

Strategies to align institutional investment with Europe’s housing needs

- > The establishment of the European Housing Alliance recognises the need for proactive engagement, continuous dialogue, and adaptive strategies
- > Fiduciary duty of investors and managers is often not fully understood by policymakers and other stakeholders
- > Where policies are being revised, the implications for institutional capital and its capacity to contribute to housing delivery should be explicitly considered

The magnitude of Europe’s housing challenge is escalating as demand continues to structurally outpace supply. Most stakeholders, including institutional investors, policymakers and householders, agree that increasing supply is the only durable solution to addressing housing need and affordability pressures.

Recognising that access to affordable, sustainable, good-quality housing is impeding EU economic competitiveness and social cohesion, the EU commission launched the European Affordable Housing Plan in December 2025¹. It is established to aid implementation and accelerate progress, enabling collaboration and cooperation between member states, cities, EU institutions, public and third sector housing providers, industry and civil society. It is recognised that solving Europe’s housing challenge at pace requires stakeholders from across the public, private and third sectors to join forces to achieve this common goal.

Institutions have already invested some €573 billion in European residential and this is highly concentrated in housing solutions for middle income households².

INREV’s latest **Institutional Investment in European PRS: Strategies, barriers and pathways to supply** paper explores how investment in housing has evolved over the past decade of accelerated capital allocations. Derived from in depth interviews with senior representatives of twelve global investors and investment managers, it considers the evolution in relationships between public, private and third sector stakeholders as they align to address Europe’s housing challenge.

The paper identifies the conditions under which different types of institutional capital can most effectively contribute to solving Europe’s housing supply crisis. In particular, it identifies how policy frameworks can be employed to harness and accelerate housing delivery and conversely, how policy risk can extinguish long-term viability and deter investment.



1 [The European Affordable Housing Plan](#)

2 [INREV \(2025\) Bridging the housing gap with institutional capital. snapshot](#)

Rotation of capital through development lifecycle

Broadly, four strategic approaches that span distinct areas of the development and investment lifecycle are identified, with scale and investment mode being determining factors. The development and investment lifecycle has five principal stages, with the degree of risk decreasing through each phase (Figure 1).

Clearly, a higher return is required to compensate for the higher risk and capital carrying costs associated with strategic

Figure 1: Lifestages of development and investment



land acquisition, planning and construction phases, than for the acquisition of a stabilised asset.

The interviewees indicate that the scale of capital and breadth of expertise required for develop to hold strategies that span all stages limits its suitability to institutions with a large scale of capital. This approach involves having the capacity to bear the carry costs associated with an extensive execution timeline of ten to twelve years. Those capable of executing this strategy explain the importance of retaining control and oversight throughout the process, usually through a joint venture with a local partner that can be expanded in a market.

Current blended returns across the spectrum of develop to hold strategies range from 7% to 11%.

At stabilisation, investors may hold assets directly or create listed or non-listed investment vehicles. These may provide an opportunity for other smaller scale institutions or those unable to manage development risk exposure to invest in stabilised assets. Critically, this enables a rotation of capital through the development lifecycle and also provides an opportunity for originating institutions to derive an additional return.

Core funds focus on stabilised assets in established markets in capital and large regional cities that offer liquidity and a stable net income return. Depending on whether permissible in fund terms, some may acquire assets through a forward sale and take on lease-up risk.

Value added funds represent transitional assets. Depending on the structure of the market and underlying risk and uncertainty, strategies may span from planning or construction phase and once income stabilisation is achieved, sell to a core investor or manager. Again, this provides for a rotation of capital.



Accelerating housing by better alignment of institutional capital and policy

Fiduciary duty of investors and managers is often not fully understood by policymakers and other stakeholders.

Where policies are being revised, the implications for institutional capital and its capacity to contribute to housing delivery should be explicitly considered.

Institutional real estate investors understand market risk. Investment strategies are driven by identifying opportunities from structural trends in demographics that underpin demand and supply dynamics and through analysis of market risks. These market risks include pricing, landlord and tenant law, environmental law and sustainability targets, which set the parameters of both risk and opportunity.

Across the interviewees, policy is identified as the greatest risk. Significant change to regulatory frameworks can enhance or entirely undermine business plans. The risk of policy volatility and political expediency is now being overlaid on investment strategies to identify markets with heightened risk and uncertainty.

This is most pronounced for develop to hold strategies that involve long strategic implementation time horizons as significant capital outlays are made at the outset, with pricing determined by the existing regulatory framework.

Markets that demonstrate policy inconsistency elevate the risk of policy change, undermining investment viability during the course of execution and as a result are less likely to attract institutional investment.

Balanced rent regulation

Institutional investors recognise that affordable housing warrants regulatory oversight and amid scarcity, that rental progression may sometimes need to be managed. Rent regulation should balance affordability for tenants with the need for investors to achieve modest, risk-adjusted returns.

Most interviewees are comfortable with regulation that manages rental progression if it provides for some form of indexation that keeps pace with inflation and allows a buffer to enable ongoing capital expenditure.

Markets with the most successful rental regulation - including Finland and Spain - adopt an inflation-linked system that allows for operational management and resetting to prevailing affordable rents at intervals or certain lease events.

Overly restrictive rent regulation can also cause market stasis, with affordability improvements for existing tenants coinciding with acute shortages and limited mobility for those seeking housing - especially younger people.

The impact of unpredicted policy change

Institutional managers and investors are not opposed to regulation that is predictable, consistent and enables them to generate a modest return that compensates for their risk. Unpredicted changes in policy undermine business plans and can create significant losses for underlying pension holders and savers.

Recent policy changes in the Netherlands provides a good example of how policy can undermine the business plans of existing investors, weaken investor confidence and, at the same time, provide a predictable framework for new investments.

The impact of the well-intended tenant focused regulation led to unintended yet significant financial loss for owners. It sharply contracted institutional capital allocations, resulting in a two year hiatus in new supply.

Read the full [paper](#) for deeper insights and conclusions on strategic recommendations to policymakers and investors on how to better enable the sustained development of affordable and mid-rent housing across Europe.

Land availability and planning certainty

Reducing the risk and uncertainty associated with strategic land and planning can significantly accelerate supply. In turn, greater certainty of access to land, cost and planning certainty can contract the timeline associated with implementation. Where a government - local or national - has control over the land, there is greater potential to build frameworks that can harness institutional capital and allow for the delivery of mid-market and affordable housing.

There is also a concern that well-intentioned policy changes can be counterproductive. For example, increased minimum space requirements in undersupplied markets with stretched rent to income ratios may have unintended consequences.

Rental regulation, capital expenditure and decarbonisation

Rent regulation can also hamper capital expenditure on decarbonisation strategies. Retrofitting for energy efficiency requires significant capital expenditure and is partially reliant on rental frameworks allowing for cost recovery through revised rents. This represents a proportion of the lower energy costs achieved by tenants.