

Stock rationalisation: unlocking sector capacity?



Can stock rationalisation deliver more affordable homes?

Registered Providers (RPs) of affordable housing are currently facing significant financial challenges, limiting their ability to invest in new affordable homes. A more efficient use

of assets and capital through stock rationalisation could rebuild capacity to deliver more homes. Our analysis has found that across the whole sector, RPs involved in actively trading social

housing (which includes general needs, intermediate and affordable rent, Shared Ownership and supported and retirement housing) built more new homes than were sold.

How many social homes are traded?

Trading of social housing stock has matured into a market worth more than £500 million annually, according to data from Savills, JLL and FFT. More homes are being bought and sold across a greater variety of tenures, as deals have grown larger and involve a wide array of organisations, including housing associations, for-profit registered providers (FPRPs) and local authorities.

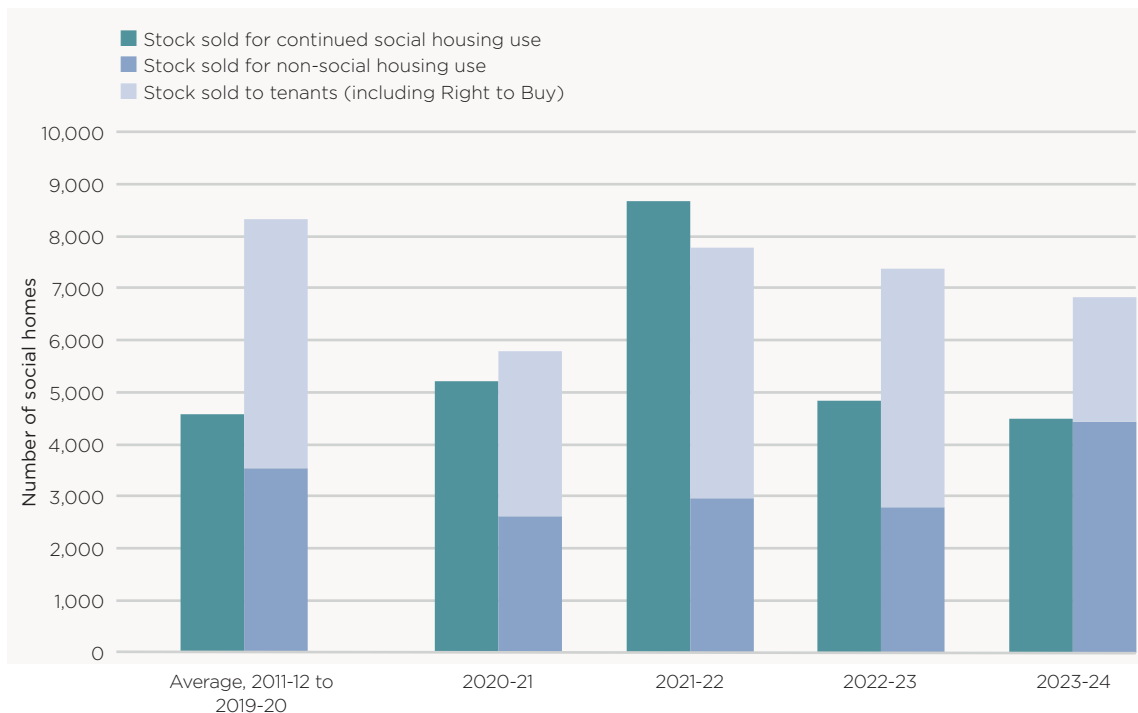
Over the previous decade, just under 13,000 social homes exchanged hands on average each year, according to statistics from the Regulator of Social Housing (RSH). Of those, 35%

were retained as a social housing tenure. The other 65% were either purchased by tenants using Right to Buy or a similar scheme and converted to owner-occupation, or were sold into a non-social housing tenure (potentially leaving the affordable sector entirely).

The early 2020s were the most active period for nearly a decade in terms of homes trading while being retained as social housing, driven by several large deals. Some were transfers of stock between a parent company and a subsidiary (Sage Homes

being a key example), but there were also major swaps between RPs, such as the Guinness Partnership and Paradigm exchanging over 2,000 social homes between each other. The following year saw both L&Q and Clarion trade more than 1,800 social homes with other providers. Since then, activity has largely returned to the trend seen in the 2010s, although sales to tenants were 50% lower in 2023-24 than in 2021-22, mirroring a wider decline in transactions in the housing market amid higher interest rates.

Figure 1 Trading of social housing has largely returned to the trend seen in the 2010s



Source: RSH Statistical Data Return

KEY STATISTICS



2.8

new homes are delivered for every social home sold out of the sector



50%

fewer sales to tenants in 2023-24 compared to long term trends



16,400

social homes were bought or sold in 2021-22, marking the peak in trading



50%

growth in average deal value since the 2010s



1 in 5

homes traded are for Shared Ownership

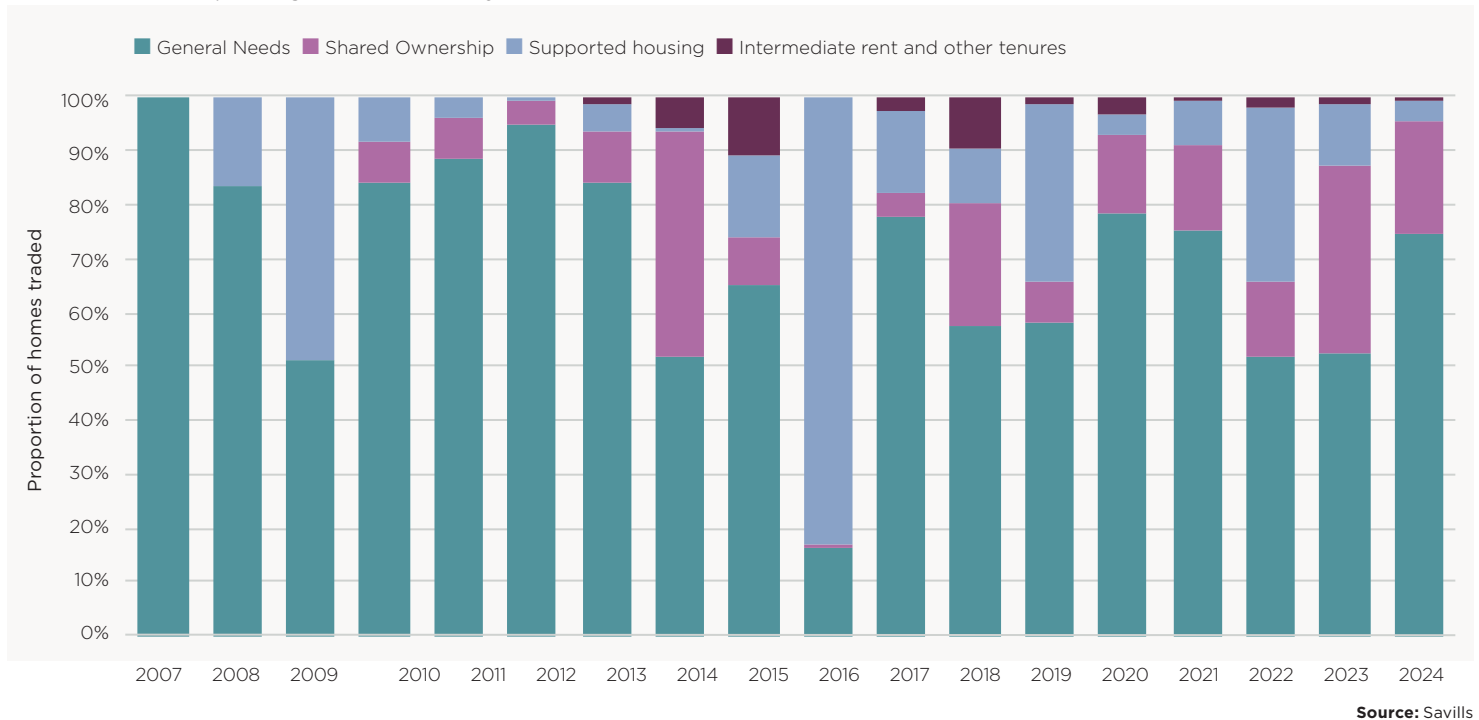
Changing profile of homes traded

The type of deals being struck has changed in recent years. Savills internal data shows a trend towards fewer, larger transactions involving more sub-market homes of various tenures. In the most recent 18 months, the approach to pricing has become more rational. However, in the three years to 2023-24, the average number of homes traded per transaction was more than double a decade ago, while the average deal value per home was up 45%. Significant transactions have occurred across England, although our data suggests there is somewhat more activity in the South East and East.

The type of homes being bought and sold has also shifted. General needs social housing remains the core form of housing traded overall, but trading activity in other types of housing has become a larger share of the market. Supported and retirement housing have seen intermittent growth, often driven by major portfolio deals. Intermediate tenures (which here includes intermediate rent) only account for less than 5% of total affordable housing stock according to the RSH, and thus there is limited trading of these homes.

The big shift has been the growth of the market for Shared Ownership homes (SO). SO doubled as a share of all homes being traded between the early 2010s and 2020s, and now accounts for 21% of homes traded over the past five years. One potential driver of the interest in SO sales is that sales allow for the release of capital, a key need for many RPs at a time of acute financial pressures.

Figure 2 General needs social housing remains the most commonly traded stock, while Shared Ownership has grown in recent years



Are sales of affordable housing outweighed by new development?

In our previous report in 2018, we found that up to six times as many new social homes were delivered as were sold among large registered providers, and that stock rationalisation could enable greater overall development of new homes. Does this still hold up?

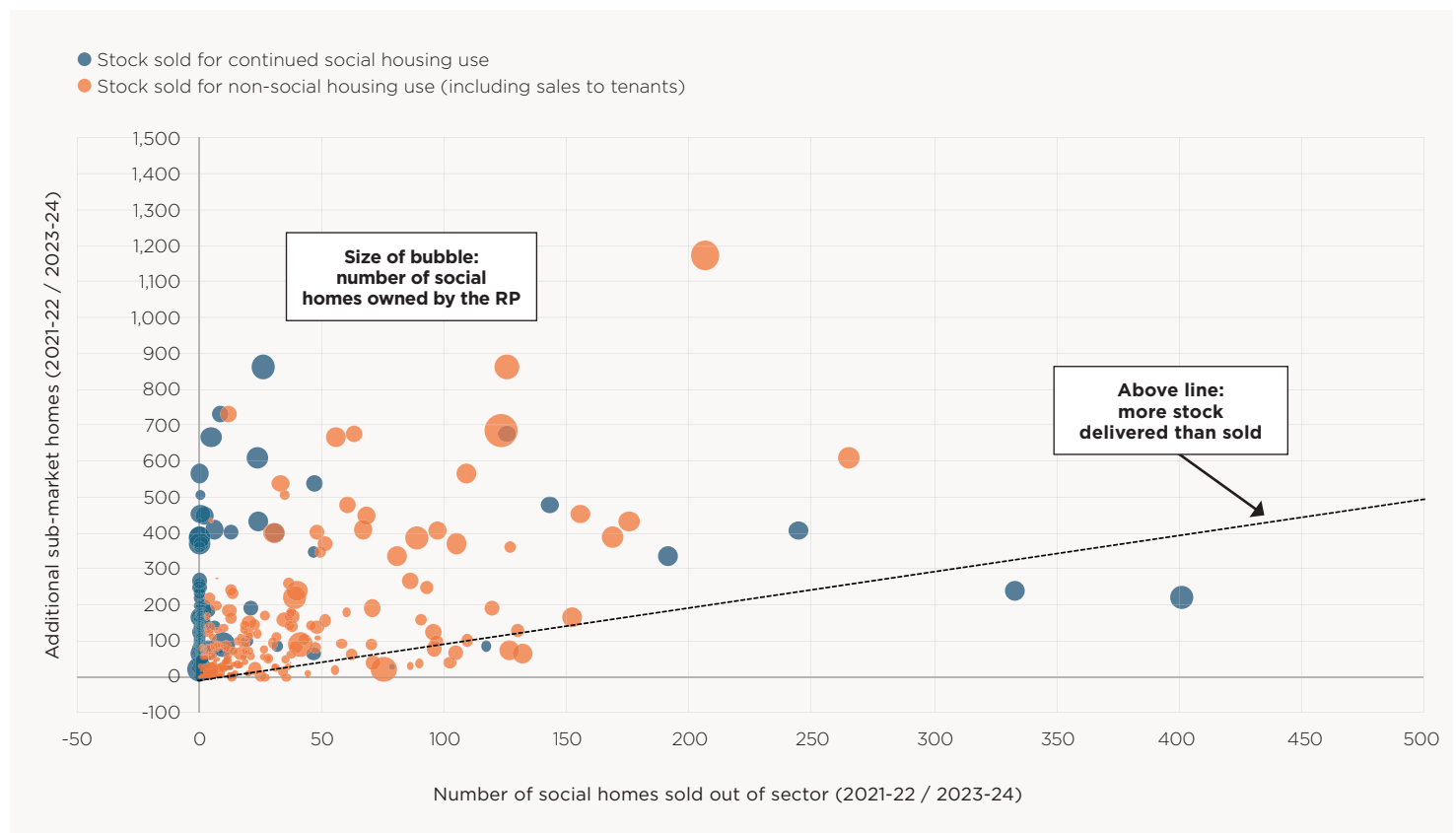
Broadly, yes. Across the sector, RPs engaged in selling social housing into a different tenure (either to another RP or to tenants) delivered almost three times as many new build social homes as were sold. Once tenant sales are excluded, which remain a major source of stock loss but are largely driven by national policy and outside an RP's control, the uplift increases above the level seen in 2018. Each sale of a social home sold into a non-social tenure is counterbalanced by over seven new social homes being delivered. This has been achieved despite

pressure on RP balance sheets encouraging greater stock sales in recent years, alongside a more challenging development environment reducing delivery. This shows how stock rationalisation remains important in unlocking greater volumes of new social housing.

Whether new delivery outweighs sales of existing homes can vary depending on the size of the RP. Smaller organisations were slightly more likely to have sold more social homes than they built. This doesn't necessarily mean there is a decline in overall stock, however; many smaller providers lack the capacity to build new stock, and are more likely to acquire new homes than develop themselves. They are also less likely to be sellers of large portfolios of tenanted social homes (which make up a large proportion of sales which remain as social housing).

One caveat is that the new social homes being built may not always be offered as exactly the same tenure. One reason for this is that viability challenges in recent years have made delivering homes for general needs or social rent, which have the steepest discounts to market rent, more difficult without substantial grant support. However this has the potential to change given the recent announcement of £39 billion of Government funding for affordable housing for the new Social and Affordable Homes Programme 2026-2036 in the Spending Review, 60% of which is intended for social rented homes. Nevertheless, at least for general needs rented homes, for every four homes sold out into a different tenure or to a tenant over the last three years, more than five new homes in the same tenure were delivered.

Figure 3 RPs trading homes for continued social housing use, delivered almost three times as many new build social homes as were sold.



“ Stock sales and rationalisation of portfolios can unlock more delivery capacity elsewhere ”

Who are the key players in the market for affordable homes?

The market for trading of existing affordable homes plays a key role in ensuring better use of housing stock across the sector and increasing delivery of new homes. Larger RPs are able to achieve operational efficiencies and free up capital for investment by disposing of stock in areas of low density or outside their core areas. Smaller, more local providers, who may be better placed to serve residents but lack a track record for developing their own homes, can buy this stock to grow their portfolios. Sales of existing portfolios of stabilised stock also allow new entrants, such as for-profit registered providers to gain a foothold in the sector. Finally, the sales receipts from sales can be recycled into new development, increasing the total stock of affordable homes.

On the sell side...

There are a broad range of participants on the sell side, with more sellers than buyers in most years. The reasons for selling are equally varied. Some deals, such as L&Q's large-scale trading of social homes within the sector, align with wider reorganisation (in this case, occurring alongside the sale of a PRS subsidiary). In many cases, streamlining operations, whether by consolidating a provider's geographic footprint or selling legacy stock from a previous merger, is the key. Another factor driving a sale may be homes that require substantial investment. Such sales are necessarily limited by the appetite of buyers to take on such challenges, especially in light of their own investment programmes.

Other sales reflect the growing appeal of affordable housing to pension providers and other asset managers, and the role of FPRPs in assembling and selling stabilised portfolios. Blackstone's sale of a very large and geographically diverse portfolio of tenanted Shared Ownership homes within Sparrow Shared Ownership to the Universities Superannuation Scheme is one recent example of this.

On the buy side...

Among the buyers, if measured simply by the number of homes, larger RPs are, unsurprisingly, among the more active participants. In many ways, this is just a proxy for scale and capacity; many of the same RPs are large enough to have also been involved in substantial development activity in recent years. But focusing on the total volume of homes being traded does not capture the whole story. Relative to their overall portfolio, some of the most active buyers are smaller or more locally-focused RPs. There is

evidence to suggest that in many cases, such providers can offer a better service to their tenants than some larger RPs, with survey data from Housemark finding that RPs whose homes are concentrated in a single region recorded a somewhat higher (3.5%) overall satisfaction compared to the national average (those with homes across more than half of England scored 5.5% lower on the same comparison). This suggests that stock rationalisation can play a role in improving tenant outcomes.

Local authority housing providers and FPRPs also play important roles as part of the buyer pool. Savills data suggests that the most recent market activity has been heavily led by FPRPs. For-profit registered providers purchased more than half of homes in stabilised portfolios across 2024 and 2025 to date, including Blackstone and USS' major deal for 3,000 homes in England in 2024. This highlights the range of organisations involved in trading stock, and the importance of buying stabilised stock to providers who may lack the financial or organisational capacity to develop their own homes, or who seek entry into the sector.

Drivers of activity

What drives buying activity? Opportunistic acquisitions are a considerable part of overall activity. In these deals, scale and alignment with the organisation's goals are key.

One illustrative example, Ongo, have been one of the most active buyers. As a larger than average RP buyer, they acquired a portfolio of 850 tenanted social homes (in a single transfer), in their core area of activity from the Guinness Partnership, marking one of the largest deals of 2024. Wider economic trends are important – both RSH and Savills data show 2021 as by far the largest year for stock purchases, with a low interest rate environment and pent-up demand after a pandemic-stricken previous year driving activity.

Finally, stock sales and rationalisation of portfolios can unlock more delivery capacity elsewhere. A key example is Clarion, the largest provider of affordable housing in the UK. This scale allows for large and frequent sales of stock; sales from Clarion accounted for one in four social homes traded within the sector over the last three years, according to RSH data. Importantly, this has likely supported Clarion's development programme, with the provider delivering over 2,000 homes for sub-market rent over the same period. This highlights how sales and stock rationalisation generate additional capacity within the sector and in many cases aid, investment and development of new homes.

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