

LGPS CENTRAL LIMITED

Growing LGPS Investments in UK Housing

SEPTEMBER 2026



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Executive Summary

Introduction

The UK faces a significant and persistent housing shortage, with studies suggesting that substantially more homes are required than are currently being built. While the Government is targeting 300,000 new homes per year, delivery remains below this level, with only 208,600 net additional homes added in England in 2024/25. The shortage is particularly acute in affordable and social housing, where 1.34 million households are on local authority waiting lists and annual affordable housing delivery remains less than half the level many commentators believe is needed (recommended around 150,000 units, with 64,762 homes being built in 2024-25).

In recent years, housebuilding has been constrained by a viability gap: in many cases, the sale price that can be achieved for new homes is not sufficient to cover construction, land and financing costs. At the same time, higher capital costs and more expensive debt have reduced the ability of Housing Associations to fund new affordable homes.

Housebuilding is delivered through a combination of private developers, local authorities and housing associations. Private developers build the vast majority of new homes, while housing associations and local authorities play a critical role in delivering affordable and social housing.

Increasingly, institutional investors and pension funds, such as the Local Government Pension Scheme (LGPS), are an important source of long-term capital to support the delivery of new homes and unlock additional affordable housing supply (where investment opportunities offer an appropriate balance of return, risk, diversification and liquidity).

Investment by Institutional Investors in UK Housing

Housing, including affordable housing, offers characteristics that can align well with the objectives of long-term investors, including pension funds. The asset class can provide stable, inflation-linked income, portfolio diversification and exposure to a sector underpinned by strong structural demand, consistent with fiduciary responsibilities. At the same time, investment can support the delivery of much-needed homes and generate wider social and economic benefits for communities.

For LGPS Central, residential property is a core investment sector and an important component of our wider real estate asset allocation. We are now developing our UK Social Housing strategy and are planning to develop a Social Housing Fund in 2027. Our Partner Funds currently invest £600m in Social Housing and we expect this amount to increase to £1 billion with much of this additional investment delivered through direct investments. This investment could deliver 6,000-7,000 new homes over 5-10 years. We also plan to expand our partnerships with house builders and housing associations to help deliver on these investments.

However, there are a number of challenges to pension funds increasing investment into this asset class. Macroeconomic uncertainty, instability in government policy and grants, financial viability of properties/sites, complex planning systems and the risk of contractor/developer failure all constrain further investment.

What Government is already doing and what more it could do

The Government has made a number of recent announcements to support the building of affordable homes and homes for social rent. However, there are still a number of actions Government can take to support institutional investment into affordable housing including:

MACRO FACTORS

- 1 **Providing macro-economic stability:** The government remains uniquely placed to help address persistent UK inflation and restore confidence in the economy. A lower interest rate and a predictable macro-economic environment would likely be stimulative for the economy, including the housing sector.
- 2 **Consistent housing policy and financial frameworks:** A long-term commitment to increasing housebuilding helps provide stability and increase investor confidence, thereby leading to higher levels of investment. Consistency is important for investors, so that there is assurance around expected returns.

IMPROVING SUPPLY

- 3 **Addressing planning and application issues:** Feedback from managers suggests that planning issues are improving. However, supply-side issues could be further improved by the Government, for example by accelerating planning approvals through digitalisation and delegation reforms.
- 4 **Support for SME builders:** The National Housing Bank can be helpful in the future in providing loans to developers, however, explicit support for SME builders would be beneficial.

INCREASING INVESTMENT

- 5 **Supporting Local Authorities; Housing Associations and Strategic Authorities:** For example, by Government enabling joint ventures between councils and institutional investors, and providing technical assistance and procurement support to smaller authorities and providers.
- 6 **Strengthening financial incentives and reducing regulatory barriers for institutional investors:** Further support could include tax incentives for long-term residential investment, such as reliefs on capital gains or stamp duty for affordable housing projects, and removing regulatory impediments to co-investment between the Public Finance Institutions and the LGPS.

In conclusion, there is a substantial need for greater housing in the UK and, provided the assets meet the investment needs of our local authority Partner Funds, there is also substantial potential for greater pension investment in this asset class by the LGPS. We can further increase this potential if Government adopts the right policies and measures.

With over £100 billion assets across fourteen Partner Funds, where investment opportunities align with fiduciary duty, LGPS Central is well positioned to help invest in building the homes Britain needs.

About LGPS Central

LGPS Central Limited is the dedicated asset manager for fourteen local government pension funds in Central, Eastern and Southern England.

Our fourteen local government pension funds (or Partner Funds) have collective assets of approximately £100 billion, serving more than 1.6 million LGPS scheme members and around 5,000 participating public and private sector employers. LGPS Central manages assets on their behalf.

As of 31 March 2026, 26% of pooled assets were invested in the UK, and 8% of assets were invested in property as of 30 June 2026. By leveraging the combined scale of our Partner Funds, we aim to reduce costs, enhance investment returns, and expand the range of available asset classes for our Partner Funds and their scheme members.

LGPS Central Limited's Partner Funds are Cheshire Pension Fund, Derbyshire Pension Fund, Gloucestershire Pension Fund, Hampshire Pension Fund, Leicestershire County Council Pension Fund, Norfolk Pension Fund, Nottinghamshire Pension Fund, Oxfordshire Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, Suffolk Pension Fund, West Midlands Pension Fund, Wiltshire Pension Fund and Worcestershire Pension Fund.



Introduction

This report outlines the substantial need for more housing in the UK, why investment in residential property can be an attractive investment to institutional investors, such as LGPS Central, and sets out some related case studies of such investments. The report also notes where recent Government action has helped encourage investment in housing and what more could be done.

Progress has been made through recent Government reforms and funding to Homes England and the National Housing Bank. This has helped to increase housebuilding and private sector investment, however, continued focus and funding is needed to continue this forward momentum.



The Demand for UK Housing Investment

The UK faces a persistent housing shortage, with demand consistently outstripping supply.

There is not a single figure for the overall housing need in the UK. A study from Heriot-Watt estimated that England needs around 340,000 additional homes per year, 26,000 per year for Scotland and 14,000 per year for Wales between 2019 and 2034.¹ However, a study for Centre for Cities estimated that even more are needed - 442,000 new homes per year over the next 25 years or 654,000 per year over the next decade in England alone.²

The Government’s target for house building is 300,000 new homes per year and it has allocated £39 billion to social and affordable homes programmes, with 60% earmarked for social housing. The target is below the number that the studies suggest is needed and, furthermore, the delivery of the number of homes built per year remains below the Government’s target threshold. For example, in 2024/25 208,600 net additional dwellings were added to England’s housing stock. 190,600 of these were new build homes.³

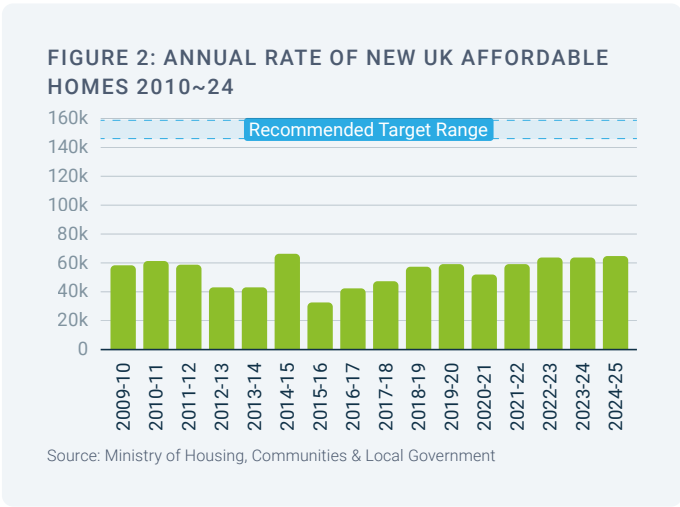
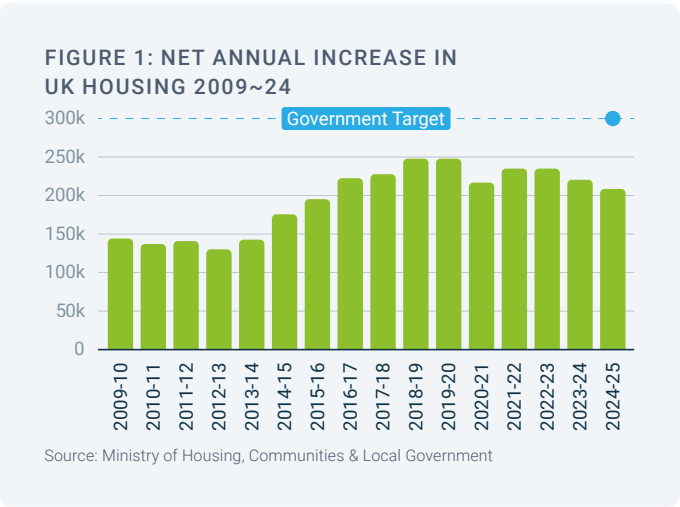
There is also an acute shortage of affordable or social housing. As of 31 March 2025, there are 1.34 million households on local authority housing waiting lists, the highest since 2014.⁴ The number of new affordable dwellings, which includes social rents (50% below market rates), affordable rents (20% below the market rate) and shared ownership (where a person owns part of the property and a housing association or other registered provider owns the remainder), has increased to its highest delivery since 2014-15 but is still below the recommended

around 150,000 unit level,⁵ with 64,762 homes being built in 2024-25.⁶ All of which suggests there is considerable unmet need for housing, particularly among those on lower incomes.

The Prime Minister, Andy Burnham has reiterated the need for increased social and council housing and has pledged to oversee ‘the biggest council housebuilding programme since the post-war period’.⁷ Pension schemes can help provide an important supporting role by facilitating investment where opportunities offer appropriate balance of return, risk, diversification and liquidity.

In recent years, the rising costs of capital and debt financing have reduced the capacity of Housing Associations to finance new affordable homes. Additionally, the cost of building homes has also increased, putting further pressure on supply. The Home Builders Federation has said it now costs £76,000 more to build a home now than it did in 2020,⁸ due to a combination of policy, taxation, regulatory pressures and increased material and labour costs.

There is a gap between societal needs and what the Government and the housing industry are able to provide, and this is largely due to a funding gap i.e. there is a viability problem where the achievable sale price of houses is not enough to meet the costs of construction and capital costs. Traditionally, sector funding has been primarily provided by Government subsidies distributed through Housing Associations and Local Authorities, as well as through legal obligations on developers (e.g. Section 106 agreements).



¹ Crisis (2018)
² Centre for Cities (2023)
³ MHCLG (2025a)
⁴ MHCLG (2025b)
⁵ The Social Housing Commission (2019) recommended 155,000 affordable homes should be built a year, other reports such as by the National Federation of Housing put the figure slightly lower at 145,000 units.
⁶ MHCLG (2025c)
⁷ Andy Burnham MP (2026)
⁸ Home Builders Federation (2026)

Housebuilders in the UK

In the UK, housebuilding involves a number of different parties – including developers, planning authorities, housing associations, local authorities, contractors, funders and investors – each with different roles and responsibilities.

Developers usually identify sites, secure planning permission and manage the development. In 2021-22, the largest 11 housebuilders built around 40% of new homes in Great Britain.⁹ In addition, Competition and Markets Authority (CMA) analysis suggested that there were also thousands of SME housebuilders in England, Scotland and Wales, who together are building in excess of 50,000 houses in total each year. This is despite the fact that the number of SME housebuilders is reported to have fallen significantly since the late 1980s.¹⁰

Local planning authorities decide whether the land receives planning permission, how many homes can be built, affordable housing requirements, environmental and design standards, and infrastructure contributions. Local authorities can also build council housing directly. In 2024/25, local authorities delivered 10,480 affordable homes in England.¹¹

Housing associations buy affordable homes from private developers as a result of Section 106 agreements or build homes themselves.¹² Housing associations and other registered providers delivered approximately 54,000 affordable homes in England in 2024/25.¹³ 44% of all affordable homes in England were as a result of section 106 agreements in 2023-24.¹⁴

Housing associations include non-profit registered providers, for-profit registered providers and local authorities. As of March 2025, there were around 1,257 non-profit private registered providers, 78 for-profit registered providers,¹⁵ and 228 local authority providers.¹⁶ For-profit registered providers account for 5% of all providers, but increased their stock of social housing units by 21% compared to 2024.¹⁷

Pension fund and institutional investment come later in the process, usually once viable sites have been found and developers have acquired the necessary planning permissions. This helps to reduce the risks of investment.

TABLE 1: NUMBER OF HOMES BUILT BY ORGANISATION TYPE

ORGANISATION TYPE	NUMBER OF HOMES BUILT PER YEAR
Private Sector	77,910 (2025 in UK) ¹⁸
SME Builders	c. 50,000 (estimated each year in Great Britain)
Local Councils	10,480 (2024/25 in England)
Housing Associations	c.54,000 (2024/25 in England)

⁹ CMA (2024b)

¹⁰ CMA (2024b)

¹¹ MHCLG (2025c)

¹² S106 agreements are legally binding contracts between local planning authorities and one or more developers and can be used to secure affordable housing and fund or deliver local infrastructure.

¹³ MHCLG (2025c)

¹⁴ MHCLG (2024)

¹⁵ Regulator of Social Housing (2025b)

¹⁶ Regulator of Social Housing (2025a)

¹⁷ Regulator of Social Housing (2025b)

¹⁸ NHBC (2025)



Role of Homes England and National Housing Bank

Homes England was launched in 2018 and is the government’s housing delivery agency.

They have six strategic objectives:

-  Significantly increase new housing supply and accelerate housing delivery across all tenures.
-  Deliver the biggest increase in social and affordable housing in a generation.
-  Unlock new institutional investment for housing and mixed-use schemes and deliver financial returns.
-  Collaborate with partners and local leaders to enable development and regeneration that boosts local economic growth.
-  Foster innovation and create market conditions to support a dynamic, diverse and sustainable built environment and housing sector.
-  Ensure homes are safe, secure and decent, and residents safeguarded.

They use their land, funding (debt, equity, grants and guarantees), legal powers and technical expertise to support the development of homes.

The National Housing Bank (established in March 2026) sits within Homes England and provides long-term finance to attract long-term investment partners to support housing development. This includes development finance to help smaller housebuilders, lending alliances with private sector lenders and equity investments.

Role of Strategic Authorities

Devolution can bring further opportunities to investment in housebuilding (particularly in increasing social housing investment) by allowing decisions about housing, planning, transport and infrastructure to be taken at a strategic regional level. However, the benefit will depend on the powers granted, funding available, and capacity and experience of the local authorities involved.

Government announcements in August 2026 have focused on increasing the number of social rent homes. For example, the Government has allocated £10 billion of funding to 33 Strategic Partners (councils, housing associations and other providers) to support the delivery of 70,000 homes across England. Over £2 billion of this funding is expected to be spent in Mayoral areas

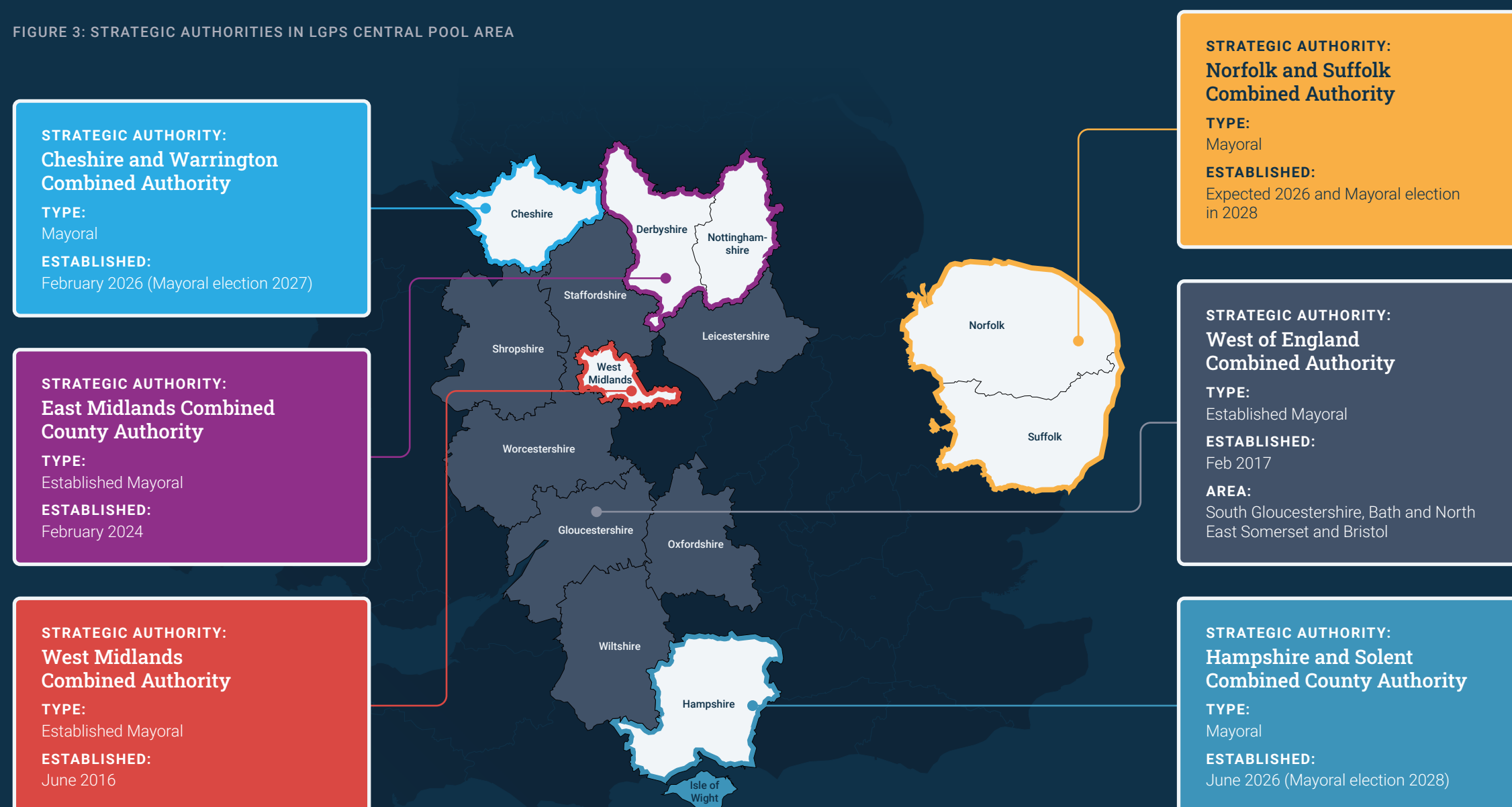
outside of London.¹⁹ The Government is also proposing to give Mayors more powers over planning decisions in their local area, including the ability to direct a council to take forward or refuse planning applications.²⁰

However, Mayoral Strategic Authorities are not yet everywhere in the country – although the Government has said recently that they want them to be adopted more broadly. Those areas that are an Established Mayoral Strategic Authority have a broader range of powers, compared to Mayoral Strategic Authorities and Foundation Strategic Authorities, and those who have been running for a longer time will have more infrastructure and knowledge in place to support investment compared to newer Authorities.

Strategic Authorities have an important role to play in outlining opportunities and crowding in investment. For example, by jointly funding projects with institutional investors to maximise investments. They can also help provide a clear, long-term vision, which helps create greater certainty for developers and investors, by identifying areas where housing stock is needed; coordinating housing, transport and employment and focusing on local priorities.

The recent Fit for the Future reforms require LGPS pension funds and asset pools to work with Strategic Authorities to find local investment opportunities. Local authority pension funds are required to set out their approach to local investment and have regard to the Local Growth Plans of the relevant Strategic Authorities, where they exist, or of the local authority where they do not, and work with them to identify local investment opportunities. Pools can consult administering authorities on controversial local projects, but they make the final investment decision on how LGPS assets are used. This is to ensure pension money is invested well and in line with fiduciary duty.

FIGURE 3: STRATEGIC AUTHORITIES IN LGPS CENTRAL POOL AREA



Investment by Institutional Investors in UK Housing

Until recently, institutional investors (such as pension funds) played a relatively modest role in this area, with property investment tending to focus on commercial rather than residential property.²¹

This started to change following the creation of For-Profit Registered Providers (FPRPs), which were introduced in the Housing and Regeneration Act 2008. This established a new regulatory framework for social housing and, for the first time, allowed profit-making organisations to register with the Regulator of Social Housing as providers of affordable housing. This helped to open the sector to institutional investors, by creating structures capable of delivering regulated social housing while generating investment returns.

The number of UK homes owned by FPRPs has increased to 43,100 (1% of all affordable homes)²² and the number of homes owned is expected to increase to 150,000 by 2030.²³ There is considerable potential for pension funds and LGPS asset pools (as providers of patient capital) to help increase the supply of affordable and sustainable homes in the UK while achieving suitable investment returns that align with the fiduciary duty.

For investors, housing has a number of attractive financial characteristics:

-  **Stable, long-term inflation-linked cash flows:** Mature residential assets offer a return profile, often inflation-linked, which is well-suited to match long-dated liabilities for beneficiaries' pensions (fulfilling fiduciary duties).
-  **Diversification:** Housing provides an investment asset that has different investment characteristics (low correlation) with traditional asset classes and so achieves helpful diversification. The majority of institutional investment in real estate is in commercial property, and this residential property provides investors with a new opportunity to balance concentration across their portfolio.
-  **Place-based investing:** Housing enables investors to achieve reliable risk-adjusted investment returns whilst contributing to local authority priorities and regional development goals.
-  **Currency match with pension liabilities:** UK housing investment is denominated in sterling (GBP), and therefore these investments do not introduce any direct foreign exchange exposure.

Challenges to increasing investment:

- 1) **Macro-economic instability** – higher interest rates due to high inflation have a knock-on impact on demand which impacts housebuilding. Financing projects also becomes more expensive as housebuilding is heavily dependent on borrowing. Additionally, construction costs increase where there is macro-economic instability due to higher energy and material costs.
- 2) **Uncertainty in government policy and support** – concerns that existing programmes could receive reduced funding or be ceased in the future can have a negative impact on investment as it reduces investor confidence. Securing long-term commitments for funding is crucial in supporting investment.
- 3) **Viability of properties/sites** – rising costs due to a number of factors, including higher material and labour costs, and increased costs due to regulations, taxes and levies has led to an impact on the financial viability of sites. A Zoopla report found that building new homes is not financially viable across 48% of England – with viability being even lower in the Midlands (13%) and the North (10%).²⁴ Interventions are needed to make sites viable for investment and to build at a price that are affordable to buy and rent. Single family rental properties have a reasonable chance of being viable due to grant funding and are therefore an attractive investment for pension schemes.
- 4) **Complex planning system** – A Competition and Markets Authority (CMA) report into housebuilding in 2024 found that the complex and unpredictable planning system was partly responsible for the persistent under delivery of new homes.²⁵ Planning systems can take a long time to navigate and sometimes produce unpredictable results which restricts the ability of builders to progress with sites. This also has implications for contractor/developer failure.
- 5) **Risk of contractor/developer failure** – To reduce the risk of poor investment returns, pension schemes usually make a small commitment initially (often once planning permission has already been received for the site and building ready to start), and full payment once the site is completed. Not all developers can afford to work in this way due to cashflow issues. This is particularly the case for SME builders. However, solvency is also a problem for larger developers as evidenced by UK-listed housebuilders having issued eight profit warnings during the first half of 2026.²⁶

²¹ Prior to this, most funding for social housing came from local authorities and housing associations.

²² The majority are owned by housing associations and local authorities.

²³ Savills (2025)

²⁴ Zoopla (2025)

²⁵ CMA (2024a)

²⁶ EY (2026)

LGPS Central's Residential Investment Strategy

Residential is a core investment sector and an important component of our wider real estate asset allocation. As outlined above, residential investment can provide a number of benefits with regards to place-based investment and inflation-linked long-term returns.

In 2024, we launched the UK Residential Indirect Property Partnership which enabled Partner Funds to invest in residential property through specialist managers. The strategy targeted a balanced allocation across social housing (35%), affordable housing (35%) and Private Rented Sector (PRS) (30%). The Fund was seeded by Cheshire, Derbyshire, and Staffordshire Pension Funds and aimed to deliver net annual returns of 6–8%.

The first commitment under this programme was a £40 million investment in PGIM Real Estate's UK Affordable Housing Strategy, which focused on acquiring energy-efficient single-family homes for affordable rent.

We are now developing our UK Social Housing strategy, which will include a Social Housing Fund in 2027. The aim is to combine structures to optimise access, and we plan for it to have strong local investment characteristics. Our Partner Funds currently invest £600m in Social Housing and we expect this to increase to £1 billion (with much of this additional investment delivered through direct investments). This investment could deliver 6,000-7,000 new homes over 5-10 years. We are also looking to expand our partnerships with house builders and housing associations to help deliver on these investments.



Case Studies

CASE STUDY 1

CBRE Affordable Housing Fund

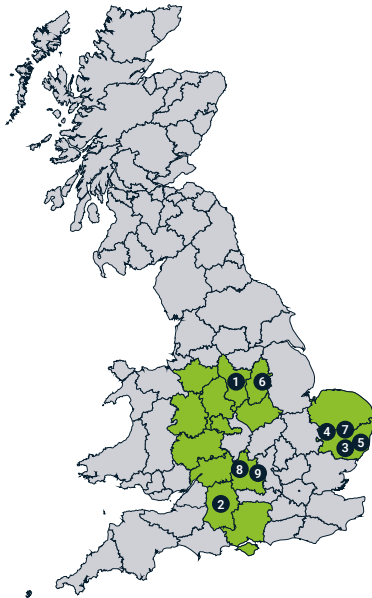


Photos from Fugglestone, Wiltshire Site



The CBRE UK Affordable Housing Fund provides an example of how pension fund capital can support the delivery of much-needed affordable housing while providing long-term investment opportunities.

FIGURE 4: SITES WITHIN LGPS CENTRAL PARTNER FUND AREAS



	PROJECT NAME	DISTRICT	HOMES
1	Project Beryl	Derbyshire	11
2	Fugglestone	Wiltshire	363
3	Project Oak	Suffolk	101
4	Beck Row	Suffolk	100
5	Project Vanilla	Suffolk	21
6	Project Vanilla	Nottinghamshire	10
7	Persimmon East	Suffolk	40
8	Wellington Gate	Oxfordshire	207
9	Valley Park	Oxfordshire	102

Partner Funds of LGPS Central have invested approximately £95 million into a diversified portfolio of affordable housing assets throughout the United Kingdom.

The portfolio is focused on delivering homes that meet local housing needs, with 59% of homes provided at regulated rent, 15% at local affordable rent and 26% through shared ownership. Around 75% of investments support new-build developments, helping to increase housing supply, while the remainder is invested in existing stock. Approximately 76% of homes have already been completed as at Q2 2026, with the balance currently under development.

A significant proportion of the Fund's activity is concentrated within LGPS Central Partner Fund regions. Across projects in Derbyshire, Nottinghamshire, Oxfordshire, Suffolk and Wiltshire, the Fund has supported the delivery of 955 affordable homes, with the potential to house more than 3,300 people. Around 80% of these homes are provided at regulated rent, helping to address affordability challenges in local communities.

Fugglestone in Wiltshire is the Fund's largest single-family housing investment to date. The development is expected to provide more than 364 affordable homes, potentially housing over 1,300 people. The project responds to significant local housing need, with more than 3,900 households on Wiltshire's housing waiting list. Importantly, the investment also demonstrates local impact, delivering affordable homes in an area where Wiltshire Pension Fund is itself an investor in the Fund.

This case study highlights how LGPS investment can help to address local housing shortages and create lasting community benefits at the same time as generating long-term value for pension fund members.

CASE STUDY 2

Man Group Community Housing 1 and Community Housing 3 Fund

As of June 2025, the Community Housing 1 Portfolio comprised 12 sites with a total gross cost of £426 million and the potential to deliver 1,403 homes. The Community Housing 3 Portfolio was launched in 2024 and still in the process of making commitments.

Through its Partner Funds, Oxfordshire Pension Fund, Wiltshire Pension Fund and Worcestershire Pension Fund, LGPS Central has committed £30m of investment into Community Housing 1 Portfolio and £195m into Community Housing 3.

The portfolio is focused on addressing housing affordability challenges, and within Portfolio 1, 96% of homes are intended to be provided at below-market rates, significantly exceeding the fund’s original target of 70%. Across the portfolio, 73% of homes are affordable or social rent and a further 23% are shared ownership properties.

One example is the Grove development in Wantage, Oxfordshire. This investment involves the forward purchase of 108 homes as part of the wider Wellington Gate development, which has planning permission for up to 2,500 homes. The £35.5 million project is expected to provide a mix of social rent, affordable rent and shared ownership homes. The development incorporates environmental features including EPC A ratings, solar panels, air source heat pumps, electric vehicle charging infrastructure and a 35% reduction in operational carbon emissions. Twenty homes had been completed by June 2025, with full completion expected in 2028.

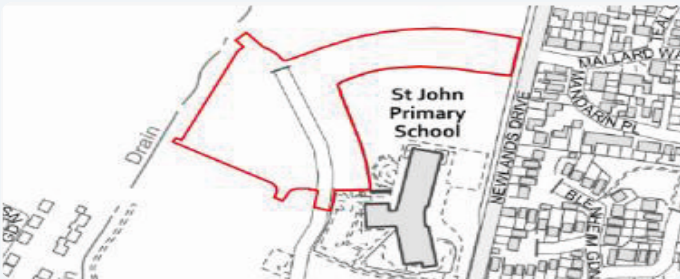


Illustrative 3 and 4 Bedroom House Types from Grove, Wantage Site



The wider portfolio demonstrates how pension fund capital can support housing delivery, increase the supply of affordable homes and contribute to local economic development while incorporating sustainability objectives. Many developments include energy-efficient design features, modern construction methods and partnerships with housing associations to ensure long-term management and affordability.

TABLE 2: KEY FIGURES FROM COMMUNITY HOUSING 1 PORTFOLIO	
METRIC	VALUE
Total Community Housing 1 portfolio value	£426m (£30m investment from LGPS Central Partner Funds)
Number of sites	12
Homes delivered/ in development	1,403
Affordable/social rent homes	855 (73% of delivered homes)
Shared ownership homes	274 (23% of delivered homes)
Homes offered below market rates	96%



St John Primary School will be developed next to Grove development site

CASE STUDY 3

Frontier Development Capital's Help to Own



A precursor to LGPS Central’s strategy for investing in UK housing was an investment as part of a collaborative pilot between; West Midlands Pension Fund, City of Wolverhampton Council and the West Midlands Combined Authority, for a new tenure of housing, Help to Own.

Designed to provide an alternative route to home ownership Help to Own is a long-term rental scheme targeted at a credit-worthy demographic who, for various reasons, find it difficult to save for a deposit, one of the biggest barriers to home ownership. For the pilot 100 units, a mix of 2, 3 and 4 bedroom houses were acquired at The Marches site in Wednesfield. Over 5,000 subscribers came forward for information, 59% of whom were interested in applying as a family and 597 applications were received for the 100 units. Importantly, 37% of the resulting tenants were keyworkers, which was a priority criteria following the COVID-19 pandemic.

Demand clearly outweighed supply and certainty of funding brought forward much-needed quality affordable housing in the West Midlands, accessible through an alternative to Social Housing and the Private rental Market.

Targeted at the affordable element of the section 106 agreement for a site, plans to scale Help to Own include, the broader Midlands geography and nationally, developing sustainable quality homes, supporting regeneration priorities and delivering long-term, predictable, risk-adjusted returns.

Image Sources: [Help To Own Brochure \(help-to-own.com\)](#)

What Government is already doing and what more it could do

The announcement in June 2025 of the Government's plan to spend £39 billion over 10 years on affordable and social housing, was a landmark commitment and a major step forward.

This 50% increase in the previous budget includes: a ten-year rent settlement, a £10 billion investment vehicle via Homes England to unlock private capital and additional funding for energy efficiency measures in the home.

The introduction of the National Housing Bank in 2026, is also important in supporting the increase in social housing through their ability to deploy debt finance, provide loans and make equity co-investments.

Recent announcements in August 2026 have continued the Government's focus on social housing, with £10 billion of funding allocated to 33 Strategic Partners to support the delivery of 70,000 homes across England.²⁷

All these policy and other initiatives have helped to facilitate investment in housing, however, there are further steps that could be taken to improve supply and further increase investment.

What can Government do?

MACRO FACTORS

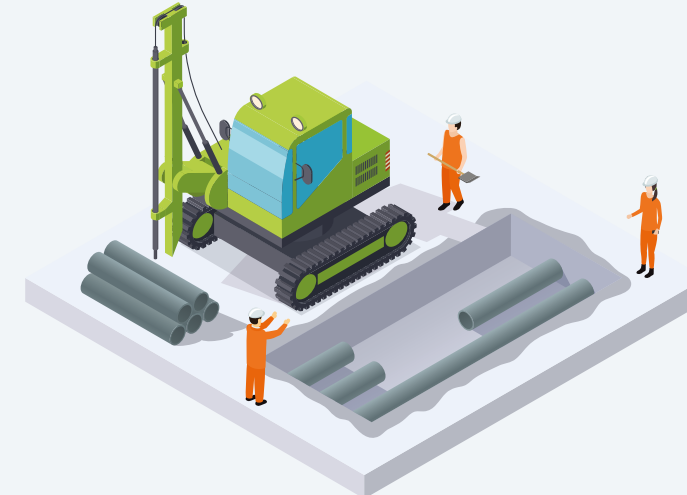
- 1 **Providing macro-economic stability:** The Government remains uniquely placed to help address persistent UK inflation and restore confidence in the economy. A lower interest rate and a predictable macro-economic environment would likely be stimulative for the economy, including the housing sector. Conversely, higher inflation and interest rates increase pressure on families with lower incomes and the risk of default on their mortgages or rent agreements and leads to a weaker housing market. Assessing measures to stimulate the demand for new housing is also recommended.
- 2 **Consistent housing policy and financial frameworks:** A long-term commitment to increasing housebuilding helps provide stability and increase investor confidence, thereby leading to higher levels of investment. Long-term policy and funding frameworks can give investors greater confidence to commit capital over extended periods.

Consistency is important for investors so that there is assurance around expected returns. For example, the 10-year affordable rent settlement has been beneficial for investors. However, towards the end of the settlement period it will be important to extend it or set out a new settlement so that investors have predictability of rents.



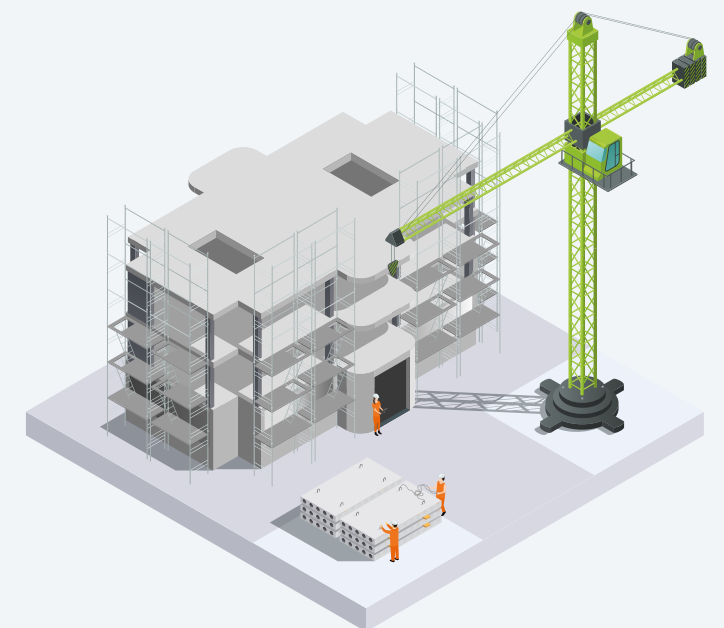
IMPROVING SUPPLY

- 3 **Addressing planning and application issues:** Feedback from managers has suggested that planning issues are improving. However, supply-side issues could be further improved by the Government:
 - Accelerating planning approvals through digitalisation and delegation reforms.
 - Introducing strategic land partnerships with local authorities to unlock public land for housing.
 - Supporting Local Government to engage early and quickly with developers to set out what the objectives are of a development site. Quick turn-around reduces costs and allows greater certainty of delivery.
 - Homes England is performing a vital and constructive role in the market in helping to improve viability of sites the provision of grants. Clearer and more efficient decision-making could further help investors navigate its programmes.
- 4 **Support for SME builders:** The National Housing Bank can be helpful in the future in providing loans to developers, however, explicit support for SME builders would be beneficial. Targeted risk-sharing mechanisms may help address counterparty risks faced by smaller developers, subject to appropriate eligibility, pricing and risk controls.



INCREASING INVESTMENT

- 5 **Supporting Local Authorities; Housing Associations and Strategic Authorities:** The most recent Spending Review included measures to rebuild the financial capacity of housing associations and reinvigorate council housebuilding. Investment could be further supported by:
 - 1) Enabling joint ventures between councils and institutional investors.
 - 2) Providing technical assistance and procurement support to smaller authorities and providers.
- 6 **Strengthening financial incentives and reducing regulatory barriers for institutional investors:** To crowd in private capital, the government has committed £10 billion in financial investments through Homes England. Further steps could include tax incentives for long-term residential investment, such as reliefs on capital gains or stamp duty for affordable housing projects and removing regulatory impediments to co-investment between the Public Finance Institutions and the LGPS.²⁸



²⁷ MHCLG (2026a)

²⁸ There are significant barriers for the Public Finance Institutions e.g. Homes England and the National Housing Bank, to invest a material amount alongside an LGPS asset pool (or previously an LGPS pension fund), because the former are generally discouraged (by an HM Treasury rule) from investing in a project which is more than 49% owned by the public sector (given the impact it could have on the public sector balance sheet). Relaxing this rule, or changing how LGPS investments are classified by the ONS, would be helpful in removing this barrier to investment.

Conclusion



The UK needs more homes, particularly affordable and social housing. Long-term institutional capital can form part of the response, where investments offer an appropriate balance of return, risk, diversification and liquidity.

LGPS Central will continue to assess housing opportunities on their investment merits and in line with the objectives of participating Partner Funds and their fiduciary duty. A stable policy environment, effective planning processes and well-designed public and private investment structures can help increase the range of investable opportunities.

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LGPS Central Limited
2nd Floor, i10
Railway Drive
Wolverhampton
WV1 1LH

lgpscentral.co.uk