



α.s.r. real assets investment partners

Investing in affordable housing

The affordability of housing is under pressure worldwide. This is due to, among other things, long-term demographic trends such as urbanisation, aging, and population growth, as well as a structural lack of investment. Additionally, household composition is changing, leading to increased demand for different types of housing. Institutional investors can help alleviate this pressure by investing in housing through an investment strategy that integrates affordability (hereinafter: ESG strategy) or through impact investing. a.s.r. real assets investment partners increasingly sees concrete opportunities suitable for institutional investors.

## Affordability of housing under pressure

The affordability of housing is under pressure worldwide due to a lagging supply and increasing demand. Long-term demographic trends, such as a growing population, urbanisation, and changes in household composition, underpin the rising demand. Aging populations result in more elderly people living alone after their partners pass away. Additionally, the proportion of single-person households is increasing as young adults tend to live alone longer before cohabiting.

The housing supply is not increasing rapidly enough. In the Netherlands, there has been a shortage of new housing for decades, partly due to stricter building regulations and high construction costs. Furthermore, the investment capacity of housing corporations is limited due to the former landlord levy and stricter oversight. Uncertainty regarding legislation has also led to caution among institutional investors. Together, these factors result in a lack of investment in affordable housing. Although the situation in the Netherlands seems unique, housing affordability is under pressure internationally. This is evident from the relatively large portion of disposable income spent on housing costs, as shown in Figure 1 (source: Eurostat 2023). Particularly for single-person households with lower incomes, housing costs often exceed the Housing cost overburden rate of 40% (source: Europe Sustainable Development Report 2025).

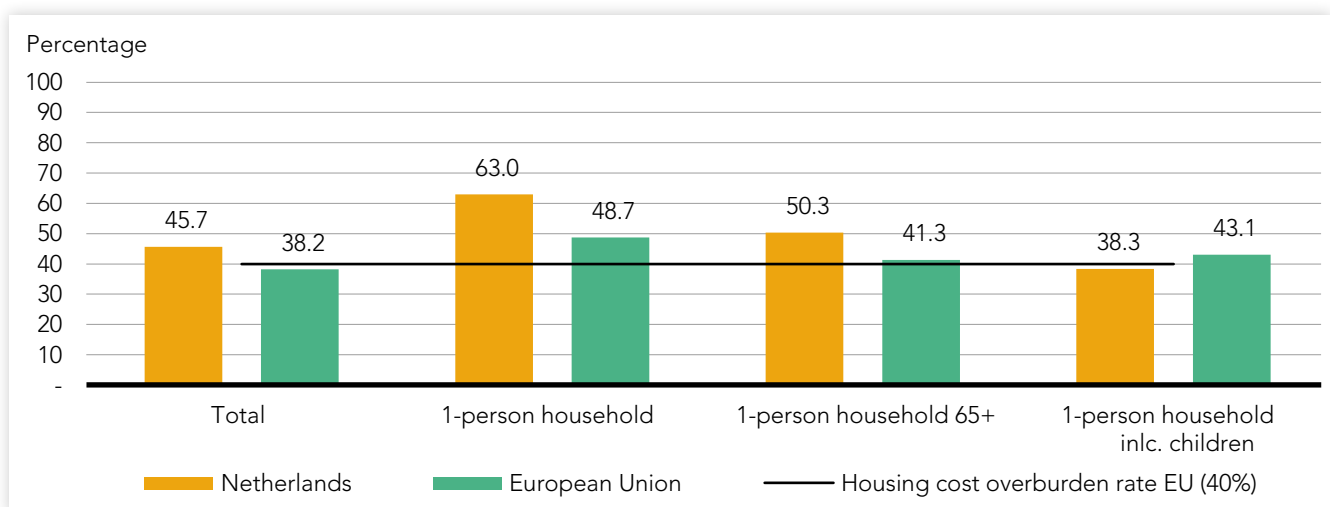


Figure 1: Housing costs relative to disposable income for various single-person households

## Contributing to affordable housing through ESG or impact investing

Both ESG (Environmental, Social, and Governance) strategies and impact investing can contribute to reducing the shortage of affordable rental housing. In this, it is important to distinguish between an ESG strategy and impact investing. In a previously published article on impact investing by a.s.r. real assets investment partners, it was argued that impact investing goes beyond integrating ESG characteristics into an investment strategy.

### Frameworks for impact investing

a.s.r. real assets investment partners aligns with the definition of the Global Impact Investing Network<sup>1</sup> (GIIN).

GIIN defines impact investing as “investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return.” To assess whether a strategy qualifies as impact investing, a.s.r. real assets investment partners evaluates fund managers’ strategies based on three criteria:

1. **Intentionality:** the intention to create social and/or environmental impact must be embedded in the strategy.
2. **Measurability:** to assess the extent to which impact is achieved, the intended impact must be measurable through concrete KPIs at the asset level.
3. **Financial return:** there must be at least a positive return on the investment. This way, impact investing distinguishes itself from philanthropy.

In the definition of the GIIN, additionality is no longer a requirement. a.s.r. real assets investment partners therefore does not consider additionality as a strict criterion, but rather as an extra aspect to determine the extent to which the intended impact is truly unique and makes a difference compared to other investors.

a.s.r. real assets investment partners values obtaining assurance on the realised impact, which benefits accountability to stakeholders such as pension fund participants or policyholders. Assurance involves obtaining an independent assessment by an external specialist, such as an accountant, on the accuracy and completeness of analysed processes, for example, determining the realised impact.

Impact investing distinguishes itself from a regular ESG strategy in terms of affordability by embedding the addition of affordable rental housing and potential allocation policies for specific target groups into the strategy. Table 1 provides a comparison of several indicators (KPIs) used by a.s.r. real assets investment partners within a regular ESG strategy versus an impact investing strategy.

**Table 1 Comparison of ESG strategy and impact investing**

KPI	ESG strategy	Impact investing
Share of affordable rental units	No specific goal for adding affordable housing.	Concrete goal for affordable housing in the strategy, defined by a specific amount, percentage, or number of units in the total portfolio.
Tenant prioritisation	Application of affordable rent, but no priority.	Priority for key workers and/or low- and middle-income groups with corresponding goals.
Rent increase	Maximum according to current legislation per rental unit.	CPI or CAO index + 1%.
Affordability threshold	Minimum and maximum rent set, but not linked to tenant income.	Maximum 30% of gross median monthly income.
Total housing costs	Long-term energy consumption in line with CRREM pathways to ensure additional housing costs are affordable.	Long-term energy consumption in line with CRREM pathways to ensure additional housing costs are affordable.
Acquisition/disposition	Affordability threshold included as a soft KPI in underwriting. Upon disposition, a property can be sold without ensuring a responsible exit <sup>2</sup> .	Affordability threshold included as a hard KPI in underwriting, with a long-term investment horizon. Responsible exit to ensure long-term impact.
Reporting/measurability	Periodic reporting on goals and KPIs in ESG strategy.	Periodic reporting on goals and KPIs in impact strategy.
External assurance	Not required.	Required.

1 The GIIN revised its elements of impact investing at the end of January 2025. a.s.r. real assets investment partners endorses these elements.

2 A responsible exit secures long-term impact. In the case of affordable housing, this means selling a property to an investor that has affordability policies.



## Determining and applying an affordability threshold

Determining and applying the right affordability threshold is a crucial KPI. Fund managers often choose their own definition of affordability, making it difficult for institutional investors to compare the degree of affordability across investments, especially internationally. Therefore, a.s.r. real assets investment partners uses a universal definition of affordability, where rent should not exceed 30% of gross median monthly income at the household level. This is based on the previously mentioned Housing cost overburden rate of 40%, adjusted for a tax component. The gross median income is determined as precisely as possible, for example, per neighbourhood rather than per council. The gross modal income is adjusted for the average composition per household in an area. This way, an affordable, location-based rental level is established.

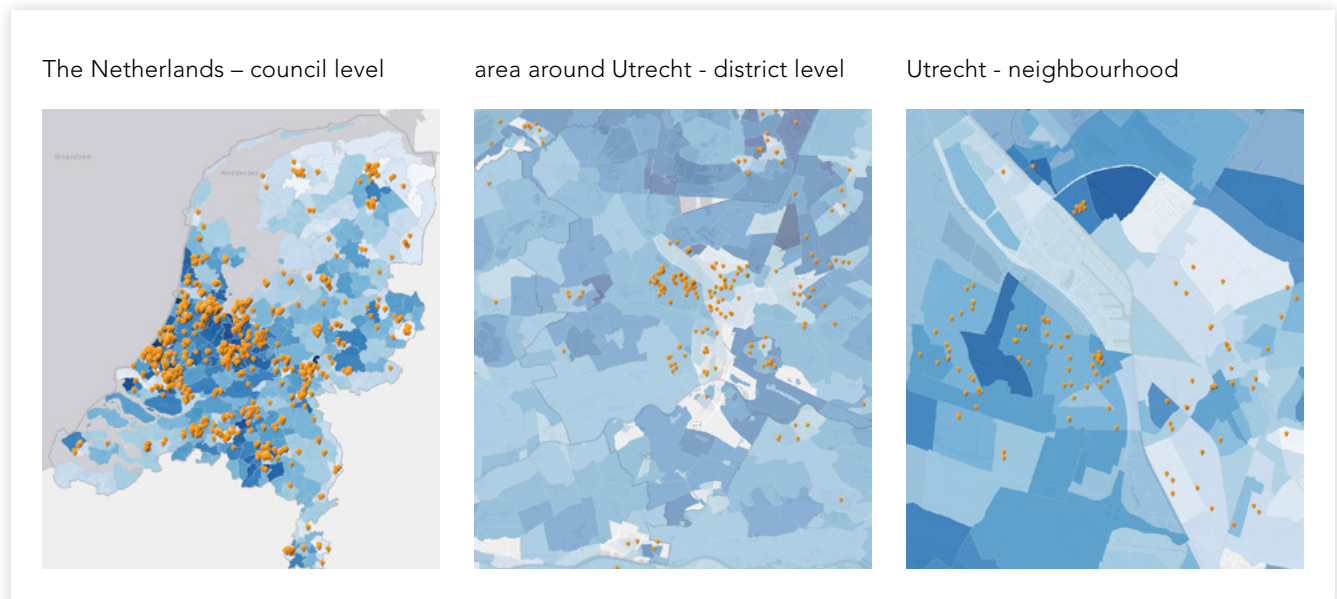


Figure 2 Standardized income per household, asset locations by council, district & neighbourhood (Utrecht)

## Does affordability compromise returns?

There may be a perception among investors that following an affordability strategy compromises the financial attractiveness of the investment. Wouldn't an investor without a focus on affordability be able to charge higher rents? While moderating rents does have a dampening effect on direct returns, tightening regulations means that investors are increasingly bound by rules when setting rent prices. The Dutch 'Wet betaalbare huur' is an example, but rent regulation is also occurring in various places abroad. Additionally, the demand for rental housing is highest among lower- and middle-income groups, resulting in relatively lower rental risk in the long term compared to higher rent levels. This leads to very stable cash flows. According to a.s.r. real assets investment partners, investors in affordable housing are sufficiently compensated for the risks taken from a financial perspective as the aforementioned leads to lower required returns compared to regular rental housing.

## Feasibility of investing in affordable housing

Investing in affordable rental housing can be done in various ways, through products with an ESG strategy or products focused on impact investing. a.s.r. real assets investment partners sees an increasing supply in both product categories. In the first case, affordability is part of the strategy but not decisive for all assets. Thus, investments can be made in properties in prime locations where rents are generally higher and the affordability ambition is realised elsewhere. a.s.r. real assets investment partners believes that an investment with an ESG strategy should not be negatively assessed on affordability due to a prevailing location strategy. Such an investment can still contribute to adding affordable rental housing. In addition, an investment can pursue a partial impact strategy, where impact investing KPIs apply to part of the portfolio.

In investments focused on impact investing, the feasibility is more challenging. There is an active goal to add affordable rental housing for a substantial part of the portfolio. Additionally, consideration must be given to households in lower income groups. The issue of affordability is not limited to prime locations; institutional investors can also contribute by investing in neighborhoods outside the city center and smaller towns. Therefore, a broader geographically diversified strategy is crucial within impact investing to achieve affordability goals in practice.

Moreover, in new construction, a solution can be found in rent differentiation. By renting or selling a portion of a property in the higher segment, a business case can become feasible. This way, affordable housing can still be offered in a good location. a.s.r. real assets investment partners frequently observes this solution in the Dutch housing market.

## Conclusion

a.s.r. real assets investment partners sees increasing attention to the theme of affordability, allowing institutional investors to concretely respond to adding affordable rental housing without compromising the risk-return profile. a.s.r. real assets investment partners would be happy to support you in formulating and concretizing an ESG- and/or impact strategy and the corresponding goals on the theme of investing in affordable housing.

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