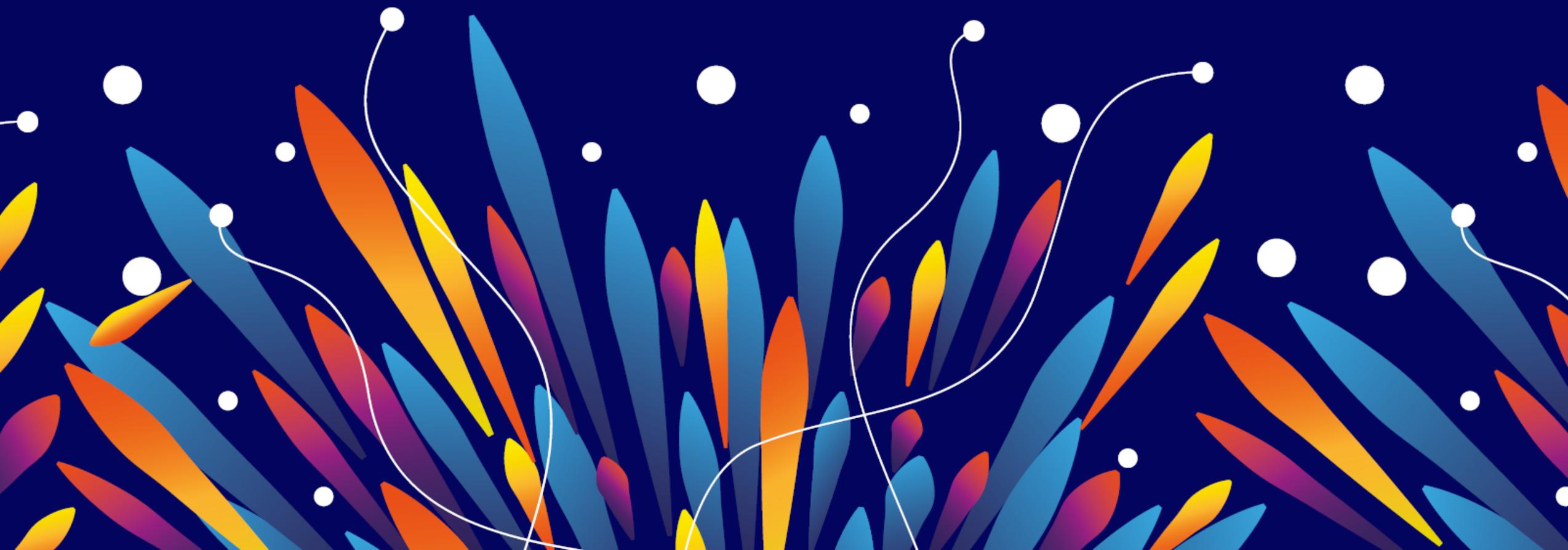


SCOTLAND'S
HOUSING
FESTIVAL



What Is The Future of Affordable Housing Finance?

Professor Ken Gibb

professor in housing
economics,
University of Glasgow
and director, CaCHE

Jon Turner

chief executive officer,
Link Group

Martin Hensman

projects director,
South East Scotland
Hub

Tony Cain

policy manager,
ALACHO



What is the Future of Affordable Housing Finance?

Kenneth Gibb

March 3, 2026

Scotland's Housing Festival 2026

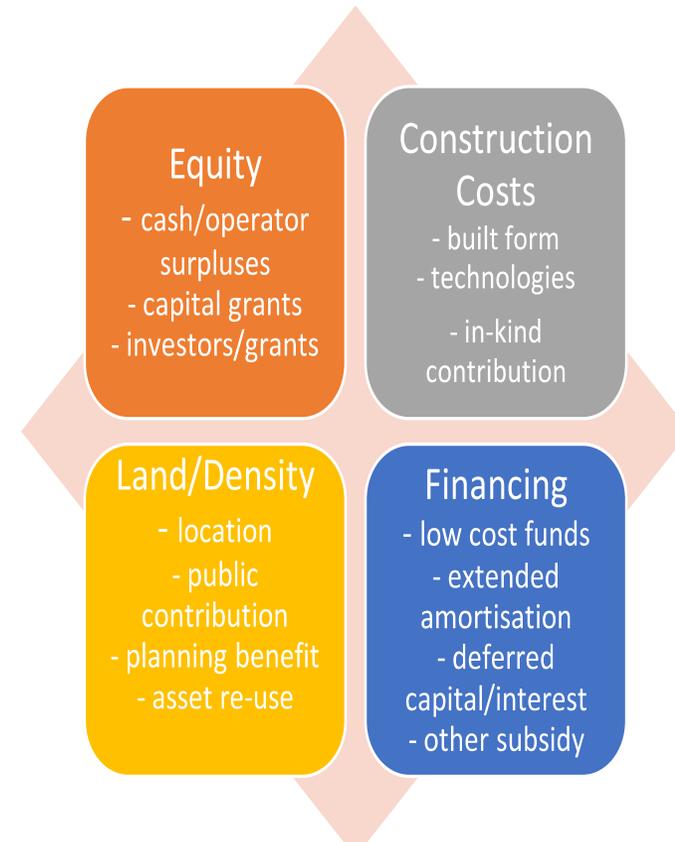


**UK COLLABORATIVE
CENTRE FOR
HOUSING EVIDENCE**

Paying for affordability

- There are finite ways to reduce rent low-income tenants pay (including demand-side subsidy)
- It also depends on government willingness to commit to funding programmes and to provide a mix of intervention to lower costs
- And that's it

Figure 1 Housing Finance: The Essential Elements (based on Ballantyne, 2016)



Taking rental affordability seriously

- Multiple definitions and uses
- A worsening problem in term of cost and ratio
- Rising affordable need
- A shared understanding?
- An NPF target and multiple definition:
 - 30% of net income
 - min income standard AHC
 - path of AHC poverty

Towards a Shared Understanding of Housing Affordability: Short Life Working Group, 2022-24

**Final Report and Recommendations
to Ministers
Chair: Professor Kenneth Gibb,
University of Glasgow**

October 2025

Short Run actions	Medium Term Actions	Long Term
Shift use of grant into social housing	Benchmark cost and grant setting for social & affordable housing	Intra-public sector sales land values reduced for social & affordable housing
Shift debt and FTC resource to affordable housing	SHIF and TMDF framework formulae revised	With UK government establish pro-investment focus for social housing through revised fiscal rules, public accounting practice and subsidy control principles
Explore additional borrowing and guarantees opportunities	SHIP rules revised eg annuality	Compulsory sales initiated
Pressure to stop and reverse programme cuts given emergency context and reality of the programme	Establish national land and housing agency	Land adjustment
Accelerate use of S75s for social housing	Localise and revise HNDA & new national affordable needs study	Incentives to bring forward housing land with planning permission eg taxation
SG advocacy for UK level help eg with LHA	Establish new national financial capacity study of social landlords	Land compensation revisions re hope value

Contextualising the “£300,000 Cost of Building a House”

AND HOW WHOLE LIFE COSTS IMPACT HOW WE FINANCE DEVELOPMENTS

Why Have we arrived at “£300,000”

- Construction Cost or Total Development Cost?
- Where are you building - Urban, Rural, Remote?
- Size and Typology Matter - 1 Bed Flat, 3 Bed Mid Ter, 4 Bed Det?
- Built to Current Domestic Regs or Passivhaus?
- Are there Abnormals?

£300k as a blanket assumption ignores these considerations.

Costs Vary By Region

- £3,000–£3,800 per m² in urban areas
- £3,600–£4,400 per m² in rural areas
- £4,400–£5,000 per m² in remote Highlands and Islands

£300k as a blanket assumption ignores this geographical spread.

The Race to Net Zero

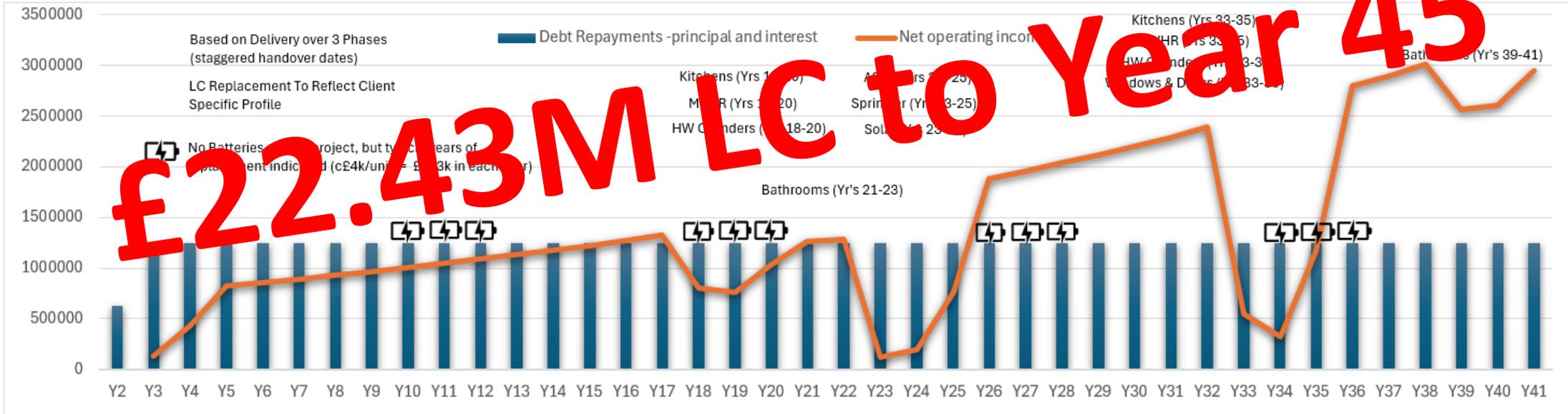
- ASHP, MVHR, increased fabric performance can add £15 - £30k/ unit (£275 - £400/m²)
- Not just about Cost to Build – But Cost to Maintain and Replace
- Much greater focus needed on understanding these costs

145 Unit GAS Cashflow To Year 45 Demonstrating Impact of Lifecycle Costs on Income and Repayment Profile



Solar Yrs 43-45
Sprinkler Yrs 43-45

145 Unit LCNZ Cashflow to Year 45 Demonstrating Impact of Lifecycle Costs on Income & Repayment Profile (Not Passivhaus)



ASHP (Yrs 43-45)
Solar Yrs 43-45
Sprinkler Yrs 43-45

Why does understanding the detail really matter?

- Build-cost uncertainty increases lender uncertainty
- Lenders increasingly more interested in Net Operating Income – income less all future expenditure
- Social rents relatively inflexible in absorbing rising costs
- Lenders tighten terms when risk escalates
- IT WILL HELP US MANAGE & MAINTAIN FINANCIAL STABILITY

Lender Reactions & Risk Adjustments

- Higher interest margins
- Reduced Loan to Value and Loan to Cost ratios
- Tighter Debt Service Cover Ratio's
- More frequent monitoring

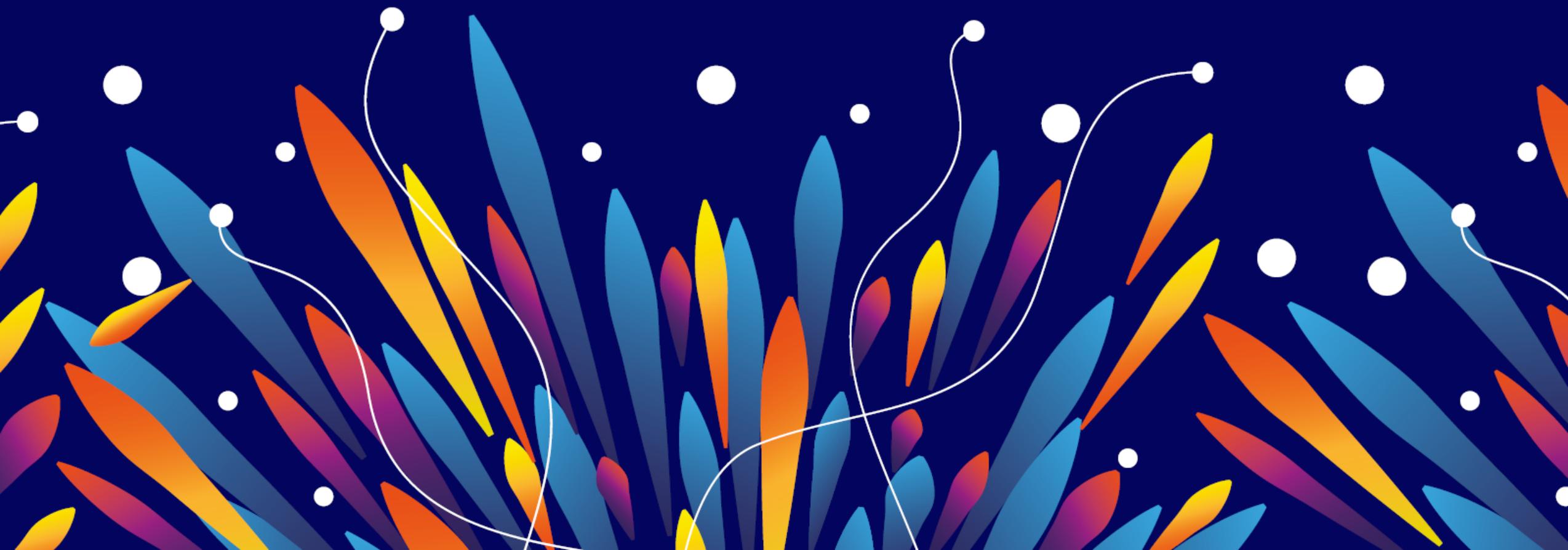
How do we
Improve a
Lenders
Assessment of
Risk

- Stop referring to blanket costs
- Better data/ shared build-cost intelligence
- Better Whole Life Cost Analysis
- Build & procure at scale if we can

Final Thoughts

- If we continually say it costs £300k – it will!
- We need to work more collaboratively and share information
- Increasing our understanding and mitigation of the risks will improve the cost of finance
- More cost doesn't mean more Grant
- As an industry we need to drive efficiency

SCOTLAND'S
HOUSING
FESTIVAL



How To Build In A Broken System

Sharon Egan

head of housing,
South Lanarkshire
Council

Will Tyler-Greig

deputy director,
More Homes

Gordon Smith

engagement manager
- Scotland,
Chartered Institute of
Housing



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