UK Affordable Housing – Autumn 2025

SPOTLIGHT
Savills Research

Delivering for the future?

Building at scale ■ Delivering across the market cycle ■ Meeting local housing needs

Affordable housebuilding at scale

The Government's increased funding marked for the delivery of affordable homes brings with it a number of important considerations

Following the Spending Review in June 2025, the Government has launched a new Social and Affordable Homes Programme (SAHP), which aims to "kickstart social and affordable housebuilding at scale across the country". At £39 billion over ten years, this represents a notable increase in funding and certainty for the sector.

What comes next is determining how the new grant funding can be deployed to best meet housing need. Particularly important is the fact that there will almost inevitably be changes in market conditions and housing affordability over the course of the decade-long programme period.

Our research, therefore, focuses on identifying where the need for sub-market housing is greatest, which tenures are the most effective in meeting local housing needs, and how delivery might be balanced to ensure it is future-proofed against changing conditions over housing market cycles.

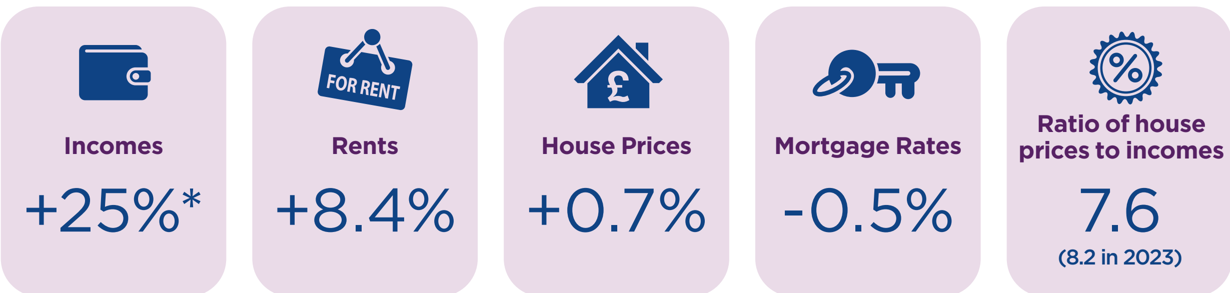
How many sub-market homes should we be building to meet need?

Our previous Housing Paper looked at the need for affordable housing against a backdrop of a rapid rise in house prices, rents and mortgage costs following the Covid-19 pandemic. We found there was need for around half of delivery in England to be provided as some form of sub-market housing (which includes low-cost home ownership, affordable and social rented tenures). Demand was greatest in London, where steep housing costs meant most sub-market homes needed to be social rented homes. In more affordable markets such as in parts of the North and Midlands a broader range of tenures was able to meet the need for sub-market housing, including affordable home ownership products.

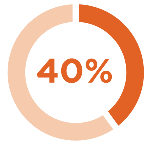
Much has changed since then: declining interest and mortgage rates, wage growth, falling inflation, and a sluggish (in historical terms) housing market have all contributed to improve the relative affordability for some buyers and renters, while limiting growth in house prices and rents. As a result of all of these factors, housing affordability has improved by 8% across England within just 12 months, according to the ONS.

Nevertheless, there is still a substantial unmet need for sub-market housing. Our latest analysis, updated to take into account the latest data on house prices and incomes, found there was need for 40% of new homes to be of a sub-market tenure at the end of 2024 – equivalent to around 147,000 homes per annum - as a share of overall housing need. At the same time, the tenure profile of sub-market need has developed in subtle but important ways as the effects of the current housing market cycle have not been equally felt everywhere in the country.

Figure 1 How has the housing market in England changed since last year's paper?



Source: Savills using Census 2021, Experian, HM Land Registry, listings data, ONS
*UK-wide, since 2021, based on using the most up to date data available at the time.



of new homes each year need to be a sub-market tenure (as a share of overall housing need)

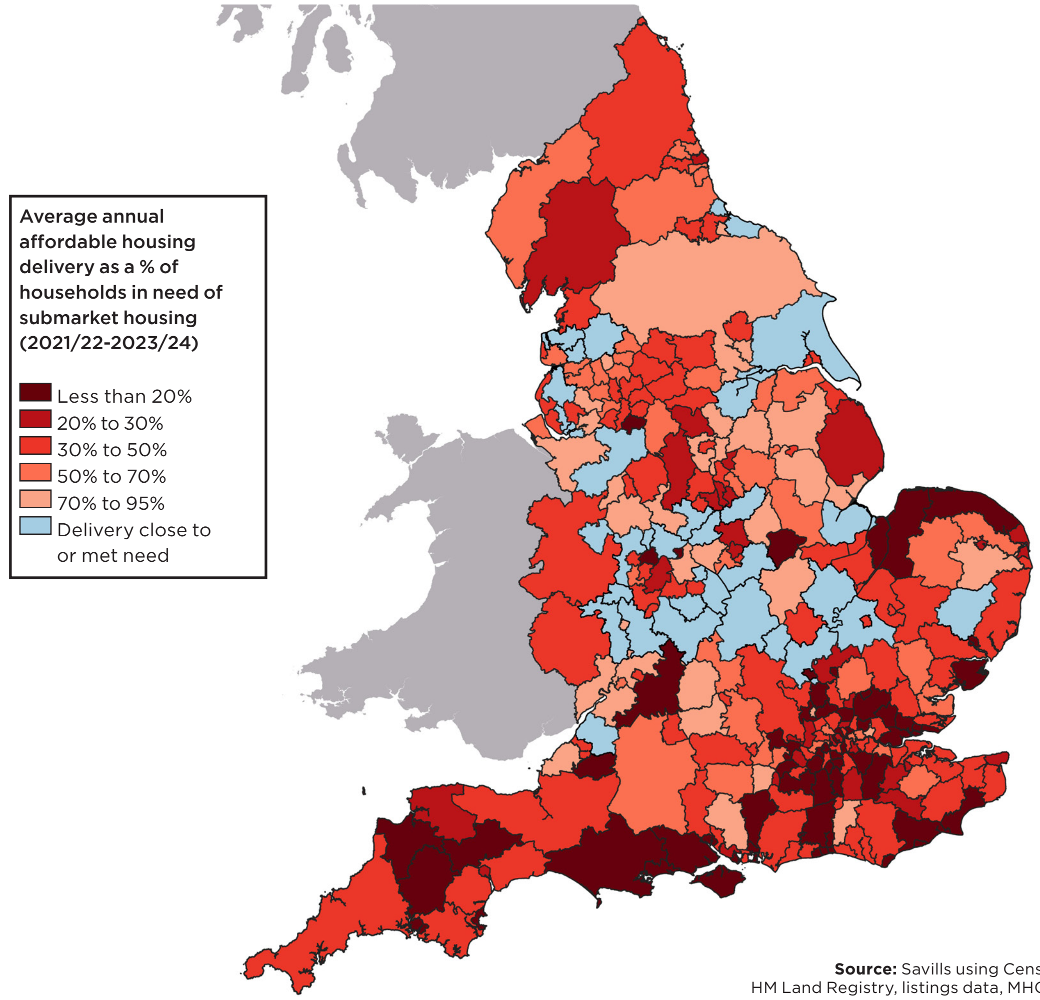
How does this compare to current levels of affordable housing delivery?

Overall, over half of English local authorities are delivering less than 50% of what we currently estimate is needed to meet the demand for sub-market homes. This is despite an uptick in affordable housing delivery over the past year, as developers and social housing providers seek to use the last of the current Affordable Homes Programme's (AHP) grant funding, consistent with the experience of when previous programmes have come to an end. Although a failure to meet requirements is common across England, the targets that need to be met vary significantly between local authorities.

The Midlands and the North require relatively little additional affordable housing delivery above current levels, with some areas within 5% or less of meeting our estimate for total sub-market housing need. In 38 local authorities, delivery actually surpassed 100% of this definition of need over the past year.

Across London and much of the South, however, sub-market housing delivery is as low as 20% of the required levels. With higher build costs in these areas, it can be difficult to make affordable housing financially viable – a critical issue in recent years, when around half of affordable housing in England has been delivered by private housebuilders through Section 106 agreements.

Figure 2 Over half of local authorities have a shortfall of delivery of over 50% in order to meet our estimates of sub-market housing need



Source: Savills using Census 2021, Experian, HM Land Registry, listings data, MHCLG Live Table 1011

How does our model work?
To calculate the scale of need for sub-market housing, we estimate the ability of households to afford rent or house prices at current market levels, as well as the number of households currently in affordable housing. We define affordability as spending less than 30% of gross household income on rent, or 20% on mortgage payments, in line with affordable housing policy and long-term trends in owner-occupation costs in England. Those who are unable to afford market housing at this level but are not currently in affordable housing are considered to be in the "affordability gap" – priced out of the market but unable to access affordable housing at present. In reality, many of these households are able to access market housing, but only by paying significantly more than our affordability thresholds and entering into substantial financial burden. These households, combined with existing households in affordable housing, produce our estimate for the true need for sub-market housing. We then translate this total need into a proportion of annual housing delivery. For our central estimate, we have assumed delivery at c.370,000 homes per year, in line with the Government's assessment of overall housing need in England. Based on this, we estimate that, at the end of 2024, c. 145,000 to 150,000 homes need to be offered as a sub-market tenure, equivalent to around 40% of overall housing need.

Building for the long term

Developers and funders need to strike the balance between maximising delivery and meeting changing affordability profiles over housing market cycles

The ten year timeframe for the new SAHP provides greater certainty for developers and affordable housing providers. One consequence of a longer funding programme is that delivery must be flexible enough to adapt to changes in housing market conditions. With the number and tenure of affordable homes decided well in advance of completion of schemes, the challenge for developers and funders is to ensure they deliver a mixture of tenures that strike the balance between maximising delivery and meeting changing affordability profiles across the housing market cycle.

To capture this, we have run our analysis using a range of different scenarios. Our upside scenario assumes lower mortgage rates, house prices and rents over the next five years to 2029, unlocking greater affordability in the market and thus lower demand for sub-market housing. This upside scenario looks like market conditions at present, with total demand for c. 147,000 sub-market homes per annum.

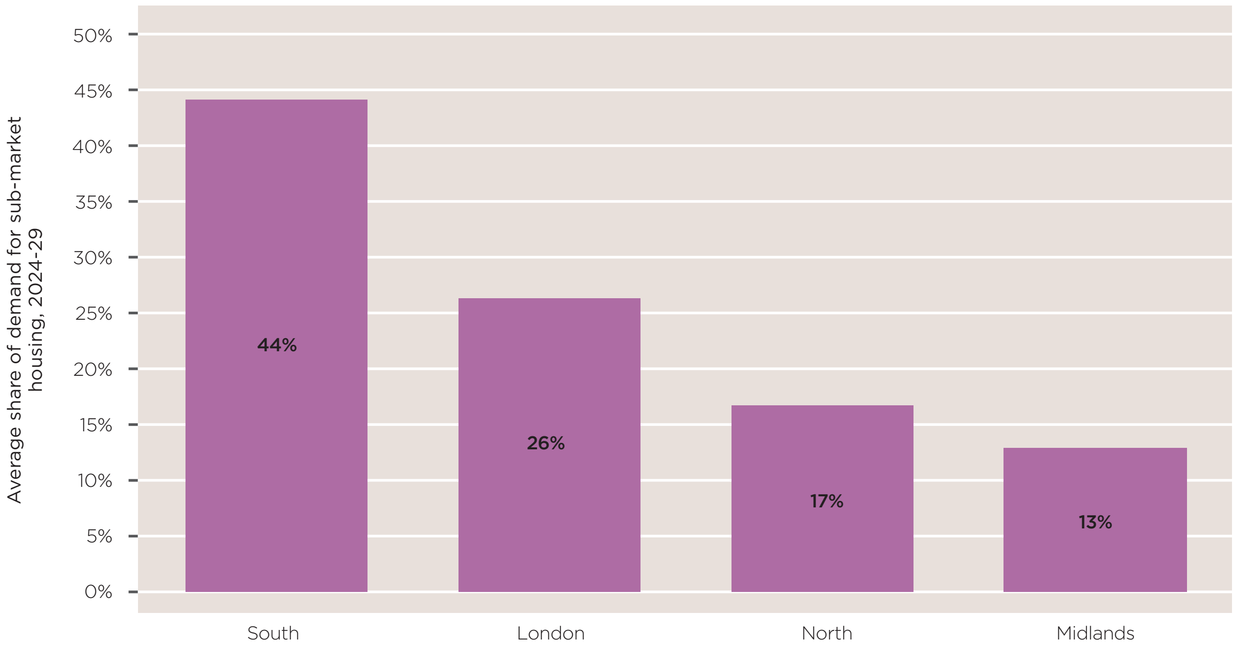
Our downside scenario is in line with where we expect the market to be in 2029. Affordability is likely to be more stretched: over the five years, house prices and rents across the UK expected to rise by an average of nearly 25% and 18% respectively (albeit with regional variation). Cuts to mortgage rates, from around 4.5% at present to a little above 3% in 2029, should boost the purchasing power of buyers, but this is unlikely to offset weaker pay growth. Changes to mortgage rates and mortgage regulation, meanwhile, will do little to directly help those renting privately and unable to move into home ownership. This leads to a total demand for sub-market housing of nearly 168,000 homes per annum.

As a consequence of changing conditions, affordable housing need will increase across the latter stages of the first phase and into the second phase of the SAHP. As a result, over the five years to 2029, demand for sub-market housing will increase from around 39% to 45% of all housing across England. Assuming overall housing targets remains the same, that is equivalent to between 143,000 to 168,000 sub-market homes each year, with the higher figure coming at the end of the period.

Where is housing need greatest?

The majority of the demand for sub-market homes will remain concentrated in London and the south of England. Across our projections, these two regions typically account for 70% of overall demand on average. At 26%, London's share in terms of need, is actually a little lower than the 30% share of the SAHP currently earmarked for the capital, although our modelling does not account for the higher cost of delivering homes in London.

Figure 3 London and the South will account for c. 70% of sub-market demand between 2024-29



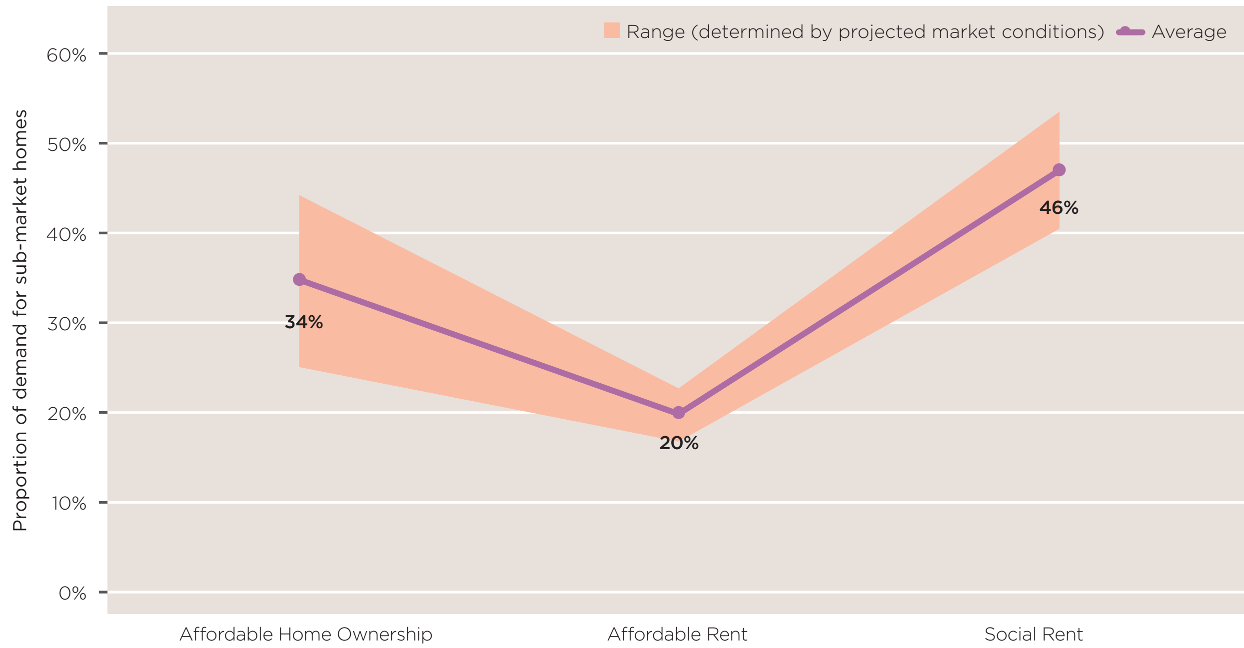
Source: Savills using Census 2021, Experian, HM Land Registry, listings data

Flexing the balance of tenures required

Where does this leave overall affordable housing delivery? The average of our upside and downside scenarios sees 46% of sub-market homes needing to be offered as social rent at a national level, out of a range of 40% to 52%. A further 20% of households are typically priced in by affordable rent. The remaining third (34%) are able to afford a home ownership product (such as discounted market sale or Shared Ownership).

This suggests that offering around 50% of sub-market homes as social rent (to ensure there is sufficient social housing for vulnerable households during market downturns), alongside around one-third and one-fifth as affordable home ownership and affordable rent, respectively, would be a reasonable baseline tenure mix for affordable housing delivery when planning over the first phase of the SAHP.

Figure 4 Need for different tenures varies across projected market conditions over the next five years



Source: Savills using Census 2021, Experian, HM Land Registry, listings data

Why are some tenures more affected by the market cycle than others?

Tenure	Minimum demand (2024-29)	Maximum demand (2024-29)
Affordable Home Ownership	25%	43%
Affordable Rent	18%	23%
Social Rent	39%	52%

Source: Savills using Census 2021, Experian, HM Land Registry, listings data

The accessibility of affordable home ownership products depends heavily on the wider affordability of housing (i.e. the relationship between local incomes and prices) and mortgage rates. An increase in incomes, or conversely, an increase in mortgage rates, has a considerable impact on whether households can effectively use an affordable housing product without entering into financial burden. Our modelling on affordable home ownership is based on the affordability of ongoing monthly costs and doesn't take into account assumptions around deposit requirements.

Affordable rent, by contrast, typically has stricter eligibility requirements and income caps, which means the effectiveness of the discount is more consistent but is available to a smaller number of households. Social rent, meanwhile, typically picks up the remaining need from the other two tenures. If affordable home ownership and affordable rent products are well-aligned with market conditions, the demand for social rent falls, and vice versa.

Matching tenures to local needs

Varying market conditions across the North and South of England means that the delivery of new homes needs to be well-targeted

Alongside broader market trends, the difference in wages, rents and house prices between regions is also a key factor determining which tenures are most effective at meeting local housing needs. Our forecasts, for example, project that house prices will rise almost twice as much in the North West as in London.

The same variation can be seen with income projections. Taking London as an example, nearly 60% of households in need have incomes above £30,000 (excluding housing benefit); by contrast, in the North the same proportion of households in need have incomes below £30,000.

Yet due to much greater existing affordability challenges, London also has the greatest need for social rented homes, which attract the steepest discount to market rent. Our modelling suggests that from c. 50% to 60% of sub-market homes in the capital need to be offered as social rent, higher than any other region. Assuming total housing delivery met Government targets, this would imply building around 21,000 new social rented homes per annum in London.

Affordable home ownership, on the other hand, works better in markets with lower capital values, such as in the North. Across all factors influencing market conditions, around 42% of households in need in the North are typically able to access affordable housing using such a scheme; in the South, that number is 32%.

Figure 5 Average projected demand for tenures by region, 2024-29

	London	South	Midlands	North	Overall
Affordable Home Ownership	33%	32%	33%	42%	34%
Affordable Rent	14%	25%	33%	15%	20%
Social Rent	53%	25%	43%	42%	46%

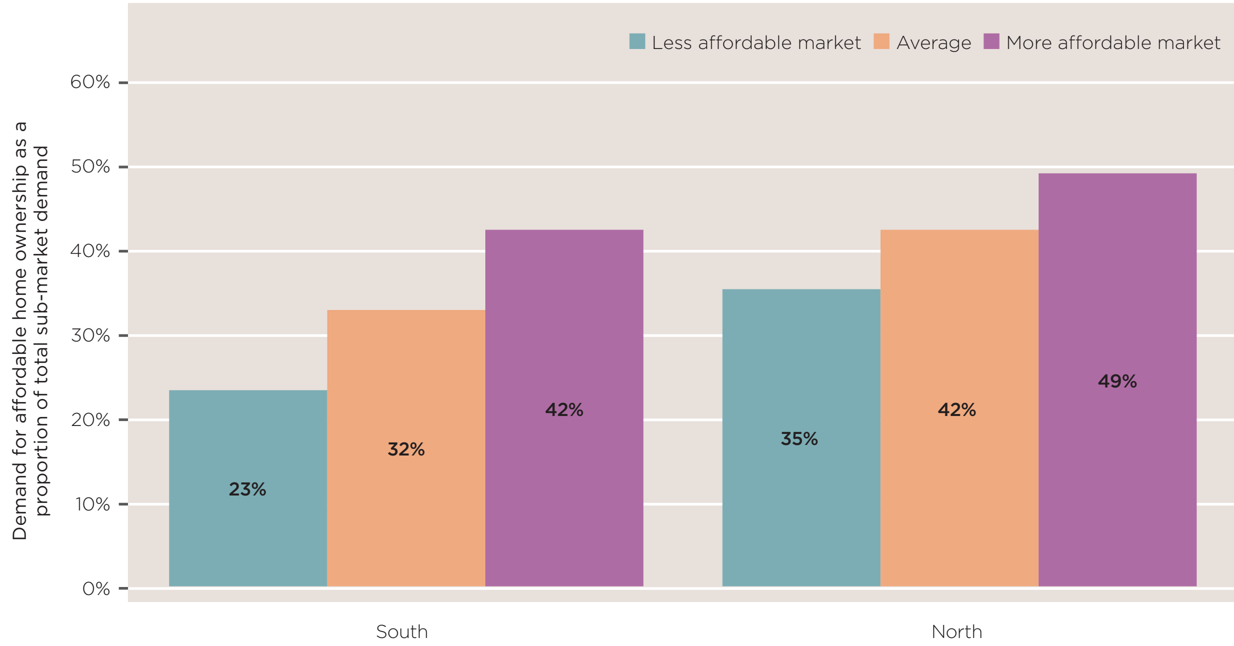
Source: Savills using Census 2021, Experian, HM Land Registry, listings data

By way of example: our previous paper found substantial need for affordable home ownership schemes, with many buyers priced out of the market for owner-occupation by very high mortgage costs and a lack of income growth. As there is less regional variation in wages than in house prices, a period of strong wage growth, as seen over the past few years, has a greater effect on affordability in cheaper markets (such as the North and Midlands) than more expensive ones. With falling mortgage rates and rising wages, many of these households are now priced into wholly home ownership again, reducing their need for support.

Higher prices in the South also mean buyers are more sensitive to changes in mortgage rates as households tend to need to borrow a higher proportion of the property value. The share of homes that should be delivered as affordable home ownership in the South varies from 23% to 42% depending on market conditions. By contrast, in the North, the range is smaller (35% - 49%) as the lower capital values mean monthly repayment costs vary less in different rate environments.

> **“Over the ten year window for the SAHP, we estimate that it would cost between £91 to £119 billion in grant funding to meet our estimate of sub-market housing need”**

Figure 6 Affordable home ownership tenures are projected to be more effective at pricing in households across different market conditions in the North of England compared to the South.



Source: Savills using Census 2021, Experian, HM Land Registry, listings data

The price tag?

We have estimated that, assuming 370,000 new home completions each year, around 143,000 to 168,000 of those homes would need to be offered as a sub-market tenure between 2025 and 2029. If that projection held across the 10 years of the SAHP, how much would it cost to deliver in the ideal mixture of tenures?

Over the ten year window for the SAHP, we estimate that this would cost £91 to £119 billion in grant funding depending on which level of delivery is achieved, with a mid scenario of £103 billion based on our modelling. This is over 2.5 times greater than the £39 billion of funding recently announced by the Government for the programme.

Furthermore, this assumes that just under half of sub-market housing delivery comes via Section 106 agreements with private housebuilders, in line with the trend of the last three years. This is likely optimistic, as private completions (of which Section 106 delivery are a by-product) are likely to fall to around 200,000 per year in the near-term. Given historic trends, this would leave Section 106 completions somewhere around 27,000 homes – well below c. 70,000 needed to ensure delivery meets need without extra grant.

We have also not considered how viability (and thus grant rates required) may change over time. It is unlikely that the tenure balance suggested by our modelling will actually be deliverable in every local area at every point in the housing market cycle. It is important to highlight the scale of the overall need for affordable housing, and how that need can be met by a variety of tenures in many areas; as highlighted in our previous paper, a “one size fits all” approach is unlikely to deliver on either overall affordable housing delivery or on sub-market tenure needs locally.

The SAHP is of course a very welcome boost to the sector, but is still less than 40% of what would be required to achieve the affordable homes needs set out in this paper over the next 10 years.

The SAHP has re-focused affordable delivery towards social rented homes – aiming to provide 60% for this tenure, long called-for by the sector. Our research has repeatedly shown the need for social rented homes in all areas, including in this paper. Nevertheless, delivery of social rented homes should be targeted at those areas where the need is greatest. In turn this implies that policy and funding should remain flexible and adaptable, able to respond both to current variations in local housing needs as well as how those needs change over time.

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We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

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