

Weighed down:
Freeing Welsh housing associations to deliver

How rising costs, policy demands and delivery constraints are reshaping Welsh housing associations' capacity to maintain and improve existing homes while expanding the suppy of affordable housing.

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About Community Housing Cymru

Community Housing Cymru is the voice of housing associations in Wales. We represent 31 not-for-profit housing associations that provide over 170,000 homes to one in eight households in Wales.

Our members work throughout Wales, providing homes and services to a wide range of people. As their trade body, we fight for the things they need to support their communities and to ensure that, together, we can achieve our vision.

As an influential voice, we work to secure stable and sufficient funding, alongside a policy framework that supports investment in new and existing homes and support services.

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1. Introduction and Context

An executive summary of the report and its findings can be found in the headline report here.

Housing associations play a central role in providing affordable housing in Wales. They maintain and improve existing homes, build new affordable homes, and deliver services that support residents and communities. Their ability to continue investing matters not only to meeting housing need, but also to wider outcomes for people and communities. Good-quality, affordable homes can support household resilience, health and wellbeing, and stronger communities. Meeting housing need therefore requires both increasing the supply of affordable homes and ensuring that homes are in the right places, of the right size and type, accessible and affordable, with appropriate support where it is needed.

The operating environment has changed substantially since 2020. The sector entered the period in a relatively strong financial position. This was followed by the disruption of the COVID-19 pandemic, then by sustained increases in living, construction, and operating costs, supply-chain pressures, and higher financing costs. The Global Accounts show continued investment and financial resilience throughout this period, but also periods of financial margin pressure and rising expenditure on existing homes. Some financial measures recovered by 2023/24, but the wider operating environment remained more challenging than before the pandemic. These economic changes have coincided with substantial policy and regulatory changes.

Qualitative data indicate that the pressures have not stemmed solely from the objectives of individual policy and regulatory reforms. Housing associations recognised the intended benefits of a changed approach to renting homes, safer homes, higher housing standards, and decarbonisation. The difficulty has been the number, pace, sequencing, and interaction of requirements, particularly when several changes had to be implemented within a relatively short period. Housing associations also described organisational costs alongside the direct cost of meeting requirements. Examples included changes to contracts and procedures, legal advice, staff training, inspections, property and compliance data, reporting systems and governance arrangements, all of which require organisational capacity. Housing quality, safety, and decarbonisation requirements have also increased the need for reliable information on the condition and energy performance of homes, as well as longer-term asset planning. These requirements are being delivered alongside investment in existing homes, new developments and increasingly complex resident (tenants) and service needs.

The pressures are therefore interconnected. Safety, housing quality, decarbonisation, resident rights, affordability, support and new housing supply draw on overlapping financial, workforce and delivery capacity. This makes the sequencing and implementation of new requirements important, particularly where housing associations need time to change systems, processes, and data arrangements, or to build the organisational capacity needed to respond. The cumulative effect is shaped not only by the scale of individual pressures but also by how they interact and the capacity available to address them simultaneously.

This research examines how those cumulative pressures are affecting housing associations' financial and organisational capacity and their ability to sustain investment in both existing and new homes.

1.1 Research objective

The objective of this research is to assess how cumulative economic, financial, policy, regulatory and operational pressures have affected housing associations in Wales and their capacity to invest in existing and new homes. It examines how rising operating and development costs, increasing requirements for existing homes, and changes in the financing environment have affected financial capacity, business planning and investment decisions.

The research also considers the role of public investment and private borrowing in supporting the delivery of affordable housing in a higher-cost operating and development environment. It examines how housing associations have balanced increasing investment in existing homes with the continued delivery of new affordable housing, and how these pressures have affected the viability, timing and scale of investment.

The research does not seek to isolate the financial effect of each pressure or assume that all housing associations have experienced them in the same way. Its purpose is to assess their cumulative effect and identify policy and funding changes that housing associations consider would improve their capacity to maintain and improve existing homes while delivering additional social housing.

1.2 Methodology

The research uses a mixed-methods approach, combining sector-wide quantitative financial data, official price indices, selected annual reports, and qualitative interviews and written questionnaire responses.

The quantitative financial data used throughout the paper are drawn from the Global Accounts. Community Housing Cymru, in partnership with the Welsh Government, collects financial data from Welsh housing associations on an annual basis. The Global Accounts data are used to examine sector-wide trends in financial performance, income, operating costs, investment and financial capacity. Revisions, reconciliations and changes in data coverage may result in minor differences between the underlying data used in this research and the figures presented in earlier published reports.

The Global Accounts also have a publication lag, creating a gap between current pressures and the latest sector-wide financial data available to policymakers. In a rapidly changing operating environment, the most recently published financial position may not fully reflect current costs, financing conditions, or investment pressures.

Publicly available annual reports were reviewed to understand changes in the operating environment, the main revenue and cost drivers, changes to business plans, and factors

affecting investment and risk-management decisions. Annual reports vary in format and level of financial detail and are therefore used as contextual evidence rather than to construct sector-wide financial trends.

The research also draws on data from the Office for National Statistics and Welsh Government Statistics to provide a wider economic, demographic, construction, and housing-market context.

Qualitative interviews were conducted to interpret the quantitative findings and to understand how housing associations experienced cumulative pressures. Where interviews could not be accommodated within the research timetable, written questionnaires were used.

CHC interviewed 11 senior staff members across 4 housing associations and received 18 written responses to the questionnaire. Recurring findings are presented as common themes, while findings from a single participant or a small number of participants are treated as illustrative. Individual organisation figures are not used to produce sector-wide numerical conclusions.

Figures are rounded throughout the document, including in tables and figures, and may not add up to the exact total.

2. State of Housing Associations

2.1 Cumulative Pressures

Housing associations have been absorbing a growing combination of policy, regulatory, economic and operational pressures while continuing to invest in existing homes, maintain affordability and deliver new affordable homes, particularly homes for social rent. Many of these pressures emerged or intensified between 2020 and 2025 and have accumulated rather than replaced one another.

The operating environment moved through three overlapping stages: pandemic disruption; post-pandemic recovery and catch-up activity; and sustained inflationary and financing pressures. During the pandemic, restrictions delayed repairs, maintenance and development activity. As restrictions eased, postponed programmes resumed within a more expensive operating environment. Economic pressures increased operating and development costs while rental income did not increase at the same rate due to policy, contractual arrangements, and affordability considerations.

Policy and regulatory requirements added to these external pressures. Building safety, the Welsh Housing Quality Standard (WHQS) 2023 and decarbonisation increased investment requirements for existing homes. Housing associations also had to commit additional resources to property-condition information, compliance systems, reporting, technical

expertise, resident engagement and governance arrangements required to demonstrate compliance.

"Another impact is the introduction of new legislation. It feels as though we have had several new requirements layered on recently and this can be distracting because it consumes valuable resources."

Workforce, resident support, and service delivery pressures increasingly shaped the operating environment. The cost-of-living crisis raised rent arrears risks and demand for tenancy sustainment support, while gaps in health, mental health, social care, and housing support added pressure on providers. Recruitment and retention difficulties, along with shortages of tradespeople, contractors and specialists, hindered housing management, maintenance, compliance and development across existing homes and new builds.

Housing associations continued to deliver new homes despite these pressures, and responses on development varied. Decisions became more dependent on grant availability, scheme viability, borrowing capacity, obligations to existing homes and residents, and organisational risk. Some organisations maintained or increased their development ambitions, while others rephased or delayed individual schemes.

Housing associations also described measures to manage these pressures. These included reducing overheads and rationalising some activities, pursuing identified efficiency savings, strengthening procurement, and placing greater emphasis on value for money, viability assessment, stress testing and financial controls. Responses included reducing overheads and rationalising areas of the business, identifying specific efficiency savings, strengthening procurement, and placing greater emphasis on where and how resources were used. One interview also described post-merger efficiencies with named actions, owners, and timescales, rather than applying generalised percentage reductions. These responses helped organisations manage pressure while continuing to invest, although the qualitative evidence does not quantify the extent to which they offset increases in operating costs.

One housing association reported creating a new subsidiary to enable shared ownership and market-sale homes, with income from these products intended to fund repairs to existing homes. Another reported becoming more explicit about which activities were central to its social purpose and which could introduce disproportionate risk. It had also moved to de-risk its commercial subsidiary in response to higher borrowing and construction costs, weaker market confidence, uncertainty over sales values and timescales, and greater volatility in the open-market sales environment.

Qualitative data showed that housing associations continue to pursue growth and investment while describing greater constraints on viability, grants, borrowing, and organisational capacity. One housing association said cumulative pressures had made new-home delivery more complex, costly and capacity-constrained but had not reduced its commitment to growth. Housing associations' responses to questionnaires described greater use of financial planning,

appraisal, stress testing, prioritisation and risk management in response to these cumulative pressures.

For some housing associations, this has not meant reducing development ambition, but rather striking a tighter balance among investment in existing homes, decarbonisation, and growth within the same business plan. One association continued to plan for substantial growth while reporting that this balance had tightened significantly and that long-term decarbonisation investment could displace other capital programmes without sustained grant support.

"We are stretched. Leadership capacity is at its limit even though we have invested in it, and colleague wellbeing remains a significant concern... We remain committed to housing people and delivering services, but the cumulative pressure is affecting the capacity available to do more."

Some housing associations also described a stronger focus on efficiency and value for money. Responses included reducing overheads and rationalising areas of the business, identifying specific efficiency savings, strengthening procurement, and placing greater emphasis on where and how resources were used.

2.2 Housing Association Sector Growth

Despite increasing policy, regulatory and economic pressures, the Welsh housing association sector expanded its housing and income base. The number of residential housing units increased from 166,439 in 2019/20 to 178,515 in 2024/25, representing growth of approximately 7.3 per cent.[1] Annual turnover increased from just over £1 billion to almost £1.4 billion, equivalent to total growth of approximately 31 per cent over the period. If annualised, the growth rate is 5.5 per cent.

Operating costs increased from £878 million in 2019/20 to £1.17 billion in 2024/25. This represents total growth of approximately 33.6 per cent over the period and an annualised growth rate of approximately 6 per cent. Operating costs grew slightly faster than turnover over the period. The difference became more pronounced after the pandemic: across the annual changes recorded from 2021/22 to 2024/25, operating costs increased by an average of 7.6 per cent per annum, compared with 5.9 per cent for turnover.

Table 1: Housing Association Sector Growth

	2019	2020	2021	2022	2023	2024
All Types of Properties	173,299	176,312	177,815	181,578	181,975	184,234
Residential Housing Units	**166,439**	**169,552**	**170,798**	**175,054**	**174,969**	**178,515**
Annual Turnover (millions)[2]	£1,066	£1,109	£1,159	£1,244	£1,282	£1,396
Growth in Annual Turnover	5.1%	4.0%	4.5%	7.4%	3.9%	8.0%
Operating Cost (millions)	£878	£875	£955	£1,047	£1,071	£1,173
Operating Cost Increase/Decrease	6.5%	-0.3%	9.2%	9.6%	2.3%	9.5%

[1] The figures do not include garages, retail, or commercial/offices; adding them makes the category 'all types of properties' as shown in the first column of Table 1.
[2] Annual turnover represents income from all letting and non-letting activities during the year.

The financial indicators in Table 2 show reduced flexibility rather than directly measuring financial or covenant headroom. The operating margin rose to 21.1 per cent in 2020/21, when pandemic restrictions coincided with lower recorded maintenance and major-repair activity. It subsequently declined to 16 per cent in 2024/25, below the six-year average of approximately 17.6 per cent.

Table 2: Financial Capacity

	2019	2020	2021	2022	2023	2024
Operating Margin (%)	17.7%	21.1%	17.6%	15.9%	17.1%	16.0%
Average Interest Rate (%)	4.4%	4.3%	4.1%	3.9%	4.2%	4.3%
Gross Arrears (% of social housing letting)	5.0%	4.9%	4.9%	4.4%	4.7%	4.3%
EBITDA MRI Interest Cover (%)	233%	254%	190%	169%	161%	109%
Long-Term Debt (millions)	£3,050	£3,205	£3,367	£3,530	£3,587	£3,864
Short-Term Debt (Millions)	£138.6	£143.1	£135.7	£158.4	£241.2	£217.6
Long-Term Debt Growth	9.1%	5.1%	5.1%	4.8%	1.6%	7.7%
Gearing	33%	32%	31%	30%	29%	29%
Gross Debt Growth	7.6%	5.0%	4.6%	5.3%	3.8%	6.6%

Long-term debt increased from approximately £3.05 billion in 2019/20 to £3.86 billion in 2024/25, an increase of approximately 27 per cent. This occurred alongside continued investment in existing and new homes. The average interest rate on existing debt remained broadly stable, moving from 4.4 to 4.3 per cent, while gross arrears declined from 5 to 4.3 per cent of social-housing lettings. The average interest rate, however, reflects the existing debt portfolio, including fixed-rate borrowing, and does not measure the marginal cost of new finance or refinancing.

Average Earnings Before Interest, Taxes, Depreciation and Amortisation, Major Repairs Included (EBITDA MRI) interest cover declined from 233 per cent to 109 per cent in 2024/25. The 2024/25 median was higher, at 140 per cent, indicating that larger organisations with lower interest cover influenced the weighted sector result. This research paper uses a weighted-average series of EBITDA MRI interest cover.[3] EBITDA MRI measures earnings available to meet interest costs after accounting for major repairs. The Global Accounts definition explicitly states that it is not a measure of remaining covenant headroom.

The decline in interest cover is consistent with higher major-repair investment and financing expenditure, but the metric does not isolate the contribution of either factor. Operating margin, average interest rate, arrears, debt and EBITDA MRI should therefore be considered together rather than treating any single measure as a complete assessment of financial capacity.

Housing associations continued to borrow during the period. Gross short- and long-term loans increased from approximately £3.18 billion in 2019/20 to £4.08 billion in 2024/25, a rise of 28

[3] The calculations used in this research paper may not always be comparable with those reported by individual housing associations in their loan-covenant reports. It follows the calculation method used in the Global Accounts March 2026 Report to calculate EBITDA MRI for prior years.

per cent. Annual gross debt growth remained at around 4-5 per cent for most of the period, then increased to approximately 6.6 per cent in 2024/25. Borrowing therefore continued to support investment in existing properties and new development despite the changing interest-rate environment.

The increase in borrowing did not produce a corresponding increase in the sector's reported gearing ratio. Gearing (sector's weighted average) fell from approximately 33 per cent to 29 per cent. Under the Global Accounts definition, gearing compares net debt with the historic cost of housing properties. The reduction indicates that the historic cost of housing assets increased faster than net debt. It should not, however, be interpreted automatically as an equivalent increase in immediately usable borrowing capacity. The EBITDA MRI interest cover provides a clearer indication of earnings pressure. The sector's weighted average provides information about the relationship between operating earnings and financing costs, but it is not the same as an individual organisation's loan-covenant calculation or remaining covenant headroom.

These indicators present a more complex position than debt growth alone. Housing associations increased borrowing while reported gearing and average portfolio interest rates remained comparatively stable. At the same time, interest cover narrowed, and the market benchmarks underlying new finance and refinancing increased. These trends indicate reduced flexibility within some business plans to absorb further cost increases without greater prioritisation, additional income or changes to the timing of investment.

3. Macroeconomic Pressures

Two macroeconomic pressures have materially changed the operating and investment environment for housing associations: the repricing of long-term finance and the cumulative rise in prices. Higher market rates affect the cost of new borrowing and refinancing, while rising prices affect operating and development costs as well as resident affordability. Although these pressures operate through different channels and at different speeds, both affect the viability of development and investment in existing homes, as well as the amount of risk that can be accommodated in long-term business plans.

3.1 Rising Prices

Changes in housing and living costs affect the need for affordable housing. As private rents and essential household expenditure increase, households whose incomes or housing support do not keep pace become less able to access or sustain market housing.

Between 2019 and 2025, the consumer price index including owner-occupiers' housing costs (CPIH) increased by approximately 28 per cent, while its owner-occupiers' housing-cost

component increased by approximately 26 per cent.[4] Private rents increased more rapidly. The Price Index of Private Rents rose by approximately 37.3 per cent between 2019 and 2025, while the CPIH component for actual rentals for all types of housing increased by approximately 27.5 per cent. After adjusting the private-rent index by CPIH, private rents increased by approximately 7.3 per cent in real terms.[5] This indicates that private rents rose faster than general consumer prices, further reducing the accessibility of the private rented sector for lower-income households.

Data on rental availability support this interpretation. Crisis's analysis of Zoopla listings found that only 0.7 per cent of private rented homes advertised in Wales during 2025/26 were available within Local Housing Allowance rates.[6] Availability fell to 0.5 per cent for two-bedroom properties and 0.3 per cent for three-bedroom properties. This shows that households relying on welfare support had very limited access to private rented homes, particularly for larger accommodation.

Living costs also affect housing affordability by reducing the income available to meet rent and other housing costs. Between 2019 and 2025, electricity, gas and other fuel prices increased by approximately 56.2 per cent. The consumer-price index for regular maintenance and repair increased by approximately 18.7 per cent. The latter measures costs paid by households rather than the procurement costs incurred by housing associations but provides further information on the wider increase in the cost of maintaining a home.

Qualitative data illustrate the impact of these price increases on residents. Housing associations reported increased demand for fuel vouchers, food support, affordability and welfare advice, budgeting assistance, and tenancy sustainment support. Responses described residents choosing between heating and eating, increasing reliance on food banks and emergency food parcels, and higher utility debts. Some housing associations also identified a growing number of working residents experiencing in-work poverty. These pressures increase the support required from housing associations at a time when their own operating costs are rising. In the first quarter of 2026, housing associations supported 5,380 households, and 81 per cent provided dedicated hardship funds.[7]

Labour costs also increased over the period. Table 3 below presents Average Labour Compensation per Hour Worked (ALCH) and Average Weekly Earnings for the services and construction sectors, both of which are relevant to housing associations. In the services sector, the annual increase in ALCH, which provides a broader measure of employers' labour costs, remained positive throughout 2020–2025, ranging from 2.0 per cent to 5.6 per cent. Average

[4] Owner-occupiers' housing costs estimate the cost of housing services consumed by owner-occupiers; it is not a direct measure of house prices or mortgage payments.

[5] CPIH is used as a general price deflator to show how private rents changed relative to consumer prices.

[6] "No home to go to: how frozen Local Housing Allowance (LHA) rates are causing homelessness," Crisis, Shelter, Citizens Advice, Shared Health Foundation, Centre Point, StMungo's, Independent Age, and NRLA, July 6, 2026.

[7] Cost of Living Report: Bridging the gap, Community Housing Cymru, October 2026.

Weekly Earnings also increased consistently, with annual increases in services peaking at a 7.4 per cent increase in 2024. Construction-sector labour costs and earnings also increased across most of the period, adding to the cost environment affecting housing associations through contractor and development activity.

"From an internal perspective, things like our own organisational commitment around addressing poverty means that we're a real living wage provider. That's created some real challenges for us around pay compression because we've got so many of our staff working in either care or in supported living. So, we've had a whole load of internal pressures to address around that too."

Figure 1: Rising Cost of Living, Owning and Renting a House

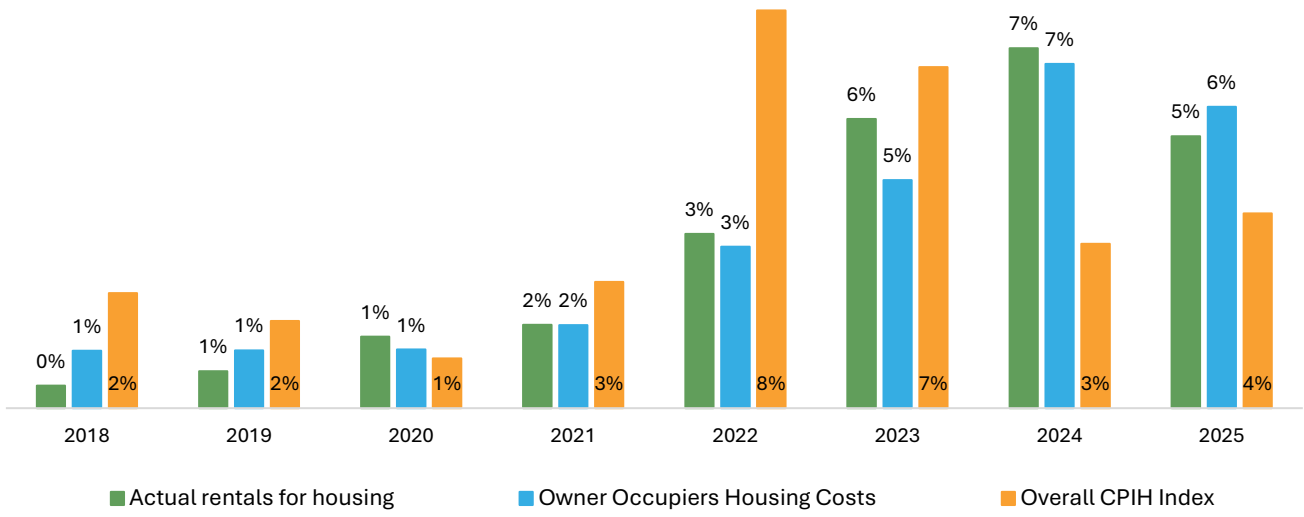


Figure 2: Cost Index of Repair and Maintenance

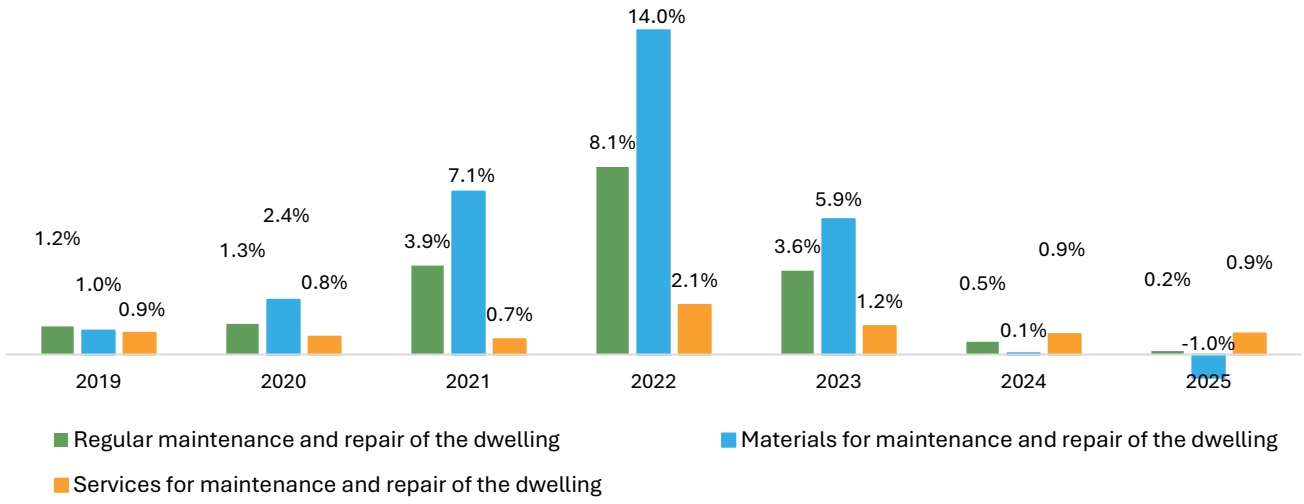
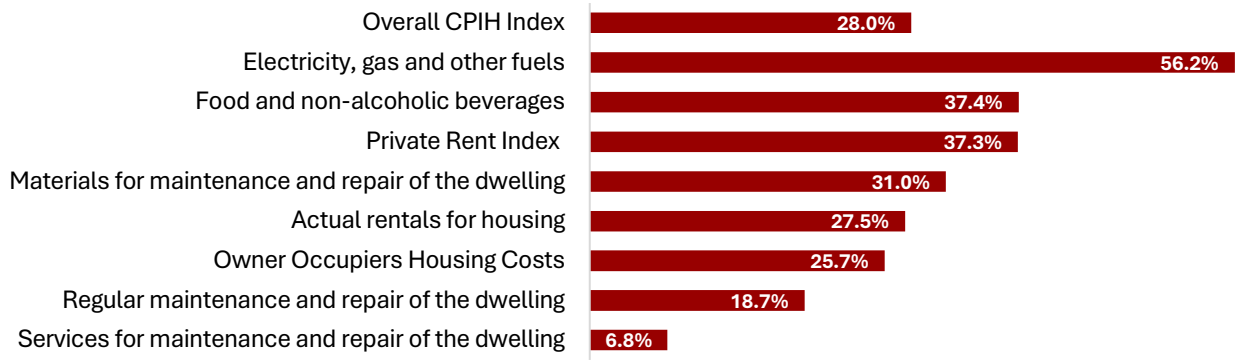


Figure 3: Various Price Indices (Increase from 2019 – 2025)



Rising prices therefore affect housing associations through two connected channels. They increase affordability pressures on residents and reduce access to owner-occupation and private renting, while also increasing the cost of operating, maintaining and developing homes. Construction prices have also risen substantially over the period, further increasing the cost of new development; these data are presented later in the report. Housing associations are consequently required to respond to greater affordable housing need within a more expensive operating and development environment.

Table 3: Annual growth in average labour compensation per hour worked and average weekly earnings

	2019	2020	2021	2022	2023	2024	2025
			Labour compensation/hour worked				
Services	3.1%	7.0%	2.0%	5.9%	5.2%	4.1%	5.6%
Construction	2.8%	-0.5%	5.4%	9.0%	3.4%	1.0%	1.7%
			Average Weekly Earnings				
Services	1.7%	4.9%	4.7%	4.7%	3.8%	7.4%	4.3%
Construction	4.8%	-2.4%	6.1%	6.0%	4.6%	4.5%	4.6%

This interaction is central to the cumulative-pressures argument. Higher market rates have increased the cost environment for new finance and refinancing, while rising prices have affected operating expenditure, development costs and resident affordability. Changes in nominal public investment must therefore be assessed alongside changes in its purchasing power.

3.2 Cost of Borrowing

Housing associations finance investment through a combination of rental (and non-rental) income, public grant and borrowing. Borrowing enables organisations to bring forward long-term capital investment rather than relying entirely on income generated in the current year. It is therefore important to the development of new affordable homes and investment in existing properties. However, its usefulness depends on the cost, availability and terms of finance, as well as the organisation's ability to service the resulting debt from future income.

i. The Repricing of Market Finance

The Bank of England's estimated spot and forward yield curves show a substantial change in the UK interest-rate environment between 2019 and 2026. Three broad periods are visible in the data.

Low-interest environment: Between 2019 and mid-2021, yields remained at historically low levels across the two-, five- and ten-year points on the curve. Short-term yields, which provide a market benchmark for interest rates, fell to near zero and briefly turned negative in 2020, while longer-term yields also remained comparatively low. This provided relatively favourable benchmark conditions for organisations seeking to raise or refinance long-term debt.

Rapid repricing of interest rates: From late 2021, yields rose and increased sharply during 2022 and 2023. The repricing occurred across the curve, moving spot and forward rates from around or below 1 per cent during much of the earlier period to approximately 3–5 per cent. At points during 2023, the two-year spot yield exceeded longer-term yields, producing an inverted yield curve in which near-term interest rates were priced above longer-term rates.

Persistently higher rates: Although shorter-term yields subsequently eased from their peaks, the curves did not return to their pre-2022 position. Longer-term benchmark rates remained materially above their earlier levels, while parts of the 2025 and 2026 forward curve continued to indicate a higher long-term rate environment.

Figure 4: Forward Yield Curve

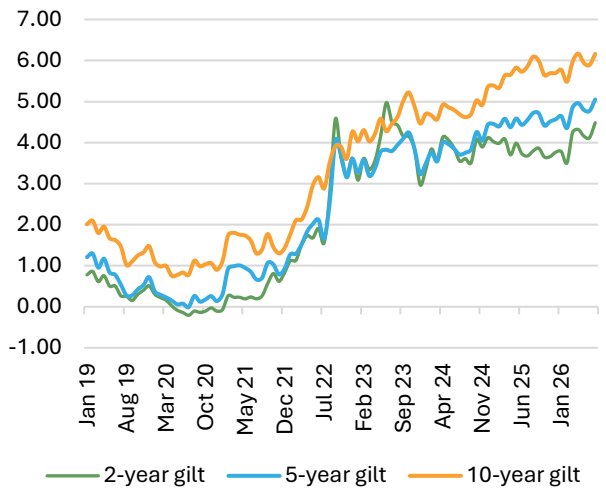
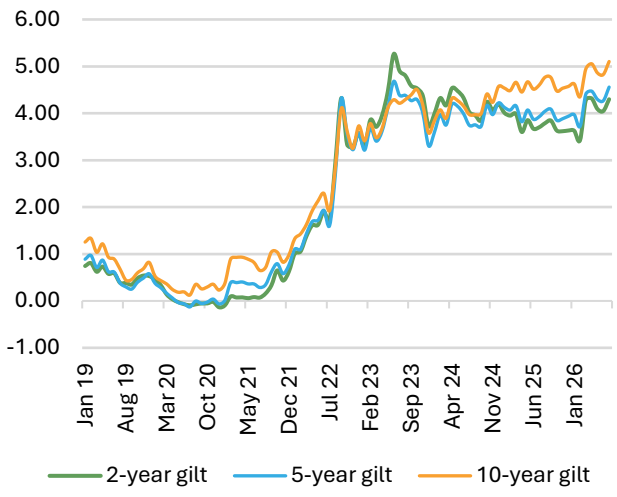


Figure 5: Spot Yield Curve



Data Source: Bank of England

The curves should be interpreted as market benchmarks rather than as the interest rates paid directly by housing associations. Actual borrowing costs also reflect the type and term of finance, the benchmark used, lender or investor margins, security, fees and the timing of the

transaction. Forward rates are implied by current market prices; they incorporate expectations, risk premia and other factors and should not be treated as certain forecasts of future rates.

For housing associations, the movement in interest rates represents a transition from historically low benchmark rates to a materially more expensive financing environment. Even where existing debt was protected by fixed-rate arrangements, new borrowing and refinancing increasingly occurred against higher prevailing market benchmarks.

As an illustrative example of interest rate increase impact, for a £30 million scheme with a 70 per cent[8] SHG grant, a housing association would pay about £8.4 million in interest over 25 years at a 6 per cent interest rate. At 6.5 and 7 per cent, it would pay over £9.3 million and £10.1 million, respectively; a half-point increase has added more than £1.6 million in interest payments.

ii. Existing Borrowing and the Marginal Cost of New Finance

The relative stability of the sector's average interest rate contrasts with movements in the yield curves. This reflects the difference between the average cost of the existing debt portfolio and the marginal cost of raising additional finance.

Existing debt was arranged at different times and under different market conditions. Long-term fixed-rate arrangements delay the transmission of changes in market rates into the average interest rate reported across the portfolio. The average interest rate should therefore not be interpreted as the rate available to an organisation seeking new finance in a particular year.

In the Global Accounts series used in this research, the sector's average interest rate ranged between approximately 3.9 and 4.4 per cent. However, this reflects the average cost of the existing debt portfolio and does not represent the marginal cost of new or refinanced borrowing. The yield curves show a substantial repricing of market finance after 2021. The Development Bank of Wales currently advertises interest rates of 6.25–10.25 per cent for property development loans and reports a weighted-average rate of 7.82 per cent on loans made between April 2025 and March 2026.[9]

"Rising costs and interest rates have affected how much we can invest and when we can invest it. They have placed pressure on our free cash position. At the same time, we have taken opportunities to maximise the use of available grant and capital programmes. Those programmes require a contribution from us, so taking up the available funding has also consumed free cash alongside the other cost increases we have faced"

Qualitative data show that higher interest rates not only increase the cost of borrowing but also increase exposure to interest-rate and refinancing risks. One housing association reported that

[8] The ceiling of SHG is a 70 per cent grant rate for new builds under the policy; the Welsh Government uses the Standard Viability Model to determine the grant level that bridges the financing gap. Not all schemes may receive the same grant rate.
[9] Development Bank of Wales Webpage on interest rates, last accessed on October 09, 2026.

current interest rates were "crippling" and that they could reach a point where growth would no longer be viable. Another reported a move towards shorter-tenure borrowing rather than long-term capital-market funding, which it said increased risk in its business plan.

Some housing associations responded to the changing financing environment by increasing the proportion of borrowing held at fixed rates, refinancing existing facilities, securing longer-term funding and maintaining revolving credit facilities. They also strengthened liquidity, treasury controls, covenant monitoring and stress testing, with interest-rate, inflation and development assumptions reviewed more frequently as market conditions became more volatile. In one case, refinancing was undertaken because of cash-flow pressure. These measures provided greater certainty about future cash flows and reduced exposure to short-term interest-rate movements, but did not eliminate the higher market cost of new finance. The effect continued to vary according to the timing and structure of each organisation's debt, the proportion held at fixed or variable rates, its maturity profile and the need for additional borrowing.

Existing loan terms can also influence the capacity available for investment. A housing association described historic covenants that incorporate major repairs into interest-cover calculations as no longer fit for purpose for the level of investment now required, while refinancing those facilities could itself be costly. Existing loan terms can also influence the capacity available for investment. A housing association described historic covenants that incorporate major repairs into interest-cover calculations as no longer fit for purpose for the level of investment now required, while refinancing those facilities could itself be costly. Another housing association had renegotiated its interest-cover covenants, moving from EBITDA-MRI to EBITDA and introducing carve-outs for fire-safety and decarbonisation expenditure. The effect of financing conditions therefore depends not only on market rates but also on the terms and flexibility of existing borrowing arrangements.

4. Investing in Existing Homes

4.1 Context and Requirements of Existing Homes

Wales has a relatively old housing profile, with around 26 per cent of all Welsh homes built before 1919.[10] Their traditional construction can make repairs, insulation and other energy-efficiency improvements more technically complex and expensive than work on more modern homes. In lower-value housing markets, the required investment may also represent a substantial proportion of a property's value. The age profile relates to Welsh housing as a whole rather than homes owned or managed by housing associations specifically, but it illustrates the wider physical environment within which housing associations operate.

Following the introduction of the initial WHQS in 2002, the Welsh Government expanded the requirements for landlords under WHQS 2023. In particular, this places greater emphasis on

[10] State of Older People's Housing, Care & Repair Cymru, January 2023.

energy efficiency and decarbonisation. Social landlords (local authorities and housing associations) must complete a Whole Stock Assessment and produce a Target Energy Pathway for each home by 31 March 2027. The interim target is for social homes to achieve an Energy Performance Certificate (EPC) rating of C or Standard Assessment Procedure (SAP) rating of 75 by 31 March 2030 (or later for planned works). EPC A, equivalent to SAP 92, remains the longer-term ambition, but the Welsh Government has not set a fixed completion date, and that date is expected to be informed by the Target Energy Pathways.[11]

The scale of investment required is significant, although estimates vary depending on the condition and type of housing, the standard being pursued, and the measures included. Research commissioned by Community Housing Cymru (CHC) from Savills estimated an average 30-year investment requirement for Welsh housing associations of approximately £71,000 per property for programmed renewals and the non-net-zero elements of WHQS, with a further £59,000 per property estimated to achieve Net Zero Carbon. This gives an overall estimate of approximately £130,000 per property over the 30-year business-planning period, at 2024/25 prices. The estimate draws on a sample of housing-association business plans, energy-efficiency pilots in Wales, local-authority business plans, recent stock surveys from Welsh housing associations and valuation assumptions and is presented as an aggregated average.

Qualitative data from this research illustrate the scale of the investment pressure associated with higher energy standards. One housing association had developed a fully costed Target Energy Pathway to SAP 75 and incorporated an additional £24 million of expenditure over five years into its business plan. The organisation had also borrowed £24 million to deliver the programme and assumed continued Optimised Retrofit Programme grant support. CHC member-led analysis similarly indicates a substantial difference between the investment required to achieve SAP 69 (the bottom of EPC band 'C') and SAP 75 (the middle of EPC band 'C'). The analysis estimated an investment requirement of more than £510 million for SAP 75, compared with approximately £100 million for SAP 69. The analysis also showed substantial variation at individual organisation level, including one association estimating annual expenditure of around £5 million to reach SAP 69 compared with £27 million for SAP 75.

Other estimates illustrate the variation in potential costs. Cardiff Council's early modelling estimated that 99.8 per cent of its housing could reach SAP 75 at a cost of approximately £351 million.[12] It estimated that SAP 92 was achievable for only 19 per cent of homes using current technologies and would require an additional £515 million, taking the total indicative cost to £866 million. Cardiff Council noted that these estimates would continue to change as property surveys progressed and that not all measures may be appropriate due to disruption, practicality,

[11] The Welsh Housing Quality Standard 2023, Maintaining and improving social housing in Wales, Welsh Government, April 2024.

[12] Delivering the housing revenue account business plan 2026-27 & Cardiff Council Homes Tenant Engagement Strategy 2026-2030, Cardiff Council, March 2026.

or potential financial impacts on residents. A UK-wide industry estimate of approximately £35,000 per property to reach EPC C provides a further broad benchmark, although it should not be treated as a Welsh housing-association unit cost.[13] The estimates demonstrate both the scale of potential investment and the limitations of applying a single cost assumption across different home types, conditions, and standards. Savills concluded that decarbonisation costs at this level could not be financed through rents alone and would require additional funding, while Cardiff Council similarly stated that its indicative level of investment could not be achieved without substantial long-term Welsh Government support.

Requirements on existing homes also extend beyond energy efficiency and decarbonisation. Qualitative data from housing associations identified building safety, fire safety, damp and mould, HHSRS hazards and wider health and safety compliance as additional demands on investment and operational capacity. Housing associations described requirements for inspections, specialist expertise, staff training, compliance systems, asset and risk information, governance and assurance.

New hazard-response requirements under WHQS 2023 were also reported to have increased operational and reporting demands, requiring changes to triage, inspection, case management, data, monitoring and assurance arrangements. These pressures sit alongside remedial works and wider investment in existing homes, drawing on the same staff, systems and financial capacity. One housing association reported that the new HHSRS reporting mechanism for damp, mould and condensation had required reallocating resources, with non-urgent appointments sometimes being broken to attend to HHSRS concerns within 24 hours.

Qualitative data also show that housing associations are shifting from approaches driven mainly by component lifecycles or replacement towards more integrated, data-led and evidence-based asset planning. They are also increasingly integrating asset planning into corporate and long-term business planning, using information on the condition and performance of homes, future investment requirements and financial capacity to determine the pace and priority of investment.

4.2 Trends in Existing Homes Investment

Social housing, comprising general needs, sheltered, and supported housing bedspaces, accounted for more than 86 per cent of housing associations' properties between 2019/20 and 2024/25. Turnover from social housing represented between 78 and 81 per cent of the sector's turnover over the same period.

Across the wider business, average turnover per property increased by almost 29 per cent from 2019/20 to 2024/25 at an annualised growth rate of 5.2 per cent. Average operating cost per property increased by approximately 34 per cent at an annualised growth rate of 6.1 per cent.

[13] Decarbonising UK housing: the regional view, JLL, January 2024

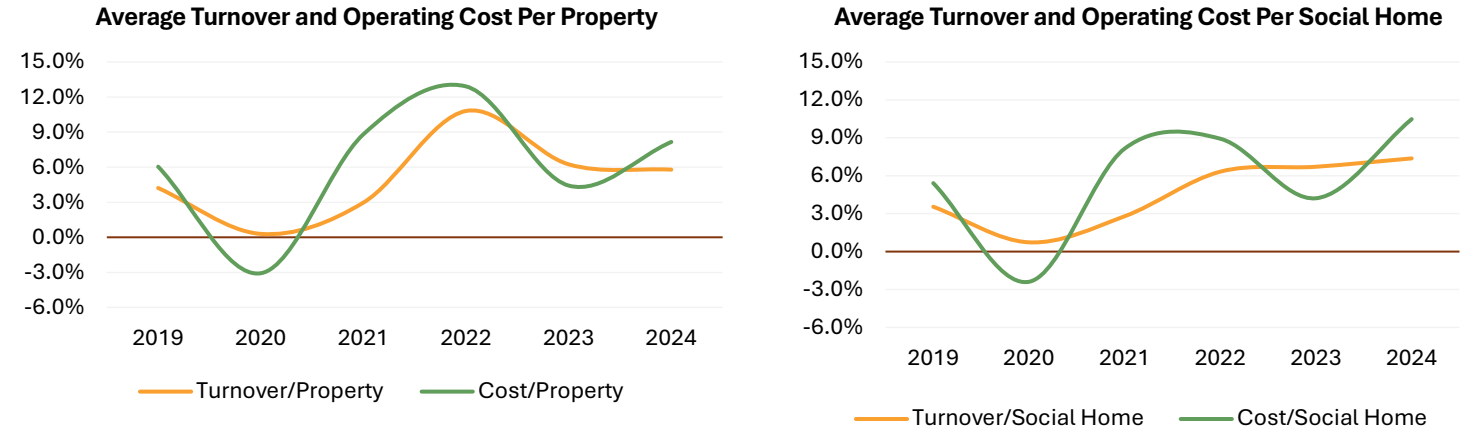
Focusing on the social housing segment, average turnover per social-housing unit increased from £5,703 in 2019/20 to £7,194 in 2024/25, approximately 26 per cent growth at an annualised rate of approximately 4.8 per cent, while average cost per social-housing unit increased from £4,661 to £6,172 by approximately 32.4 per cent at an annualised rate of 5.8 per cent. The per-unit measures therefore show that cost growth exceeded turnover growth after accounting for changes in the number of homes.

Table 4: Turnover and cost[14]

	2019	2020	2021	2022	2023	2024
Turnover/property	£5,249	£5,265	£5,421	£6,007	£6,382	£6,751
Operating cost/property	£4,295	£4,162	£4,529	£5,114	£5,340	£5,776
Turnover/ social home	£5,703	£5,745	£5,905	£6,279	£6,700	£7,194
Operating cost / social home	£4,661	£4,550	£4,921	£5,360	£5,586	£6,172

Growth in turnover and costs per property generally trended upwards, although the annual changes were uneven. COVID-19 restrictions reduced repairs and maintenance activity (spending) in 2020/21, producing a temporary decline in recorded expenditure. As restrictions eased, housing associations resumed delayed work and addressed repair and maintenance backlogs. The subsequent acceleration in expenditure coincided with inflation, supply chain disruption, and expanding housing quality, safety, and compliance requirements. Qualitative data indicate these factors contribute, although aggregate figures cannot isolate the cost of each pressure.

Figure 6: Growth Rate of Average Turnover and Operating Cost[15]



Data Source: Global Accounts

A similar pattern is visible in maintenance expenditure, including reactive or day-to-day maintenance and planned cyclical work. Maintenance expenditure increased from £1,356 per social-housing unit in 2019/20 to £2,034 in 2024/25. This represents an increase of 50 per cent, or an annualised growth rate of approximately 8.4 per cent; in the post-pandemic period, the annualised rate is 11 per cent.

[14] Turnover per property includes letting income from all property types, including non-social housing.
[15] Percentages are different from Table 1 due to annual increases in properties and social homes, and associated income

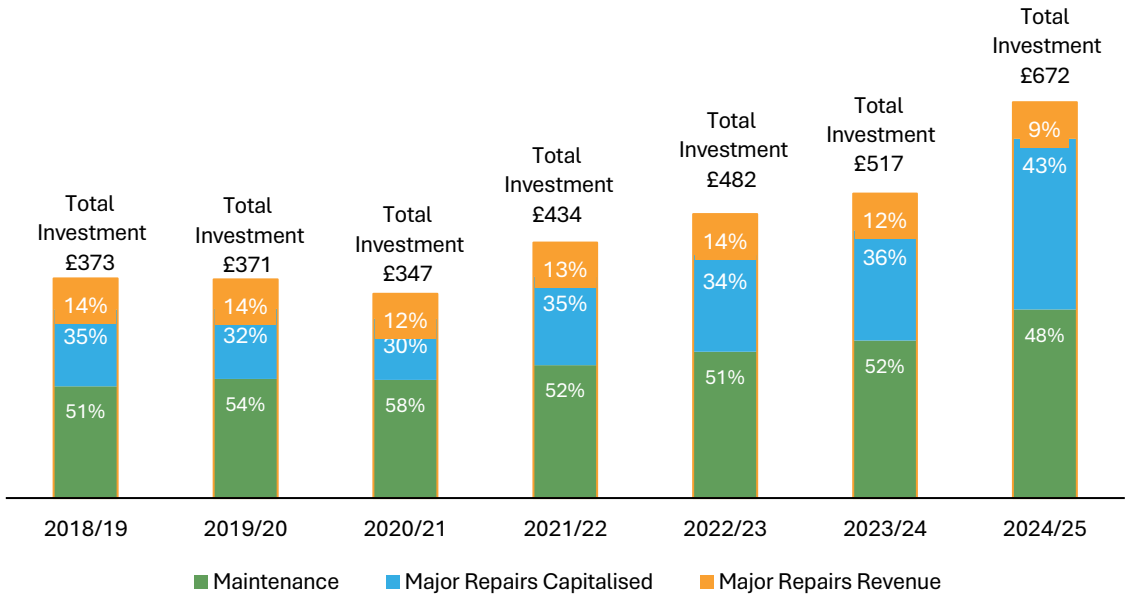
Expenditure on major repairs, including capitalised and revenue-funded component replacement, increased more rapidly. Average expenditure rose from £1,133 per social-housing unit in 2019/20 to £2,235 in 2024/25, an increase of approximately 97 per cent. Annualised growth was approximately 14.6 per cent across the full period and approximately 23.5 per cent from the pandemic-affected 2020/21 baseline.

Table 5: Investment in Social Housing Quality

Social Housing	2019	2020	2021	2022	2023	2024
Maintenance Cost	£1,356	£1,324	£1,470	£1,608	£1,728	£2,034
Growth	5%	-2%	11%	9%	7%	18%
Major Repairs (Capitalised & Revenue)	£1,133	£961	£1,357	£1,515	£1,611	£2,235
Growth	-9%	-15%	41%	12%	6%	39%

The scale of these increases shows that housing associations are directing substantially more resources towards existing homes. A proportion of this expenditure is non-discretionary. Day-to-day repairs, statutory safety work and compliance expenditure are necessary to protect residents and meet legal and regulatory obligations. Major repairs and component replacements may sometimes be rephased, but they cannot be deferred indefinitely without increasing responsive-repair, compliance and asset-management risks.

Figure 7: Repair and maintenance spending (£millions)
Percentages are the proportion of total investment.



Data Source: Global Accounts

Revenue expenditure on maintenance, including reactive and planned work, increased from £202 million in 2019/20 to £320 million in 2024/25, a more than 58 per cent increase and an annualised increase of 9.6 per cent. Combined expenditure on major repairs, including revenue and capitalised expenditure, increased from approximately £169 million in 2019/20 to £351 million in 2024/25.

Revenue expenditure is recognised as an expense in the year it is incurred and therefore affects operating costs and operating surplus. Capital expenditure is capitalised on the balance sheet as part of the asset's value rather than being fully charged as an operating cost in the year it is incurred. It should therefore be interpreted as a measure of total major-repair investment rather than operating expenditure alone.

Qualitative data add an important qualification to the expenditure trends. Decisions about existing homes are influenced by information about home condition, contractor and staff capacity, the sequencing of work, and the amount of available finance. One housing association reported re-sequencing component-replacement programmes so that works could align with future retrofit measures. Another reported that some WHQS works were undertaken when homes became vacant, although this could increase void turnaround times and costs. Undertaking additional work at the void stage can reduce disruption to existing residents but can increase both cost and turnaround time. Other responses described assessing vacant homes against housing need and the cost of bringing them to the required standard, with disposal considered where continued investment did not represent value for money.

One 'stock transfer' housing association reported that investment in existing homes was increasing annually but not at the level required to address historic underinvestment, making the significant requirements under WHQS even harder to meet. During its current growth and transformation phase, it was balancing WHQS compliance with significant repairs required to keep homes safe, warm, and dry, while some annual maintenance, including painting and cleaning solar panels, was deferred to reduce costs. Another housing association said that low rental income and restrictions on moving rents towards convergence had long constrained the amount it could invest in existing homes.

The relationship between existing-home investment and new development was not uniform. One housing association reported that new social-rent homes had a substantially higher net present value than the existing homes it managed, with surplus income from the new homes intended to fund repairs and improvements to existing homes. Some housing associations described direct trade-offs among compliance, decarbonisation, maintenance, and development within the same business plan. One housing association had explicitly considered the "Brutal Fact" of choices between compliance, policy, maintenance, repairs and new development. In contrast, another housing association considered that new homes should be financed through their own grant and borrowing and therefore should not significantly affect existing-home investment, while another had experienced no direct trade-off to date. The data therefore do not support a simple sector-wide repair-versus-build relationship.

4.3 Cost of Compliance, Data, and Reporting

Over the past five years, the scope, detail, and frequency of compliance, data, and reporting requirements have grown substantially. New legislation and regulatory requirements, such as the Renting Homes (Wales) Act, WHQS 2023, Fitness for Human Habitation requirements,

building and fire safety, heat network regulation, decarbonisation, energy performance, safeguarding, Welsh language, procurement requirements and wider governance and assurance obligations have increased the complexity and amount of information organisations must collect, validate, and report.

"I think there is a piece around the extensiveness of those new standards – albeit in principle I agree that the standard should be high, I think there's a level of sensibleness that is perhaps missing. I think at a board level the more complicated the standards are and the guidance is, the harder it is to monitor as well."

One housing association reported that some significant changes were introduced without detailed guidance in place prior to implementation, leaving uncertainty about their compliance. Another reported that the late WHQS 1c guidance required that its systems be overhauled and manual processes be developed to report all hazard categories.

These requirements demand accurate, up-to-date records, ongoing validation, quality assurance, and substantial investment in systems and staff time to provide assurance that homes remain safe, compliant, and fit for the future. It requires detailed data at property and resident levels, with a focus on audit trails, remedial actions, and consistent compliance. Investment has been required in housing management systems, asset management software, compliance monitoring tools, reporting platforms, and document management systems, and specialist human resources have been recruited to manage the systems and report on data. One housing association reported investing in digital and data infrastructure for both efficiency and to improve data and reporting, noting that there is an initial investment cost before the associated savings are realised.

The organisational requirement can also be substantial. 10 housing associations estimated that the staff time devoted to compliance and reporting activities across their teams exceeded 3 full-time equivalents (FTEs), while 4 housing associations estimated it at less than 3 FTEs. One housing association reported recruiting 5 additional roles in data and compliance over 6 years, representing approximately £240,000 per year in additional staff costs. Another housing association recruited 6 corporate staff over 5 years and forecasts £2.2 million in additional investment over the next 5 years to meet compliance requirements. A further housing association reported that total compliance spending had increased by 24 per cent since 2021, with the greatest increase attributable to establishment costs. These figures are organisation-specific but illustrate how regulatory and reporting requirements can create continuing organisational costs alongside capital expenditure.

Housing associations highlight that investing in these systems, processes, and capabilities enhances oversight, accountability, assurance, and decision-making. However, it also increases administrative workloads, staff time and organisational capacity needs.

"I would prefer us to be able to put more resource into helping people to live well in our homes rather than growing our costs base around admin and new legal responsibilities."

5. Investing in New Affordable Homes

5.1 Scale and Composition of Housing Need

A single statistic cannot represent housing need in Wales. It includes newly forming households, existing unmet need, households unable to access market housing, people experiencing homelessness and those requiring accessible, adapted or supported accommodation. Published estimates of additional housing need should therefore be considered alongside data on affordability, temporary accommodation and the changing circumstances of households seeking social housing.

The Welsh Government's latest estimates identify an initial unmet need of approximately 9,400 homes. They project that between 7,300 and 9,800 additional homes may be required annually during the first five years of the projection period, including approximately 2,500 to 3,400 affordable homes. These are indicative estimates based on demographic, economic and tenure assumptions; they are not delivery targets and do not fully capture all forms of hidden or emerging need.

The scale of this requirement must be considered in the context of the existing housing system. As of 31 March 2025, Wales had approximately 1.49 million dwellings, of which around 16 per cent were in the social sector.[16] Housing associations accounted for approximately 10.2 per cent of all dwellings, and local authorities around 6 per cent. Housing associations' social housing numbers increased from 147,998 units[17] in 2021 to 154,557 in 2025, an increase of approximately 6,600 homes. Despite this growth, social housing remains a relatively small part of the overall housing system. The figures are not directly comparable with Global Accounts housing figures because the two datasets use different definitions, coverage and reporting bases.

The relatively small size of the social housing sector matters because many lower-income households have limited access to the much larger market sectors. Approximately 680,000 people in Wales live in relative income poverty, limiting their ability to absorb increases in housing and other living costs.[18] Research on private-rental affordability shows that access is particularly constrained for households relying on welfare support, while many private renters receiving Universal Credit also experience a shortfall between their welfare support and actual rent.[19] These indicators do not provide a direct count of households requiring social housing, but they demonstrate the limited market options available to lower-income households.

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[16] Social landlord housing stock and rents: as at 31 March 2025. 18 December 2025, Welsh Government.
[17] Social Landlord Housing Stock and Rents as of 31 March 2021. Statistical First Release SFR 328/2021, 26 October 2021, Welsh Government.
[18] Relative income poverty: April 2023 to March 2025, Stats Wales
[19] "No home to go to: how frozen Local Housing Allowance (LHA) rates are causing homelessness," Crisis, Shelter, Citizens Advice, Shared Health Foundation, Centre Point, St Mungo's, Independent Age, and NRLA, July 6, 2026.

The consequences are visible in homelessness and temporary accommodation. Welsh Government statistics show that more than 10,000 people were living in temporary accommodation at various points in 2025. A substantial proportion of households remained there for six months or longer, while a significant minority experienced repeated placements.[20] Prolonged stays can indicate difficulty moving households into suitable permanent homes. The causes extend beyond the supply of housing-association homes, but limited affordable supply restricts the options available to local authorities when seeking long-term accommodation.

Housing associations have identified rising demand for affordable housing, which is shaping how they plan their development programmes. They described using local housing-market assessments, housing-register information, local-authority priorities and local intelligence to determine the location, tenure, size and type of homes delivered. They also described adapting development pipelines, using acquisitions and other delivery routes, and working with local authorities and other partners to respond to changing patterns of need.

Qualitative data show substantial variation in the type of housing required. Housing associations identified particularly strong demand for one-bedroom homes associated with homelessness, while others reported increasing demand for larger family homes, larger adapted properties, accessible housing, older-person housing and supported or specialist accommodation. One housing association outlined challenges in trying to meet one-bed housing need in a sustainable way. A high concentration of smaller homes and flats could create housing management difficulties, whilst financial viability for smaller homes can also be challenging and can often lead to a mix of house types and sizes within a scheme. Local authorities' focus on waiting lists, however, means that conversations can become challenging and, in some cases, schemes do not then progress. The circumstances of households requiring social housing are also changing. One housing association estimated that the proportion of new households with high needs had increased from around 10 per cent to around 50 per cent, requiring substantially more tenancy-sustainment activity. Another housing association reported more than 2,000 families on its local-authority waiting list alongside increasing homelessness risk as private landlords withdrew from the market and unmet demand for permanent supported housing. Other housing associations identified increasing mental-health, safeguarding, disability and independent-living needs.

"Demand is off the charts for social rent homes. I would say even if we quadrupled our development programme in the right places, they'd all be gone almost instantly."

One housing association reported that more than half of its new lets were being allocated to households experiencing homelessness, while many new and existing residents required additional help to sustain their tenancy. Another housing association reported an increased need for mental health support and greater demands on housing colleagues as other services reduced or ceased. It described housing teams as increasingly filling this gap and providing

[20] Homelessness: April 2025 to March 2026, Web Report, Statistics Wales

crisis intervention. A further housing association reported reduced access to support services, with increasingly restrictive eligibility thresholds that limited opportunities for early intervention and allowed issues to escalate before appropriate support was available.

"My teams often feel that we are the last service standing. People live in our properties when mental-health and social-care support is insufficient. The police have also drawn clearer boundaries around matters that are primarily health-related. All of this falls back on the housing association"

These pressures can also create more specific operational challenges. One housing association reported that safeguarding concerns relating to self-neglect had doubled over the preceding 12 months and had become its largest category of safeguarding concern. An increase in cases of poor property condition associated with self-neglect led the organisation to introduce a dedicated property-condition case-management process. It also reported increased challenges in gaining access to conduct mandatory compliance checks, as more residents did not wish to allow staff to see their situation. These challenges are reflected in the wider housing support system. Separate research by CHC and Cymorth Cymru, based on responses from 44 housing support providers including charities and housing associations, found that 68% reported an increase in demand for housing support services.[21]

5.2 Delivery in Recent Years

The 2021–2026 Programme for Government committed to delivering 20,000 additional low-carbon affordable homes for rent in the social sector. The current Welsh Government has subsequently committed to supporting the delivery of 20,000 additional affordable homes by 2030.[22] Housing associations remain central to this delivery, supported principally through the Social Housing Grant capital funding stream in the national budget.

Qualitative data show different development trajectories. One housing association reported that its six-year programme of 650 homes was ahead of target; another had a five-year ambition for 800 homes; others described rephasing, reducing or substituting individual schemes where viability or capacity changed.

Changes are also visible in how development is delivered. One housing association described moving away from heavier reliance on Section 106 opportunities and package deals towards more traditional development routes and in-house construction capability. It was also reconsidering where construction risk should sit, placing more risk with specialist contractors while retaining responsibility for planning, funding, governance and quality assurance.

[21] Home Matters, 2026

[22] The two commitments are not identical or a continuation of the five-year target.

i. Affordable Housing Supply

Official annual statistics on additional affordable homes are available until 2025/26. Between 2021/22 and 2025/26, 12,386 additional affordable homes were recorded.[23] Approximately 78 per cent were supported by capital grant. The grant-funded share fluctuated across the period but was higher in each of the final three years than in 2021/22. The data therefore show the importance of public investment in delivering affordable housing.

Table 6: New Additional Affordable Homes

	2021/22	2022/23	2023/24	2024/25	2025/26	Grand Total
Capital Grant Funded						
Local Authorities	361	571	603	683	818	3,036
Housing Associations	1,436	1,867	1,822	2,131	2,364	9,620
Total Grant Funded New Additions	1,797	2,438	2,425	2,814	3,182	12,656
As a proportion of Total Delivered	**69%**	**80%**	**76%**	**80%**	**83%**	**78%**
Non-Capital Grant Funded						
Local Authorities	125	114	153	166	136	694
Housing Associations	694	499	611	550	495	2,849
Total non-Grant Funded New Additions	819	613	764	716	631	3,543
As a proportion of Total Delivery	**31%**	**20%**	**24%**	**20%**	**17%**	**22%**
Total Affordable Homes Delivered	**2,616**	**3,051**	**3,189**	**3,530**	**3,813**	**16,199**
Of which, Acquired/Converted	15%	18%	27%	24%	31%	24%
New Builds	85%	82%	73%	76%	69%	76%

Approximately 69 per cent, or 12,367, of recorded deliveries were new builds, while 3,832 were acquisitions or conversions. Acquisitions and conversions are crucial to increase affordable provision more quickly, but they do not necessarily increase the total number of dwellings in Wales. New construction therefore remains important for expanding the overall housing supply.

ii. Public Investment

Public investment is one of the principal mechanisms through which the Welsh Government supports the supply of affordable housing. The Social Housing Grant (SHG) is the main capital programme for affordable housing delivery in the national budget. Its importance has increased as construction and borrowing costs have risen, because the grant reduces the amount of development costs that must be met through housing associations' internal resources and borrowing.

SHG increased from almost £270 million in 2021/22 to £465 million in 2026/27, an increase of approximately 73 per cent. Its share of the Welsh Government capital budget increased from 6.5 per cent to approximately 9 per cent over the same period, although annual allocations fluctuated. The increase in public investment supported the Welsh Government's target of

[23] The figures do not constitute the final outturn for the 20,000-home commitment, which is based on a combination of official statistics and management information. These should be described as additional affordable homes rather than exclusively as social-rented homes.

delivering 20,000 additional homes for rent in the social sector. By the end of March 2025, 13,399 homes had been counted towards the target, including 936 void properties brought back into use between 2022/23 and 2024/25.

Table 7: Public Grants and Financing

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Social Housing Grant (millions)	£269.9	£368.53	£370.00	£383.77	£490.25	£465.99
Housing Finance Grant (millions)[24]	£13.10	£13.10	£13.10	£4.10	£5.29	£5.29
SHG as % of Capital Budget	6.5%	9.1%	7.8%	7.4%	9.7%	9%

Comparing grant allocations with capital-grant-supported affordable housing delivery over the same period, SHG allocations increased from £269.9 million in 2021/22 to £490.2 million in 2025/26, an almost 82 per cent increase. Over the same period, the number of additional affordable homes recorded as capital-grant-supported increased from 1,797 in 2021/22 to 3,182 in 2025/26.

Across 2021/22 to 2025/26, approximately £1.88 billion was allocated through the Social Housing Grant, while 12,656 additional affordable homes were recorded as capital-grant-supported. This is equivalent to approximately £148,747.9 of SHG budget allocation per capital-grant-supported affordable home delivered over the period.

5.3 Constraints

Qualitative data show that development can be constrained before construction begins, even when capital is potentially available. One housing association identified limited and increasingly expensive land, difficult ground conditions, flooding and servicing requirements, planning and highways approvals, Sustainable Drainage Systems requirements and utility connections. These processes can require significant expenditure before there is certainty that a scheme will proceed, increasing the risk of abortive costs. Housing associations also described contractor and subcontractor failures, additional completion costs, and greater difficulty obtaining insurance and bonds.

"If we've got the right land opportunities available to us and the right contract pipeline at the right prices, with the right level of grant support, we will build the new affordable homes because it's better for the residents of both today and tomorrow. It's absolutely core to our purpose, and it provides a sustainable stream of revenue in future years."

These constraints can be more acute in rural areas. One rural housing association identified fewer local contractors, additional travel and mobilisation requirements, smaller work packages and unproductive travel time as factors affecting costs and delivery. It also reported that build costs can exceed completed property values, creating a viability challenge despite clear housing need.

[24] Housing Finance Grant is different from SHG; it is paid over an agreed period to subsidise capital and interest costs. Unlike SHG, it is resource funding, not capital funding.

The timing and structure of funding can create a separate constraint. Housing associations described having to finance development expenditure for longer before the grant is received, increasing short-term borrowing requirements and interest costs. One housing association identified delays of more than six months in receiving a grant worth millions of pounds during audit processes, which required smaller housing associations to use private finance while awaiting payment. For specialist and supported housing, housing associations also emphasised that the availability of capital does not necessarily make a scheme sustainable where reliable continuing revenue funding for support is unavailable. CHC and Cymorth Cymru research demonstrated the scale of this challenge by reporting that 83 per cent of the 44 responding homelessness and housing support providers, which included charities and housing associations, reported running Housing Support Grant (HSG) or Homelessness Prevention Grant (HPG)-funded services at a deficit.[25]

One specialist housing association had to reduce the number of adapted homes within its programme because they were particularly difficult to deliver viably within its business model, despite continuing demand for adapted and specialist accommodation.

The scale of this pressure is also reflected in qualitative data. One housing association reported that new-build costs had risen from £1,950 to £3,437 per m^2 since 2020, while a separate review of its development programme found development costs had increased by 69 per cent over the same period. It had not yet reduced its build programme but reported that rising costs were reducing how far available grant could stretch and would increasingly constrain the opportunities it could progress.

"Construction-cost inflation has changed the way contractors price risk. We now see more fluctuation clauses, and some contractors have entered liquidation. The failure of a contractor can delay a scheme and create substantial additional work and cost."

Housing associations typically finance development through a combination of public grant, internal resources and borrowing. If development costs rise faster than grant, the difference must be met through a larger internal contribution, additional borrowing, a change in the design or scale of the scheme, or a decision to defer or discontinue it. The Welsh Housing Monitor reported that the average per-home development cost under the Social Housing Grant programme increased by 78 per cent between 2021/22 and 2024/25.[26] A given amount of grant and borrowing capacity can therefore support fewer homes unless grant rates or other contributions increase correspondingly.

Resources allocated to existing homes and new development are not always contained in completely separate financial pools. Additional expenditure on repairs, safety, housing quality and decarbonisation can reduce cash generation or increase future borrowing requirements.

[25] Home Matters, 2026

[26] Welsh Housing Monitor, Welsh Government, March 26, 2026.

Development decisions must therefore account for expected rental income, operating and maintenance costs, interest costs and the effect on the long-term business plan.

Experiences differed between organisations. One housing association reported that external pressures had not negatively affected its ability to deliver new homes to date. Another said it had capacity to deliver more homes but identified land availability, planning and drainage processes, and the cost associated with current standards as constraints on further delivery. Other responses described schemes being rephased, delayed or substituted where costs, grant assumptions, infrastructure constraints or capacity changed.

i. The Effect of Rising Construction Prices

The purchasing power of public investment depends on the cost of delivering the activity it is intended to support. The UK construction output price index for new housing increased by approximately 34 per cent between 2020 and 2025, while the all-construction output price index increased by approximately 27 per cent. The greatest annual increases occurred between 2021 and 2023, when new-housing construction prices rose particularly quickly.[10]

Table 8: Construction output price index[27] – annual increase

	2020	2021	2022	2023	2024	2025
Housing (new work, public and private)	1%	6%	11%	7%	3%	3%
All construction (new work, repair, and maintenance)	1%	4%	10%	6%	3%	3%
Housing repair and maintenance index	1%	3%	6%	3%	1%	1%

An illustrative calculation can show the effect of these price increases on the value of public investment. If the £1.88 billion allocated through SHG between 2021/22 and 2025/26 is treated as entirely supporting new-build development and adjusted using the new-housing construction output price index, the estimated erosion in purchasing power is approximately £270 million, or 14.4 per cent of the nominal allocation, using the 2021/22 price index as base year. It is also equivalent to SHG for more than 1,100 capital-grant-supported affordable homes, with an average grant of £148,747.9. The calculation illustrates the scale of the effect that increases in construction prices can have on a fixed nominal allocation.

However, capital-grant-supported delivery also includes acquisitions and conversions through the Transitional Accommodation Capital Programme. Higher prices for new construction, existing properties, and conversion work have therefore absorbed a growing share of the allocation. Consequently, some of the nominal increase in SHG has been offset by higher prices, rather than producing an equivalent increase in the volume of development or supply that could be funded.

[27] CPI measures what consumers pay for goods and services, and the output price index measures the prices paid by the construction industry and new housing suppliers. Figures are rounded off.

Capital-grant-supported delivery increased by approximately 77 per cent between 2021/22 and 2025/26, from 1,797 to 3,182 homes. This occurred alongside increased public investment, but delivery also reflects development pipelines, acquisitions, conversions and properties brought back into use.

6. Conclusion

Findings show continued growth and investment but reduced financial and organisational flexibility. These pressures have accumulated rather than replaced one another, further constraining financial flexibility to absorb new expenditure. Operating costs have outpaced turnover, while resources for existing homes and new development are not always kept ring-fenced. Additional expenditure on repairs, safety, housing quality and decarbonisation can reduce cash generation or increase borrowing needs. Despite rising development and turnover, higher costs leave housing associations less able to absorb further expenditure. Development decisions must therefore account for expected rental income, operating and maintenance expenses, interest costs and the effect on the long-term business plan.

"The cumulative effect is not always reflected adequately. Each legislative change, cost increase, cyber risk, resident need or operational requirement can be discussed in isolation, but the organisation must manage them at the same time. The combined effect creates a much more difficult operating environment than any single pressure suggests."

Qualitative data show that housing associations have strengthened the frequency of reviews of investment decisions and assumptions. The effect is not uniform: some have delayed, redesigned, rephased, or altered schemes where costs, grant assumptions, land conditions, planning requirements, infrastructure constraints, or organisational capacity affected viability or deliverability, while others have maintained or expanded their development programmes.

The pressures shaping these decisions extend beyond financial conditions. Housing associations face expanding policy, regulatory, and compliance demands for housing quality, building safety, decarbonisation, reporting, and assurance, requiring more staff, systems, expertise, and investment. Housing need is also more complex: alongside affordable and social homes, demand spans varied sizes and types, accessible and adapted housing, specialist provision, and greater support for people facing financial hardship, mental health difficulties, safeguarding concerns or other complex needs. Associations must therefore manage wider demands on both their homes and services alongside these financial pressures.

The findings do not point to a single policy or funding intervention that would remove or ease these pressures. Because the pressures are cumulative, the solutions must also span multiple areas. Together, CHC and housing associations have identified a combination of changes that would provide greater certainty and strengthen their ability to plan and deliver:

- **A long-term plan for housing: a cross-government, cross-sector plan would set the strategic context for the regulatory, funding and wider environment in which housing associations operate.** The findings show, for example, that maintaining housing capacity increasingly depends on services beyond the physical home. Growing needs related to mental health, safeguarding, self-neglect, financial hardship and tenancy sustainment are placing additional demands on housing associations, particularly when wider public services are constrained. Housing associations therefore identified the need for sustainable funding for housing-related support, homelessness prevention and specialist provision, alongside stronger coordination among housing, health and social care. Members also highlighted the importance of better-designed policy implementation: new requirements should be fully costed, adequately funded, introduced with realistic lead-in periods and supported by clear guidance. Housing associations also saw opportunities to coordinate reporting and assurance where similar information is required but collected through different processes.

"Locking significant funding in for a multi-year period, so organisations can spend it on a more uniform basis, rather than having to sprint against deadlines, would be really beneficial in terms of driving the right dynamics in the market and making sure that we're efficiently realising the benefit rather than it driving up pricing."

- **Multi-year funding certainty: Housing associations welcomed the shift from a five-year to a ten-year rent settlement, which offers greater certainty for business planning and borrowing.** They also stressed the need for longer-term certainty in capital grants, housing support grants, investment in existing homes, decarbonisation funding and building safety, particularly because development, retrofit and major investment programmes can take several years to prepare and deliver. Members noted that funding must better reflect delivery costs and timelines, including Social Housing Grant assumptions based on current costs, earlier programme confirmation, predictable payment schedules and greater flexibility in combining or using funding. Specialist and supported housing need reliable revenue funding alongside capital investment, while rural providers face additional costs for travel, mobilisation, smaller work packages and more limited contractor markets.

- **Pragmatic approach to existing homes.** Members described a need for a more proportionate, resident-centred approach to existing-home standards. Some reported that greater flexibility would allow investment to be prioritised more closely around residents' needs and the benefits delivered by individual measures. The research also shows that WHQS and decarbonisation requirements interact with wider investment decisions, as existing homes, new development, and other services can draw on overlapping financial and organisational capacity. A more proportionate approach could

therefore provide greater flexibility in how housing associations prioritise investment across these competing requirements.

- **Quick action to tackle the known barriers to building new affordable homes.** Members identified challenges, including land availability, planning, drainage, utilities, statutory consents, infrastructure, and capacity in the construction, retrofit, and professional services markets, that affect the scaling of the supply of affordable homes. Suggestions included streamlining planning and statutory processes; developing a coordinated workforce and skills strategy; improving coordination among delivery partners; supporting land acquisition; making better use of public land; and allowing greater flexibility in acquiring and refurbishing existing homes.

The evidence does not suggest that housing associations have stopped investing or lost their ambition to grow. Rather, investment in existing homes and new supply is increasingly being delivered within tighter financial and organisational constraints. Sustaining both will require greater alignment between the outcomes expected from housing associations and the funding, implementation capacity and wider delivery systems available to achieve them.