RESEARCH

BRIEFING NOTE

Affordable Housing Need in England

Residential - UK Development – August 2026

England still needs a step-change in affordable housing to meet need

England's need for affordable housing remains substantial and delivery of new affordable housing is falling well short of requirements. The lack of supply in some areas, particularly London, is helping to fuel a homelessness crisis with record numbers of households in temporary accommodation. Although our latest estimate of emerging need is very slightly lower than in previous years, this reflects a temporary easing in affordability pressures rather than a lasting reduction in the scale of the challenge. At the same time, need continues to vary significantly between regions and tenures, suggesting a flexible approach that allows delivery to respond to local market dynamics.

The state of play

Our estimate for the scale of affordable housing need is shaped by changing market conditions. By the end of 2025, and compared to 2023 and 2024, those conditions had eased slightly: incomes had risen materially in response to higher inflation, while higher interest rates continued to constrain house price growth, particularly in less affordable markets.

The change can best be seen in the ratio of median house prices to median earnings. Across England, this ratio stood at 7.51 in 2025 – historically high, but still lower than the 8.15 recorded in 2023. Market rental growth had also slowed.

How many affordable homes?

Together, these factors produce a small improvement in the basic level of housing affordability in England. On that basis, we estimate that c. 37% of new homes should currently be delivered as some kind of affordable tenure. This should be read as a baseline measure of emerging annual need, rather than a full assessment of all unmet pressures. It captures the additional homes required to support newly forming households and maintain the existing stock of social housing, but it does not include the homes needed to unwind backlogs that manifest in high levels of temporary accommodation nor demand from households currently in the private sector that are paying more for their rent than our affordability thresholds.

As a subset of the total housing need for England – currently c. 370,000 according to the standard method prescribed in the National Planning Policy Framework – this equates to around 136,200 new homes per annum.

This figure is essentially unchanged from estimates in recent years, which suggested that 38% to 40% of new homes should be offered as affordable tenures, between 143,000 and 147,000 new homes. The clear implication remains that around two in five new homes should be offered as one or other form of affordable tenure; this would of course represent a very significant uplift on current affordable homes delivery.

Where is need greatest?

Around three quarters of affordable housing need is concentrated in London and the South, slightly more than last year, reflecting the affordability pressures faced in these markets and the persistently low levels of delivery relative to need. But this is not solely an issue in the southern half of the country: the Midlands and the North account for 12% and 14% respectively, equivalent to a need of over 35,000 homes a year.

Crucially, the slightly improved affordability reported for 2025 is unlikely to be maintained indefinitely. Our housing market forecasts point to lower interest rates and faster house price growth over the next five years, while income growth will moderate. As market conditions normalise through the next phase of the cycle, the need for new affordable housing is likely to increase.

AFFORDABLE HOUSING NEED BY REGION (2026)

Region	Estimated number of affordable homes	Share by region
London	40,400	30%
South	60,400	44%
Midlands	17,000	12%
North	18,400	14%

Source: Savills analysis of MHCLG, 2021 Census, Experian, HM Land Registry and listings data

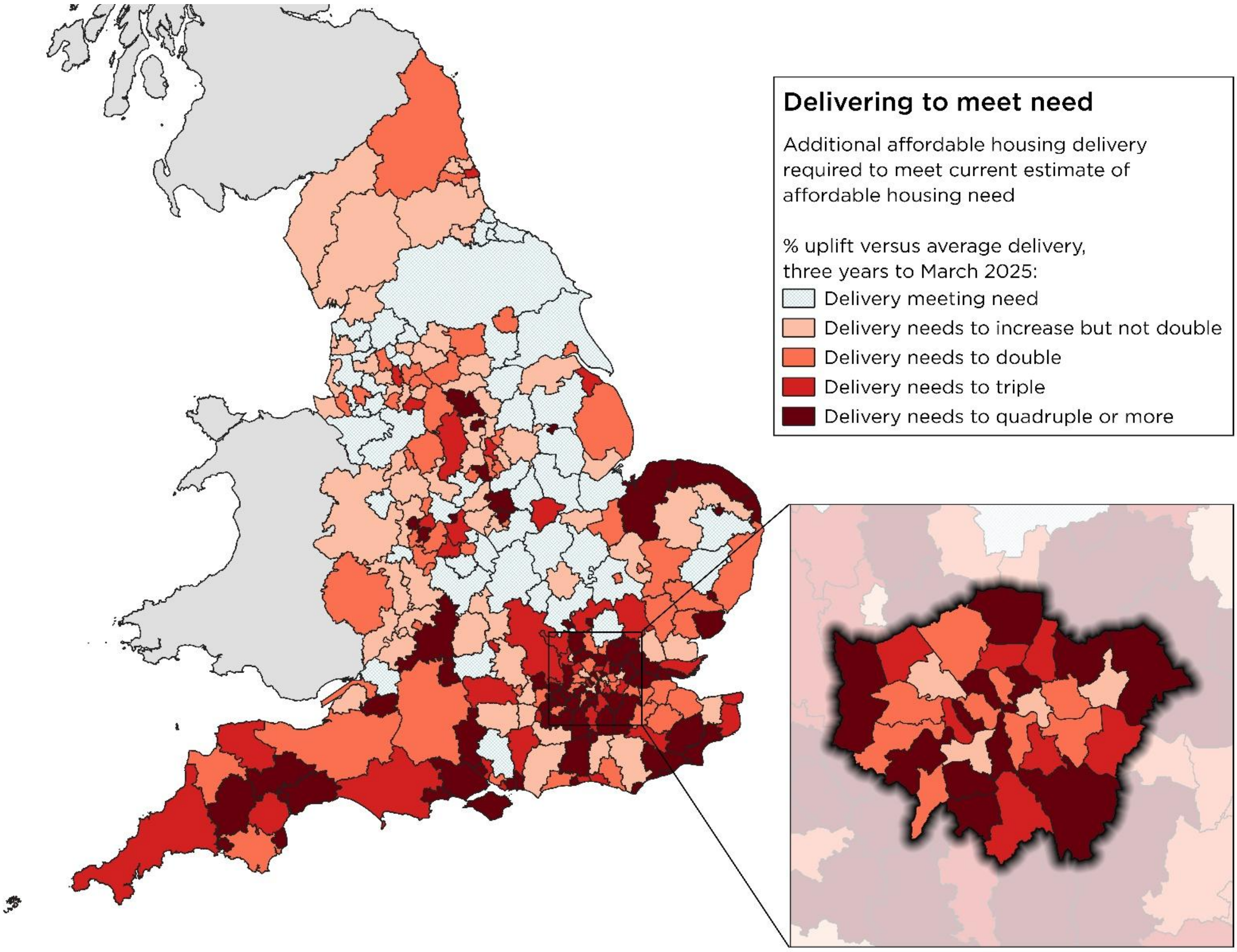
Delivering to meet need

In most places, affordable housing delivery is well below the level implied by current need, with a substantial uplift in new affordable housing completions required in many local authority areas. In more than half of English local authority areas, the number of affordable completions would need to at least double compared to recent delivery trends to meet their needs, and in a quarter of areas, delivery would need to quadruple.

By contrast, affordable housing need is being met or exceeded in fewer than one in five local authority areas. The pressure is most acute in London (where 29 of the 33 boroughs require affordable delivery to more than double), and across the wider South, where recent delivery falls furthest short.

The Midlands and North show a more mixed picture, with fewer authorities requiring such large uplifts and a greater share meeting or exceeding estimated need. Meeting the full level of need will be difficult. Affordable housing providers are operating in a significantly more challenging environment than a decade ago, with higher construction costs, elevated borrowing rates and growing investment requirements in existing homes constraining capacity to deliver new supply.

At the same time, affordable housing delivery through Section 106 agreements has weakened as wider housebuilding activity has slowed and additional demands on Registered Provider finances limit how much new stock they can take on. While the new Social and Affordable Homes Programme (SAHP) provides an increased long-term funding commitment compared to the recent past, there remains a very substantial gap between the sector's current delivery capacity and the scale of identified need, which would take more than double the funding to achieve.



Source: Savills analysis of MHCLG, 2021 Census, Experian, HM Land Registry and listings data

This picture also reflects the viability and planning challenges in the wider development market, which has become increasingly reliant on volume housebuilders and urban extensions over recent years.

Furthermore, these results should be interpreted with some caution in very large local authority areas, such as North Yorkshire and Cornwall. In these locations, aggregate delivery may appear broadly aligned with estimated requirements, but this can mask significant variation within local housing markets, including more acute pressures in places such as York or Truro (for example).

More generally, the analysis therefore highlights the importance of looking beyond local authority averages. Housing need and delivery can vary considerably within local authority boundaries, meaning that areas which appear to be performing well overall may still contain neighbourhoods or settlements where affordable housing provision falls well short of local needs.

This aspect of the analysis is likely to become more of a feature given ongoing local government reorganisation where larger housing authorities are being put in place in all parts of the country.

What kind of affordable housing?

Based on our analysis of housing affordability compared to household income levels, we estimate there is need for around 20,700 affordable ownership homes, 40,100 affordable or intermediate rent homes and 75,400 Social Rent homes each year. Social Rent therefore accounts for the largest share of need overall, at 55%. This is close to current Homes England policy, which targets 60% of delivery as Social Rent and a lower share for other tenures.

At a local level, however, the picture is more varied, and different tenures become affordable depending on local market conditions. A single national tenure mix is unlikely to match need as measured via affordability in every location. The affordability of different tenures will also change over time as incomes, rents and house prices change.

Likewise, a tenure mix that looks appropriate today may change in the future. Flexibility within planning policy and Section 106 agreements, and perhaps flexibility within the SAHP: these may help delivery respond to market conditions, without being unduly constrained by viability pressures and maximise value for money.

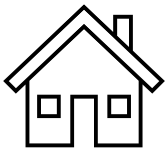
AFFORDABLE HOUSING NEED BY TENURE (2026)

Region	Estimated number of affordable homes	Share by tenure
Affordable Ownership	20,700	15%
Affordable Rent	40,100	29%
Social Rent	75,400	55%

Source: Savills analysis of MHCLG, 2021 Census, Experian, HM Land Registry and listings data

How does each tenure help?

Affordable Home Ownership



Affordable Home Ownership, which includes Discounted Market Sale (DMS) and Shared Ownership (SO), plays an important role in meeting affordable housing need across most of England, but much less so in London. The tenure can effectively absorb just 1% of affordable housing need in the capital, reflecting the gap between the price of a new build home and incomes even for discounted products. By contrast, across the rest of England, over a fifth (21-22%) of the need for affordable housing can be met by some kind of affordable home ownership product.

Although Affordable Home Ownership accounts for a smaller share of affordable housing need, this should not be confused with a lack of demand. Our estimates of need do not capture the much larger group of households who are in market rental housing today but would choose an affordable route into home ownership if one were available. Many of these households will be paying rent at a higher percentage of income than would be considered affordable: the average private tenant is currently spending more than 30% of their income on rent everywhere in England except for the East Midlands and Yorkshire and the Humber, according to Homelet (July 2026).

Recent analysis of potential demand for discounted market sale suggests that between 350,000 and 530,000 family households currently living in the private rented sector could afford to buy a suitable home through a DMS product, depending on the level of discount offered and assuming they could raise a 5% deposit. This equates to between 22% and 34% of all families with dependent children in the private rented sector. For these households, DMS or other affordable home ownership could provide a route to greater stability and security compared to the PRS. Shared ownership is the largest AHO tenure currently addressing this demand, with 46% of sales in 2024/25 being to buyers moving from private rented accommodation according to MHCLG's CORE database.

This wider demand pool has important implications for housing delivery. Affordable Home Ownership is often easier and simpler for private housebuilders to provide through Section 106 agreements than affordable rented tenures. It typically requires less subsidy and can be delivered alongside market sale homes with fewer operational constraints. Used in the right locations, Affordable Home Ownership can therefore help maintain delivery of both market and affordable housing while also providing a route into ownership for households currently priced out of the open market.

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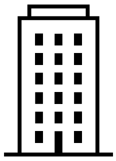
> Affordable home ownership could provide a route to greater stability and security compared to the private rented sector for around 350,000 to 500,000 families with dependent children.

Affordable Rent



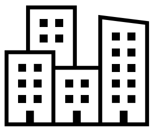
Affordable or intermediate rent represents a smaller share of need than Social Rent but remains a significant component and generally requires a lower level of subsidy to deliver. Nationally, we estimate that around 29% of affordable housing need is for affordable rent – for households which can afford a higher level of rent than Social Rent but unable to access home ownership. This tenure option is typically strongest in markets where affordability pressures place market rents beyond the reach of many low-middle income households. Key workers, such as teachers and healthcare workers, would therefore particularly benefit from greater availability of this tenure.

We estimate how many households are priced into affordable rent products using a 40% discount to median market rents. These assumptions are based on evidence of actual rents paid in Affordable Rent properties as reported by Registered Providers to the Regulator of Social Housing. While some households may be able to access lower-cost homes in the private rented sector, our assessment focuses on newly forming households and the delivery of new affordable housing.

New-build rental homes rarely compete with lower quartile market rents, while many of the lowest-cost private rented properties are of poorer quality. Affordable and intermediate rent products therefore provide a route to quality housing with greater security of tenure at a price that remains accessible.

However, the role for affordable and intermediate rent products varies considerably across England. They account for around a third of affordable housing need in London (33%) and the wider South (30%), reflecting the large number of households priced out of market housing but able to afford rents above Social Rent levels. The share falls to 27% in the Midlands and 20% in the North, where a greater proportion of need is concentrated among the lowest income households requiring the highest subsidy provided by Social Rent. This pattern reflects our previous analysis of affordability of housing for key workers.

Social Rent



Social Rent accounts for the largest share of need in every region, reflecting the depth of affordability pressures facing lower-income households.

In London, Social Rent makes up around two thirds (66%) of need in our current estimate, reflecting particularly acute affordability pressures in the capital. Across the wider South and the Midlands, Social Rent accounts for around half of affordable housing need (49% and 51%, respectively).

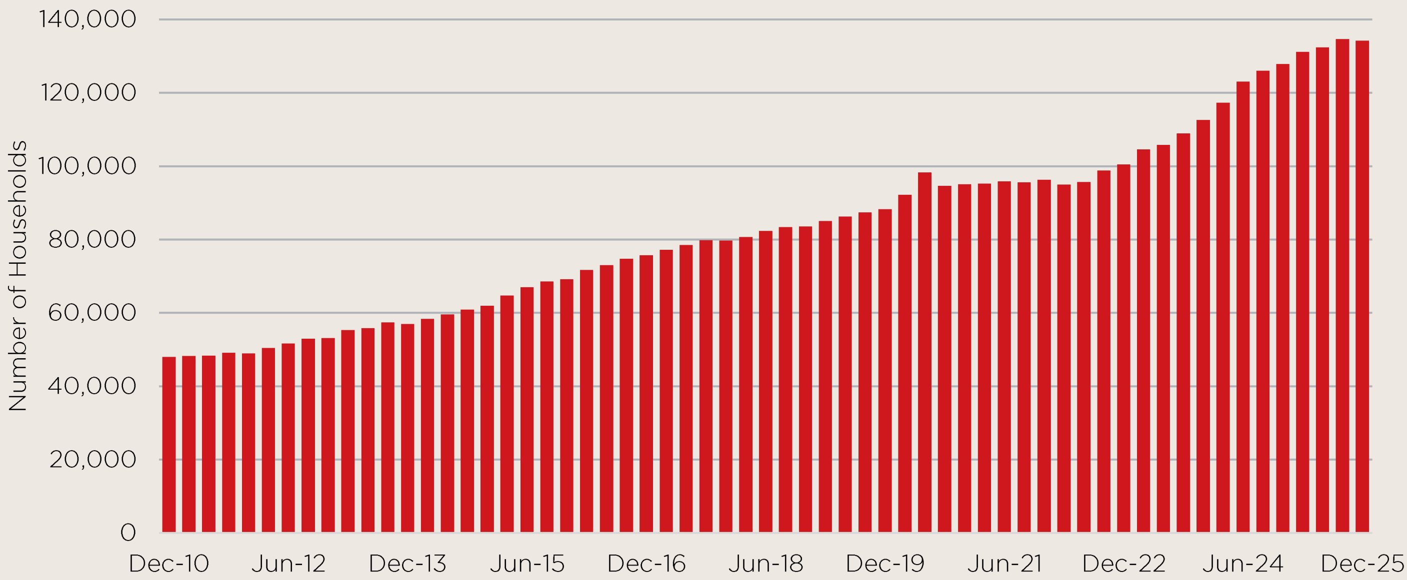
In the North, we estimate that 58% of affordable housing need is currently for Social Rent. This figure is higher than in previous years, driven by changes to incomes and overall need. Strong income growth relative to rents and house prices, particularly in the North West, has improved affordability for many households, and concentrated remaining need among those on the lowest incomes. This has increased the proportion of need best met through Social Rent, but the number of households in need of Social Rent housing each year remains essentially unchanged at 10,600.

It is likely, however, that as incomes, house prices and rents return to long-term trends within the housing market cycle, the total scale of need will grow again as more households with somewhat higher incomes are priced out of market housing, and the relative balance might shift to other affordable tenures.

Addressing the temporary accommodation crisis

Temporary accommodation (TA) has become one of the clearest symptoms of unmet housing need, with the biggest problems located where housing delivery of all kinds has persistently failed to meet need. More than 134,000 households were living in TA at the end of 2025, including 85,000 with children.

One cause of the backlog is that local authorities are often unable to find suitable settled accommodation in either the social or private rented sectors and therefore households remain in temporary accommodation, especially in London and the South. 58% (43,600) of households in temporary accommodation in the capital have been so for at least two years, with 30% (22,400) in TA for more than five years. For these households, housing at Social Rent is very often the most suitable option.



Source: Savills analysis of MHCLG, 2021 Census, Experian, HM Land Registry and listings data

Another cause for the scale of the backlog is a lack of affordable housing delivery. In London, the number of households in temporary accommodation (75,600) is more than double the number of new affordable homes delivered over the last 3 years (37,500). Clearing the existing temporary accommodation backlog nationally over the course of a decade would imply around 13,400 additional permanent affordable homes per year, before making any allowance for newly arising need. That would be around a 10% uplift to our assessment of need for newly emerging households or an 18% uplift to our assessment of Social Rented housing need.

WHAT WOULD IT TAKE TO ADDRESS LONDON'S TEMPORARY ACCOMMODATION CRISIS?

Number of households in temporary accommodation	75,600
New affordable homes delivered over 3 years to 2024/25	37,500
Additional affordable homes required per year to clear the backlog over 10 years	13,400
Impact on our assessment of total affordable housing need	10% uplift, to 53,800 per year
Impact if all additional homes were Social Rent	18% uplift, to 40,000 per year

Source: Savills using MHCLG

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