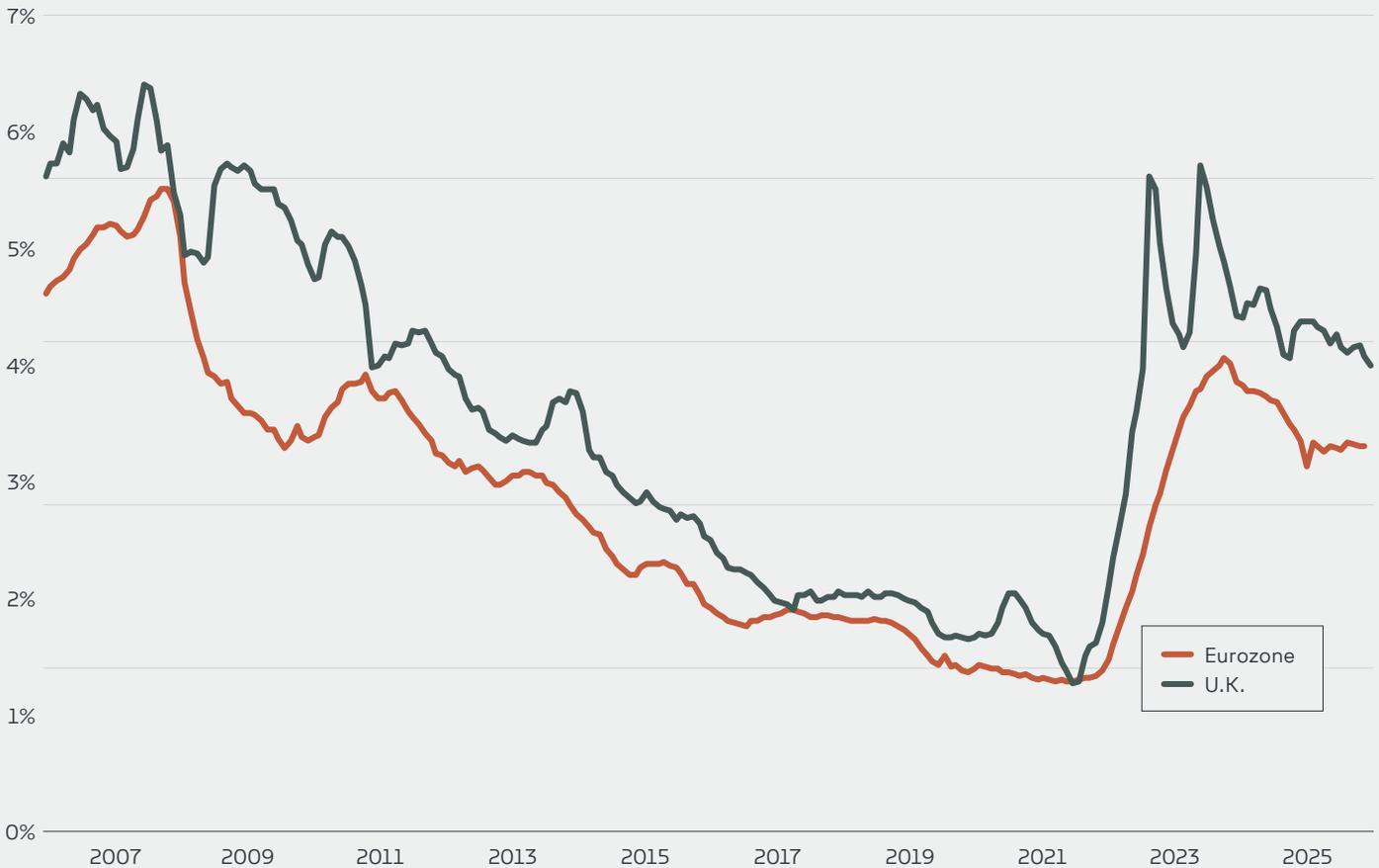


Europe is grappling with a shortage of housing due to a lack of funding, lengthy planning procedures, and rising demand. Strong growth in household formation over the last decade has led to an increased need for housing. Demographic trends, including an aging population and a rise in the number of single-person households, are also reshaping housing demand. **We expect demand for the private rented sector to increase as households continue to struggle to afford a mortgage in the current lending environment.** While rates have eased since peaking in 2023, they remain elevated for homebuyers compared to the low-rate environment of 2019–2021 period, before the ECB began tightening policy.<sup>1</sup>

## LOCAL BANK HOME MORTGAGE RATES



Source: Bank of England, European Central Bank. December 2025. U.K. rate is 5 year (75% LTV) fixed rate mortgage

We see opportunities to develop institutional quality multifamily residences in select European markets based on compelling demographics and supply/demand factors, particularly in the U.K., where strong growth potential in private renting is evident. The U.K. has consistently failed to meet house-building targets, resulting in a housing supply gap the size of London (4.3 million homes), which is staggering considering the size of the U.K. population at 67 million. This has led to strong house price inflation, which, combined with elevated mortgage interest rates has pushed many towards renting for longer. A range of rental housing solutions will be required to meet demand, but given our strong U.S. multifamily track record, we see a particular opportunity to deliver purpose-built multifamily rental housing, referred to in the U.K. as Build-to-Rent (BTR).

1. European Central Bank Data Portal. January 2026

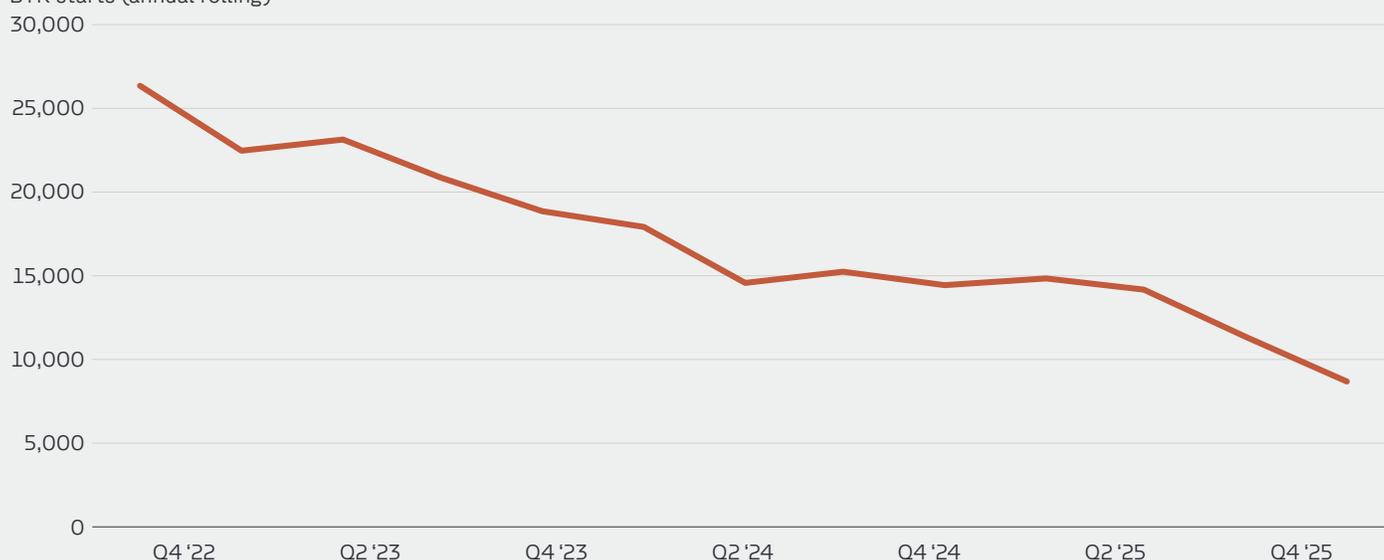
The U.K. BTR sector remains relatively small, with just 139,000 completed homes, only a fraction of the private rental market, which comprises approximately 4.4 million households.<sup>2</sup> Delivery challenges persist, and the outlook for new BTR development remains constrained. Significant delays at the Building Safety Regulator (BSR) are slowing progress, while concerns over development viability, driven by rising construction costs and broader economic uncertainty, are contributing to a more cautious market. **These factors are slowing delivery with the level of construction starts down 70% compared to 2022 levels.**<sup>3</sup> Current challenges in development viability are likely to further constrain new housing supply, reinforcing potential rental growth. Positively, the U.K. BTR sector retains strong momentum, with 64,000 consented homes currently in the construction pipeline.<sup>4</sup> While planning permissions typically expire after three years, unlocking this backlog represents a significant opportunity. **Converting these consents into active developments will require funding solutions, creating a clear entry point for investors who prefer to avoid planning risk.** This dynamic positions well-capitalized investors to play a pivotal role in accelerating delivery and capturing attractive returns in a growing rental housing market.

Despite these headwinds, residential remains the most favoured mainstream real estate segment, accounting for five of Europe's top ten promising sectors for 2026: student housing, serviced apartments, retirement and assisted living, co-living, and affordable housing.<sup>5</sup> The U.K. BTR sector continues to evolve, and we expect other housing formats to gain traction as investors seek to meet growing renter demand.



### U.K. BTR STARTS DOWN 70% SINCE 2022 PEAK

BTR starts (annual rolling)



Source: Savills, Affinius Capital Research Q4 2025

2. Savills. U.K. Build to Rent Market Update Q3 2025 and English Housing Survey 2024-25  
 3. Savills Q4 2025  
 4. Savills. U.K. Build to Rent Market Update Q3 2025  
 5. ULI. Emerging Trends in Real Estate Europe 2026



## JUSTIN HILDEBRANDT

Senior Managing Director,  
Head of Europe

[justin.hildebrandt](mailto:justin.hildebrandt@affiniuscapital.com)  
[@affiniuscapital.com](https://www.instagram.com/affiniuscapital.com)



## MARK FITZGERALD, CFA, CAIA

Managing Director, Head of Research

[mark.fitzgerald](mailto:mark.fitzgerald@affiniuscapital.com)  
[@affiniuscapital.com](https://www.instagram.com/affiniuscapital.com)



## KAREN MARTINUS

Senior Vice President,  
Research and Investments

[karen.martinus](mailto:karen.martinus@affiniuscapital.com)  
[@affiniuscapital.com](https://www.instagram.com/affiniuscapital.com)

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WTC Amsterdam, H-Tower,  
Zuidplein 94, 1077 XV Amsterdam,  
The Netherlands  
+31(0)20 235 17 00  
[affiniuscapital.com](https://www.affiniuscapital.com)