



Housing Britain

How can investors help solve the UK housing crisis while meeting their financial goals?

By Constance Johnson



This recent all-member event centred on the pressing issue of the UK housing crisis and how investors, particularly fund managers, can address it. With over eight and a half million people in England unable to access suitable housing, including two million children and other vulnerable groups, the discussion explored how investment in housing can deliver both social impact and stable, inflation-linked returns.



Laasya Shekaran, Director at *Pensions for Purpose*, invited *Kettle Homes*, *Resonance* and **Debbie Fielder**, formerly of *Clwyd Pension Fund* and Non-executive Director of *Pensions for Purpose*, to explore whether investors can, and should, play a role in addressing the UK's affordable housing shortage, including how this involvement could take shape in practice, and the potential risks and benefits of including housing in pension fund portfolios.

Investment opportunities



Chris Cullen, Fund Manager, at *Resonance*, emphasised addressing temporary accommodation issues presents a potential £25bn investment opportunity for UK investors. Housing a family in temporary accommodation costs local authorities approximately £25,000 per year, which detracts from funding for essential services like social care. This creates a compelling case for institutional investors to consider social value in their investment decisions, as improving

housing could lead to better community outcomes and reduced costs for local government.

Challenges facing local authority pension funds

Debbie Fielder noted, while collaborating with local authorities can help align investments with community needs, it is important to recognise the regulatory complexities that can limit direct investment opportunities. Investors must balance the goal of making a local impact with the risks of geographic concentration and the uneven availability of viable investment options across regions. Although investment pooling can present challenges for targeting local projects, proactive communication and strong collaboration with investment managers can help overcome these barriers.

Government & public-private partnerships

The discussion concluded with insights into how government and regulatory frameworks facilitate housing investments. **Trevor Stenden**, CEO and Founding Partner, *Kettle Homes*, pointed out innovative public-private partnerships could mobilise additional private capital into the housing sector. However, it was noted current government initiatives have insufficiently catalysed private investment. Suggestions included the need for the Government to provide more robust support and incentives for private sector involvement in housing solutions, particularly through collaborative funding mechanisms.





Feedback from the audience: breakout groups

During the audience participation session, each group discussed a different question, reflecting on the challenges and opportunities in the investment landscape. These questions guided their exploration of engagement, transparency and impact.

Group one

– moderated by Adam Palaskiewicz, Pensions Investment Consultant at EY

What are the challenges/barriers to investors being able to support solutions to the housing crisis?

- The room discussed as inflows increase, managing liquidity has become more complex. Although it is currently under control, the trend toward more capital being outsourced than received raises concerns about how liquidity will be sustained in the long term.
- From a master trust perspective one of the challenges is explaining to members the financial value in these investments. As the defined contribution (DC) market consolidates and master trusts grow larger, there is concern about whether they will become too big to invest in certain asset classes or whether those investments will remain attractive.
- Lastly, it was highlighted that the consulting industry can act as a barrier due to rigid research frameworks and preferred manager lists. This inflexibility makes it difficult to approve or recommend investments that have social impact, such as those addressing the housing crisis, despite their potential benefits.

Group two

– moderated by Bill Manahan, Director of Institutional Solutions, Downing

How does investing to support the housing crisis fit in with other challenges the UK is looking to address, like achieving net zero?

- The discussion began by highlighting that the UK, relative to its European counterparts, has a higher rate of old housing stock, which is not up to modern sustainability standards.
- To address these challenges, retrofitting existing homes and embedding sustainability into new developments can be encouraged through incentives, such as offering meaningful discounts to developers who meet specific sustainability criteria.
- As more developers meet sustainability criteria and benefit from these incentives, the pace of sustainable housing delivery is expected to accelerate, eventually reducing demand for traditional, less sustainable housing as market preferences shift.



Group three

– moderated by Claudia Sanchez, Sales & Client Relations Manager, AXA Investment Managers

What would help or encourage investors like pension schemes to invest in a way that helps to solve the UK housing crisis?

- The discussion highlighted the perceived inefficiencies in the housing market, which can dampen confidence due to concerns around reliability of returns.
- The group explored potential solutions to this. Firstly, managers were seen as central to increasing confidence in the market. Secondly, regulation in the UK needs to evolve to take a more actively facilitate an efficient and investable housing market. Finally, the group discussed the innovation needed to develop investment vehicles with varied return and impact profiles. This would enable large and small investors to participate meaningfully, while achieving local impact at scale.



Questions & answers

Q How can investors balance social impact and environmental concerns in the housing?

Q & A Investors can prioritise energy efficiency and environmental performance by embedding sustainability criteria into their housing investment strategies. This includes assessing carbon footprint, building standards and long-term environmental impact alongside financial returns.

Q How can investors engage in stewardship within housing investments?

Q & A Effective stewardship involves active engagement with asset managers, to ensure investments align with social and environmental goals. Investors should advocate for responsible development, tenant wellbeing and inclusive housing practices as part of their broader investment objectives.

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