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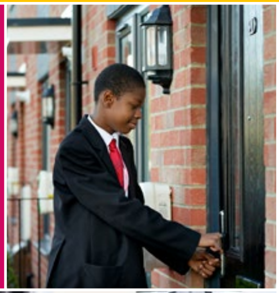
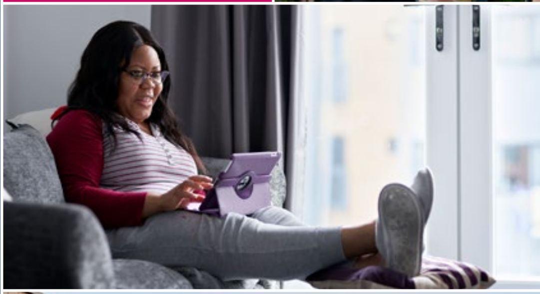





## Affordability Report

# 2026

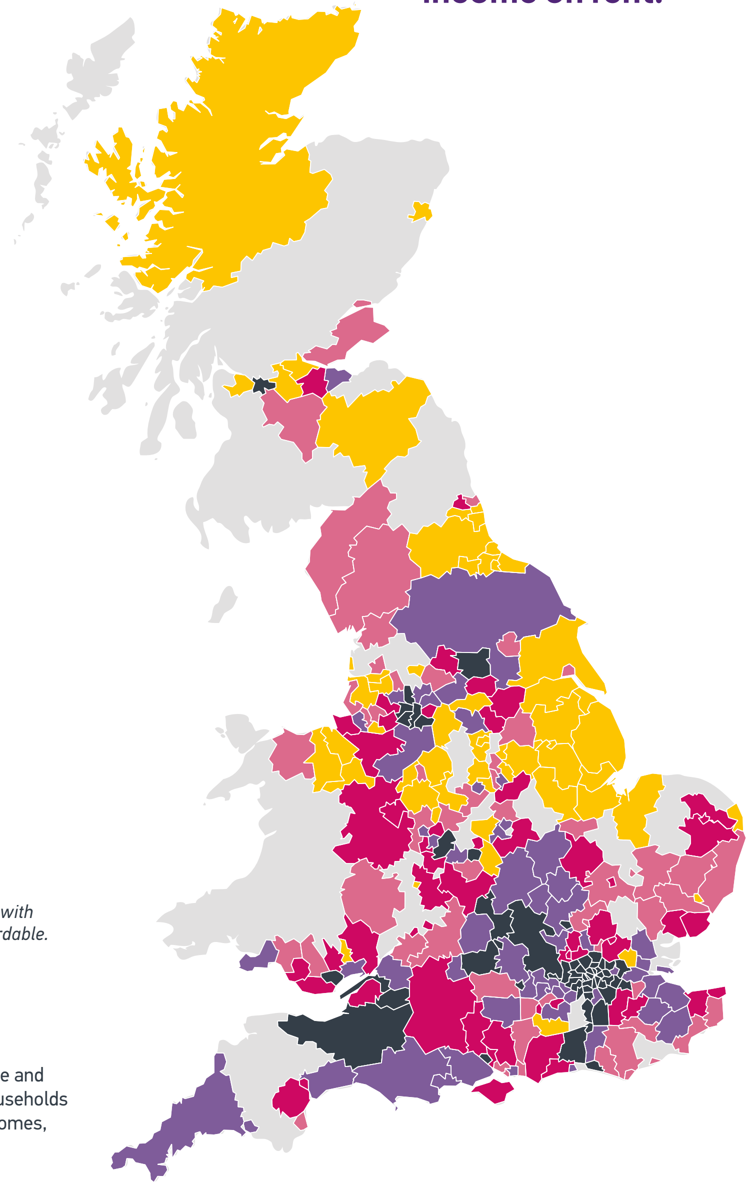
Targeting capital to where affordability pressure is greatest

# Over 550,000 UK essential worker households need more affordable rental housing

**The UK's housing affordability challenge has reached a structural tipping point for working households on ordinary incomes. Essential workers and other households earning between lower-quartile and median incomes are increasingly unable to afford suitable homes in the places they work. What was once concentrated around London is now visible across regional markets, driven by sustained demand, constrained supply and widening gaps between incomes and housing costs.**

This study focuses on essential workers — the demographic that earns median-lower quartile income — and models the number of essential worker households in need of more affordable housing and identifies the places with high concentrations of these households and other market pressures. It does not seek to measure total housing need across the UK. It focuses on the affordability pressures facing working households who are often above social housing thresholds but priced out of local markets.

**One in three essential workers spending more than 30% of income on rent.**



**Headline affordability rank**

- 1–57
- 57–114
- 114–169
- 169–227
- 227–283

*Fig 1: UK affordability heatmap with top ranking being the least affordable.*

**Methodology**
This study assesses 283 local authorities using a multi-dimensional affordability model covering renter affordability, rental pressure, scale and demand, housing stress and sales affordability. Essential worker households are defined as those earning between lower-quartile and median incomes, with affordability measured at a 30% income threshold.





> "Affordability for essential workers is no longer a London-only issue. It reflects a national, structural imbalance between incomes, supply and demand."

**A structural affordability challenge, now national in scale**

London remains the clearest example of rental affordability pressure for essential workers, with a growing proportion of essential workers paying beyond accepted affordability thresholds. Yet the latest research demonstrates that this pressure is no longer confined to the capital.

Across the UK, our joint research identifies 552,000 essential worker households facing unmet need of more affordable rental housing, including more than 300,000 households already renting but paying above sustainable levels, and a further 239,000 effectively priced out of their local markets as they haven't been able to afford to rent there.

Even outside London, around one in three essential worker households is spending more than 30% of income on rent, a benchmark that has historically defined affordability.

**Where affordability pressure is building, and why it matters**

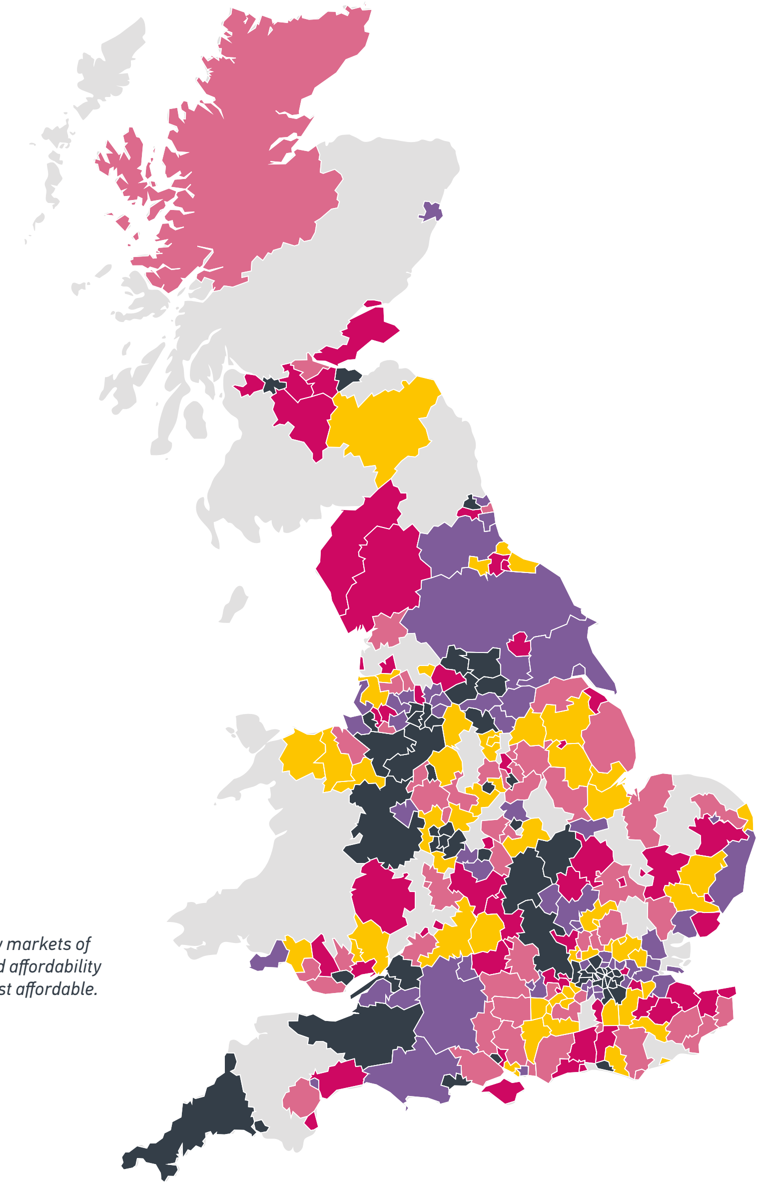
Affordability pressure for essential workers is increasingly shaped by the interaction of economic growth and constrained housing delivery.
Strong labour markets, population growth and urban concentration have pushed demand higher, while viability challenges continue to limit supply.
This is pushing essential workers to pay unaffordable rents or to move further from their place of work, limiting the employment pool and damaging the local economy.

# Regional markets are now central to the affordability challenge for essential workers

**The most significant shift in the data is the rapid rise of affordability pressure in regional cities for those on median incomes. Markets such as Manchester, Birmingham and Leeds are seeing rents grow faster than incomes, reflecting both economic expansion and limited housing supply.**

This is not marginal. Birmingham alone is estimated to have over 10,000 essential worker households requiring more affordable housing, with Leeds approaching 8,000 and Manchester nearly 6,000.

At the same time, affordability pressure is clustering along high-productivity corridors — particularly the M4 and M40 — and across parts of the South West.



**Scale and demand rank**

- 1–57
- 57–114
- 114–169
- 169–227
- 227–283

*Fig 2: Top-ranked locations by markets of size (people, renters, jobs) and affordability with top ranking being the least affordable.*

> "The least affordable locations are also those with the most persistent demand and the clearest opportunity for sustainable investment."

### A clear signal for capital

Affordability pressure for essential workers is more than a social challenge; it is a clear market signal.

Where working households are consistently allocating a higher proportion of income to housing, it reflects a structural shortage of appropriately priced supply. In these markets, demand for appropriately priced rental housing is both deep and durable.

This is particularly true for essential workers, whose housing needs are tied to the functioning of local economies. As a result, demand in this segment is typically more resilient than in other parts of the residential market.

### Alignment between investors and public policy

For local authorities, combined authorities and Homes England, these same markets represent priority areas for intervention. Affordability pressures for essential workers directly affects labour mobility, service delivery and economic growth.

This creates a strong alignment:

- **For investors:** long-term secure income supported by structural demand
- **For public bodies:** targeted delivery where it has the greatest impact
- **For essential workers:** affordable high-quality homes near place of employment
- **For communities:** more ability to recruit and retain essential workers

The emergence of the National Housing Bank reflects this shift, with government-backed capital designed to unlock large-scale housing delivery and mobilise institutional investment alongside public funding.

# Responding to the affordability gap for working households

The research highlights a critical segment of working households who are above social housing thresholds but unable to access market housing. Addressing this 'squeezed middle' requires scalable, income-aligned solutions.



## Case study
## Discounted market rental (New Avenue Living)

**Thriving Investments' award-winning New Avenue Living fund demonstrates how institutional capital can address a structurally underserved segment of the rental market while delivering sustainable risk-adjusted returns.**

The strategy targets households earning up to around £60,000, including many essential workers, by offering discounts of 20% and greater to local market rents which are better aligned to local incomes. Developed with SME housebuilders, the fund delivers high-quality, energy-efficient homes that support affordability for residents and long-term income resilience for investors.

The platform includes close to 1,200 homes, with more than 1,000 already operational in Scotland, and is now expanding into England with support from long-term pension fund and public sector capital.

- **Inflation-linked rents**
- **Discounted to local market rents**
- **Essential worker focus**
- **~1,200 homes in Scotland, now replicating strategy in England**
- **Public-private funding model**




*1. Discount market rent houses at the 136-unit development at Royston Road in the East End of Glasgow.*

*2. A block of rental apartments at the 85-unit Oxgangs Green in South Edinburgh.*

*3. The show flat at the 136-unit development at Seacole Square in East Edinburgh.*

# Case study
## Shared ownership (ReSI LP)


**Shared ownership addresses a deep structural demand from lower and middle income households for affordable homeownership, enabling them to access the security of owning their own home while generating stable, long-term inflation-linked income for investors.**

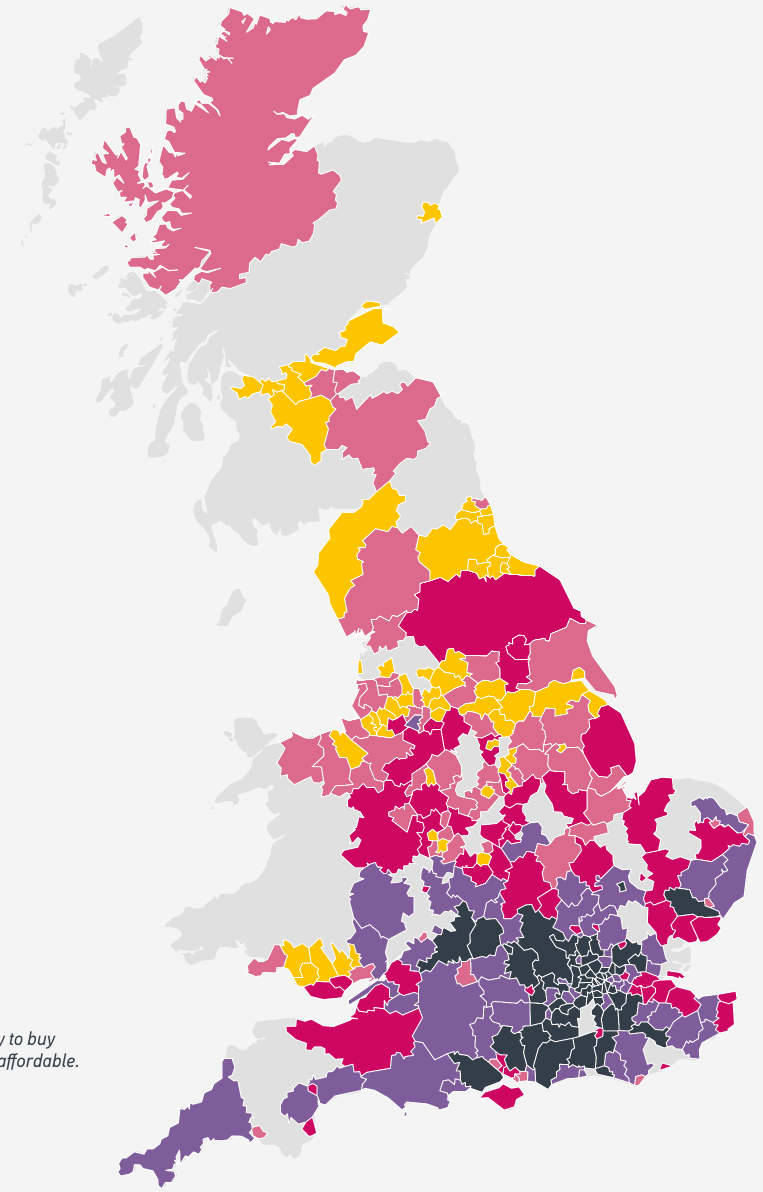
Thriving Investments' shared ownership platform, ReSI LP, brings institutional scale to help deliver a pipeline of high-quality, energy-efficient homes for households not served by the open market. In doing so, it expands the availability of affordable home ownership — our analysis shows that 8.4mn more people can access homeownership via shared ownership — while creating a scalable, long-term investment strategy backed by durable demand.

Since launch in 2021, the fund has grown to more than 2,300 affordable homes funded and over £430 million of total commitments, demonstrating how institutional capital can widen access to home ownership while delivering resilient long-term returns.

**Over £430m total commitments**

**More than 2,300 affordable homes funded since launch**

**Shared ownership model supporting lower- to middle-income households, including young families and key workers**



### Home-ownership affordability rank

- 1–57
- 57–114
- 114–169
- 169–227
- 227–283

*Fig 3: Locations ranked by ability to buy with top ranking being the least affordable.*







> "Solving affordability requires more than one tenure. Rental and ownership solutions must work together to support households across the income spectrum."

### Scaling delivery through partnership

The scale of the challenge means that partnership is central to delivery. Institutional capital, local authorities, Homes England and the National Housing Bank each play a distinct role in unlocking housing supply.

Public-sector support — through funding, guarantees and land — can improve viability and accelerate development. In parallel, institutional investors provide the capital required to scale delivery across multiple markets.


### Conclusion — aligning capital with affordability need

The affordability challenge facing essential workers and other median-income households is structural, national and persistent. It reflects the interaction of strong economic growth, constrained supply and widening gaps between incomes and housing costs.

This research provides a clear framework for targeting investment:

- **Demand is deep and long-term**
- **Affordability pressure is increasingly concentrated in regional growth markets**
- **Delivery depends on scaled public-private partnership**

The opportunity now is to align capital, policy and delivery — directing investment to the locations where it can generate both sustainable returns and measurable impact.

At Thriving Investments, through responsible place-based investment, we aim to build and nurture thriving communities up and down the country, while delivering strong risk-adjusted financial returns for our investors. Find out more about our approach: www.thrivinginvestments.co.uk/about/our-investment-approach/

For more information on the study or Thriving Investments, please contact
**info@thrivinginvestments.co.uk**

*1. 167 shared ownership and affordable rent homes being delivered Langley Park, Wiltshire.*

*2. 153 shared ownership homes delivered at Hope Green, Essex.*



### Methodology

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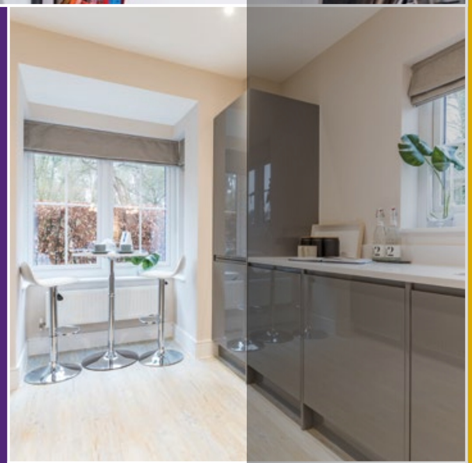


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