required to meet national shortages.

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40 CLTB has delivered 77 apartments with 83 more in development, while FGB, established in 2021, is currently holding 18 apartments and two shared spaces (Holm et al., 2023).

5 ANALYSIS: INVESTMENT APPROACHES AND OUTCOMES

This section brings together findings from the literature review and case studies to assess the conditions under which institutional capital mitigates or exacerbates housing and climate risks.

This research highlights that there is a vast array of approaches that institutional investors can take when mobilising capital in residential real estate. While each case study is unique, grouping them helps to identify commonalities and overarching trends that can guide investors and policymakers.

5.1 INVESTMENT APPROACHES

The practices described in section 4 of this report encompass a wide range of approaches in terms of risk quantification, time horizon, human rights and environmental standards, and financial returns. For the purposes of analysis, this section seeks to group these practices into three categories, according to how they integrate long-term risk, policy, and regulation into capital allocation decisions.

The classification has been inspired by UN PRI's new Investor Pathways and adapted to reflect the findings of TASH research. It can inform how the Pathways are understood and operationalised in the context of housing investment. The classification should be understood as a spectrum, in which investment strategies are shaped by the depth of long-term risk integration, combining both intentional and regulatory-driven initiatives. Crucially, the goal of this integration is not only to manage financial risk, but to contribute to a housing ecosystem where human rights are respected and environmental limits are observed.

Table 1 summarises investor categories, associated investment practices, expected outcomes, and illustrative case studies.

Table 1 – Investment Approaches and Impacts

Approach	Typical practices and outcomes	Illustrative cases
A: Managing Risk Competitive risk-adjusted returns; focus on managing financially material sustainability risks at asset level	Integrating ESG factors mainly to protect asset value and reduce idiosyncratic risk. Investments in resilient and energy-efficient homes primarily to maintain returns and reduce vacancy rates. Retrofits or upgrades implemented to raise asset value; costs usually passed to tenants (renovictions). Limited or short-term affordability provisions; continued rent escalation where permitted.	UK build-to-rent (L&G, Quintain) – energy-efficient homes, but affordability limited. For-profit housing associations (Sage, L&G Affordable Homes) – regulated rents but commercial return expectations.
B: Addressing System-Level Risk Competitive risk-adjusted returns; addressing system-level sustainability risks that affect diversified portfolios	Recognition that unaffordability, displacement, and poor housing quality create system-level risk for markets, communities, and diversified portfolio returns. Holistic approach: Investment in resilient, energy-efficient homes and underserved segments, with contractual safeguards (long leases, affordability criteria). Affordability based on market rates, not income. Tension remains between return expectations and ensuring long-term affordability; outcomes depend heavily on subsidy design. Includes lower-risk, subsidy-backed strategies and investment vehicles, and rent-to-buy models that reduce long-term systemic risk exposure.	UK PRPs and impact funds often dependent on long, inflation-linked leases. Resonance social impact funds (UK) – homelessness and transitional accommodation with reinvested surpluses. Kettel Homes (UK) – rent-to-buy model improving household resilience. Impact REITs in the UK (Civitas, Triple Point) when partnering with non-profit providers, though the financial viability of the model has been challenged. tuTECHÔ (Spain) – REIT providing below-market rents. Cassa Depositi e Prestiti (Italy) – blended public-private investment in moderate-rent schemes (REIMFs). Brussels SRAs, subsidised social impact REIT
C: Pursuing Impact Competitive or below-market returns; intentional, measurable positive impact and contribution to system resilience	Delivery of deep, long-term affordability, habitability, security of tenure and sustainability. Concessionary or blended capital accepting lower returns where needed. Permanent affordability ensured through ownership structures, regulation, or covenants. Surpluses reinvested; strong alignment with public goals and long-term system stability.	Austrian Limited-Profit Housing (LPHA) – permanent affordability; reinvested surpluses. Community Land Trusts / charitable PRPs (UK) – community-led, permanently affordable homes funded by philanthropic/blended capital.

The table illustrates clear differences in social and environmental outcomes across the three Approaches.

APPROACH A

Approach A prioritises competitive, risk-adjusted returns through asset-level risk management. Sustainability considerations are primarily integrated to protect asset value, reduce vacancy rates, and manage financially material risks. While this approach can deliver relatively easy-to-achieve emissions reductions—such as through energy efficiency upgrades—it often falls short of human rights standards for housing. Retrofit costs are frequently passed on to tenants, contributing to rent escalation and displacement, and affordability provisions are typically limited or short term. As a result, Approach A strategies risk exacerbating affordability pressures, particularly for low-income households.

APPROACH B

Approach B adopts a longer-term perspective by recognising that housing unaffordability, displacement, and poor-quality housing generate system-level risks that affect markets, communities, and diversified investment portfolios. These strategies often combine investment in resilient, energy-efficient housing with contractual safeguards such as long leases or affordability criteria. However, affordability is not consistently linked to household income, and outcomes depend heavily on subsidy design and regulatory frameworks. While Approach B represents a meaningful improvement over asset-level optimisation, tensions between return expectations and long-term affordability remain. This is particularly the case where the social and environmental externalities of housing investment are not fully accounted for at the portfolio level, and commitments are frequently time-limited.

APPROACH C

Approach C delivers the strongest and most durable social and environmental outcomes. Investments under this approach intentionally pursue deep, long-term affordability, habitability, security of tenure, and sustainability. Permanent affordability is typically secured through ownership structures, regulation, or binding covenants, with surpluses reinvested in housing provision. While returns under Approach C may be competitive in some contexts, concessionary or blended capital is often required to absorb risk and enable long-term commitments. These models show the greatest alignment with public objectives and long-term system stability.

Our analysis indicates that the vast majority of institutional investment is currently following Approach A, with comparatively small amounts of capital mobilised in Approaches B and C. This over-reliance on Approach A is a significant contributor to the twin crises of housing unaffordability and climate breakdown, already driving inequality, climate displacement, stranded assets, geopolitical tensions, and financial instability. To turn the tide on these trends, there is an urgent need for investors and policymakers to change the status quo and ensure more capital follows Approach B and C. This shift may be challenging, as each investor will have unique investment and sustainability objectives. However, the research highlight that, even within each approach category, individual investors can broaden their approaches, increasing their considerations of systemic risk, and contributing to its mitigation.

5.2 IMPLICATIONS FOR INVESTORS

For investors, this evidence and analysis highlights how capital deployment affects the human right to housing, societal cohesion, and climate risk. Housing outcomes are increasingly material drivers of system-level risk, influencing political stability, regulatory responses, macroeconomic performance, and portfolio-wide returns. Further analysis of the feedback loops linking housing outcomes to macroeconomic and financial instability is needed to guide more robust, sector-wide risk management frameworks.

Diversified investors, in particular, need to move beyond asset-level optimisation toward stewardship strategies that treat housing as critical social and economic infrastructure. Embedding long-term affordability and resilience into portfolio construction should be understood as a core risk management function.

Investors should understand the Approaches framework as a dynamic progression rather than a menu of equally acceptable options. Investors in Approach A or B should view their current positioning as a starting point for progressive improvement, not a destination. While Approach B practices offer meaningful advances, most remain insufficient when assessed against human rights standards. Investors have both ethical and fiduciary reasons to pursue continuous advancement throughout the spectrum, with long-term risk integration being key. The permanent affordability, habitability, and security of tenure defined in Approach C should be treated as the benchmark toward which all institutional housing investment progressively converges.

5.3 IMPLICATIONS FOR REGULATORS & POLICYMAKERS

Policy plays a decisive role in incentivising and driving integrated systems where investors have a role in providing housing that is reflective of all environmental and social needs. For regulators, the evidence can catalyse the development of urgently needed standards and regulation for residential investment, designed in collaboration with affected communities, investors, and other stakeholders. Such standards would mirror existing international obligations and responsibilities, and should address long-standing gaps in defining thresholds for affordability, sustainability, tenure security and adequacy, as well as transparency, accountability, and outcome measurement.

In particular, regulators may need to reconsider how affordability is defined and operationalised —potentially decoupling it from prevailing market rents and instead benchmarking it to median household incomes. Doing so would better anchor housing markets to local economic realities, enhance stability across housing cycles, and reduce the risk that “affordable” investment products systematically fail to deliver genuine affordability. Affordability definitions must be inclusionary, so that housing developments reflect a healthy income mix. With appropriate safeguards, regulation can help shift the sector from driving volatility and inequality toward strengthening public health, productivity, and long-term resilience.

For policymakers, this analysis makes it clear that the goal cannot be simply to attract private capital, as supporting capital at the purely commercial end risks simply extracting rents—often unproductive and offshored as profits—without delivering durable public benefit. Conditionalities, long-term affordability covenants, and social safeguards are central to ensuring that private capital contributes to fulfilling the right to adequate housing within planetary boundaries. Critically, subsidies, guarantees, and related policy instruments should be understood not merely as costs, but as preventive fiscal tools that pre-empt downstream

expenditures associated with homelessness, housing insecurity, health impacts, and emergency accommodation. Without conditioning resources on long-term social commitments, there is a risk of dedicating public resources to temporary fixes and undermining affordability once short-term commitments expire. Therefore, public resources for hybrid models should be prioritised for models on Approach C which ensure the highest human rights and environmental standards.

5.4 MOBILISING CAPITAL AT SCALE

Approaches B and C deliver increasing environmental and social returns under a combination of risk-embedded investment strategies, government support, regulatory frameworks, and model design. Mobilising capital in Approach B requires a systemic shift in how value, risk, and public benefit are priced within housing markets. Recognising the systemic value of sustainable and affordable housing and its role in reducing systemic risks in markets and diversified portfolios can increase the investability of Approach B strategies by strengthening their contribution to portfolio-level risk-adjusted returns. This adjustment can be advanced through investment behaviour, but policy is key in that regard. However, findings show that many case studies under Approach B need further adjustment to deliver long-term adequate housing.

For Approach C, recognising the systemic value of sustainable and affordable housing and its role in reducing systemic risks in markets may reduce the perception that such investments are inherently concessionary, by reframing affordable and sustainable housing as essential social and economic infrastructure that delivers long-term stability, risk mitigation, and durable public benefit—thereby positioning it as a core component of resilient long-term investment portfolios rather than a niche impact strategy. However, though returns under Approach C are not inherently concessionary, in practice they will still often fall below market benchmarks given policy constraints and long-duration affordability requirements. Concessionary capital and below-market return expectations alone are at present insufficient to mobilise the scale of investment required to meet long-term affordability and environmental targets. The binding constraint is not capital availability, but investability under acceptable risk–return profiles. Therefore, mobilising public funding alongside Approach C institutional capital can guarantee long-term emission reductions and housing affordability, while also providing long-term regulatory and investment certainty that many investors seek.

Policymakers must therefore focus not only on mobilising private capital, but on shaping its deployment—particularly that following Approaches B and A—so that all investments of public or blended finance deliver measurable, lasting benefits for people and the planet. The EU Commission, Member States, and the EIB can develop and leverage conditionalities, safeguards and standards to ensure capital is re-aligned with long-term affordability, habitability standards, security of tenure, and sustainability. In exchange for credible, long-term affordability commitments, targeted government intervention can function as a structural risk mitigant, reducing volatility and enhancing the fundability of affordable housing portfolios to crowd in private capital at scale.

6. POLICY & INSTITUTIONAL RESPONSES

This section outlines some examples of regulatory and policy interventions by European governments to redirect investment flows toward affordability, sustainability, and long-term system stability.

In response to the challenges posed by financialised landlords and exploitative housing practices, several cities and regions have implemented regulatory measures to protect tenants and promote affordable housing. These measures reflect growing political urgency and have partially addressed affordability and climate concerns. However, they often fail to address underlying structural drivers; some have been faulty by design, allowing for imperfect and uneven application across geographies; others have had unintended collateral effects.

In 2019, Berlin implemented a comprehensive rent freeze. The law imposed a five-year cap on rents, restricted new contracts to monthly maxima based on building age (with a ceiling of €9.80/m^2 before utilities), and gave tenants paying more than 20% above the limit the right to petition for reductions (Christophers, 2022). In response to this, Blackstone announced that it was no longer investing in any new properties in the city (Blackstone, 2020: 26).

Rents dropped across Berlin, but supply tightened as landlords withdrew units from the rental market. Rents in surrounding jurisdictions rose sharply as investors hedged against long-term controls by transferring the cost back to renters (Waltl, 2024). Many landlords added "shadow clauses" to contracts, obliging tenants to pay backdated rent should the law be overturned (Connolly, 2021).

In 2021, the Federal Constitutional Court declared the freeze unconstitutional, ruling that it exceeded the city's authority (Knight, 2021). After the ruling, Berlin reverted back to the federal Mietpreisbremse, or "rent-brake", system that is utilised in the rest of Germany. Landlords are now allowed to raise rent for new leases by up to 10% above the local average. This policy, implemented in July of 2015, was recently extended through to 2029 (Hahn, et al., 2024).

Alongside rent regulation, Berlin increased subsidies for social housing dramatically, from €64M in 2015 to €740M in 2022. 94% of funds went to public housing agencies rather than private developers. To attract more private investment, the city is preparing a new subsidy programme (Dritter Förderweg) with higher rent and income thresholds. Berlin has also pursued "cooperative land development," requiring at least 30% social housing in new construction projects—obligations developers often meet by transferring units to municipal housing companies, indirectly expanding the public stock (Holm et al., 2023).

Denmark provides another telling example of regulatory pushback, triggered by Blackstone's rapid expansion in Copenhagen between 2017 and 2019. Through its subsidiary 360 North, the firm acquired roughly 160 properties (around 2,300 units) and applied the same aggressive rent-gap strategies it had used elsewhere (Christophers, 2022). Public backlash was swift and cut across party lines: the left condemned speculative rent hikes, while the right decried foreign encroachment on domestic housing security (Latu, 2022). In an effort to rehabilitate its image, Blackstone rebranded 360 North as "Hereby" ("Caring City") in 2019, and even lowered rents on 300 units. But reputational damage lingered, and in 2020 Denmark passed the so-called "Blackstone law."

This legislation prevented landlords from raising rents on renovated apartments for five years, prohibited financial incentives to encourage tenant departures, and required energy efficiency upgrades before rent increases could be implemented (Christophers, 2022). These measures effectively closed the rent-gap incentives that had attracted speculative players. However, pension funds remain significant actors and still pose threats to housing affordability within

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Spain adopted its first national housing law in 2023, marking a significant shift toward stronger state intervention in housing markets. The law emerged after an intense and highly contested political debate between 2020 and 2023, during which tensions between tenant movements, coalition partners, regional governments, and real estate interests delayed agreement on the scope of rent controls, landlord obligations, and affordable housing requirements. It has become a focal point in wider European debates over the limits of market-led housing provision and the extent to which regulation can, or should, reshape housing outcomes without undermining long-term investment capacity.

The law strengthened tenant protections and empowered regional and municipal authorities to designate stressed housing markets, defined by excessive housing costs relative to household income or sustained price inflation, within which rent regulation measures can be applied. In these areas, rent increases are capped, limits are imposed on rent resets between tenancies, and additional obligations apply to large landlords—typically defined as owners of ten or more residential properties—reflecting a view that housing should be treated as a social good rather than a purely speculative asset. A similar measure had proven effective under a 2019 Catalan regulation that was later deemed unconstitutional. The 2023 national law has proven effective in dropping regulated long-term rents in Catalonia, but the lack of coverage of the cap on temporary contracts and room rentals caused a significant shift of supply towards unregulated contracts.

Another measure applied in Barcelona is the 30% inclusionary-style requirement, mandating that up to 30% of new residential and renovated developments be allocated to affordable housing. This policy reflected the successful implementation in France of a 25% social housing requirement in urban areas. These provisions aim to rebalance supply toward social and affordable housing after decades of underinvestment and market liberalisation. However, the measures have been highly contested. Supporters argue they are necessary to curb rent inflation, stabilise communities, reduce spatial segregation, and protect tenants in overheated markets, while critics warn that rent controls and affordability mandates may deter private investment, reduce housing supply, and exacerbate shortages.

In the UK, national policy has historically favoured "patient capital" investment in housing, with cross-party support and little grassroots resistance. Unlike in Berlin or Barcelona, corporate landlords such as Blackstone have not been the primary focus of public debate; instead, attention has centred on affordability challenges in the fragmented small-landlord private rental market and on the underperformance of housing associations (Holm et al., 2023).

A turning point should come in May 2026 with the coming into force of the UK Tenants' Rights Act, a sweeping reform of the private rental sector, long regarded as the least affordable, poorest quality, and most insecure segment of the housing system. The Act introduces a comprehensive package of measures: abolishing fixed-term assured tenancies, eliminating "Section 21" no-fault evictions, capping rent increases to once annually (limited to market levels), and strengthening protections against backdoor evictions (UK Ministry of Housing, Communities, and Local Government, 2025). The Act will also extend Awaab's Law—first introduced in social housing after the 2023 death of toddler Awaab Ishak from prolonged mould exposure—to the private rental sector. This requires landlords to remedy hazards such as damp and mould within strict timeframes, with tenants empowered to seek enforcement through the courts. Crucially, the Act will reform the rent tribunal process, removing the risk that tenants challenging increases might see their rents raised further—a key deterrent under the previous system. Once in force, these reforms will mark the most comprehensive strengthening of tenant protections in the UK in decades, though their success will still hinge on effective enforcement and the prevention of workarounds.

When short-term, return-seeking investment strategies prevail, governments often step in to stabilise rent, ensure tenant protections, and guarantee adequate housing. Table 1 provides a progressive overview of investment strategies that investors can adopt to avoid reactive regulation, preemptively incorporating sustainability and affordability standards and diminishing systemic risks, while also respecting human rights and planetary boundaries.

7. CONCLUSION & NEXT STEPS

Over the last 20 years, institutional investors have become key players in shaping housing affordability and emissions in many European markets. Given the current financial and political climate, their presence is set to continue growing and expanding at pace, yet there is limited understanding of their impact.

This research highlights that the social and environmental outcomes associated with institutional investment depend on how that capital is structured and how long-term risks are integrated, which can be classified into the following investment approaches:

- Approach A - Idiosyncratic risk-management approaches, which dominate institutional housing investment, focus on asset-level risks and the pursuit of risk-adjusted returns. These approaches often mitigate emissions but risk displacing tenants, delivering unhabitable housing and exacerbating affordability pressures;
- Approach B - System-level risk-management approaches broaden the risk lens to include portfolio-wide and macroeconomic risks while remaining constrained by risk-adjusted return requirements. These approaches can mitigate emissions and improve affordability and housing standards for certain communities;
- Approach C - Impact-led approaches explicitly prioritise social and environmental outcomes and do not necessarily require market-rate, risk-adjusted returns. When supported by appropriate capital structures, they reduce emissions and are most likely to ensure affordability, habitability and security of tenure.

This research highlights that the vast majority of institutional capital is deployed in risk-management approaches with system-level and impact-led strategies remaining relatively niche. This imbalance is a major contributory factor to the twin crises of housing and climate. If investors and policymakers continue along this path, these crises will spiral, resulting in political polarisation, social inequality, financial instability and locked-in emissions trajectories which will undermine any long-term business forecast.

Both policymakers and investors bear distinct yet complementary duties in advancing investment strategies that fully respect human rights. Governments must establish policy and regulatory frameworks that incentivise and prioritise investment for human rights and sustainability-compliant housing models. Investors are provided with a basis for progressively integrating system-level risks and aligning portfolios with affordability, adequacy, security of tenure and sustainability housing standards.

This paper sets the foundations for the work of the Taskforce on Affordable, Sustainable Housing. Subject to collaboration and further resourcing, next steps may include:

- Further mapping of investment pathways and feedback loops, to deepen understanding of how housing outcomes and system-level financial risks and opportunities interact.
- Co-development of disclosure approaches with investors, companies, and affected stakeholders, to improve measurement, accountability, and comparability on affordability, adequacy, and sustainability.
- Co-creation of shared standards of practice to support credible, time-bound targets by private sector actors.
- Exploration of policy and regulatory options, including conditionalities and revised affordability definitions, to help align capital deployment with human rights and planetary boundaries

This report demonstrates that the outcomes associated with institutional investment in housing are critically dependent on how capital is structured, governed, and regulated. Asset-level, risk-management approaches dominate current investment practice, yet they are ill-equipped to address the systemic drivers of housing unaffordability and climate risk, and in many cases actively exacerbate them.

By contrast, investment strategies that integrate system-level risk and long-term social outcomes—supported by appropriate policy frameworks and public co-investment—offer a more credible pathway toward stable returns, resilient housing systems, and compliance with human rights and environmental limits.

Redirecting capital at scale toward these models is therefore not only a social and environmental imperative, but a core requirement for long-term financial stability. Through coordinated action by investors, regulators, and policymakers to redefine investability, align incentives with long-term outcomes, Europe can ensure that housing is respected as an essential human right.

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