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## Affordable housing identified as a priority asset class for DC pension investors

- One in five (20%) DC pension savers who do not currently own a home think they will never do so
- Yet 8% of renters don't think they'll need any extra savings for retirement
- It comes as the vast majority of renters are significantly underestimating the cost of retirement, often by hundreds of thousands of pounds
- With 3.6 million households expected to be renting in retirement by 2041, there's a growing need for support
- L&G's Private Markets Access Fund and Lifetime Advantage Fund is invested in affordable housing, enabling DC savers to access stable returns while helping to tackle the UK housing crisis; the Private Markets Access Fund will begin investing at the end of July

**23 July 2025** New [research](#)<sup>1</sup> from L&G highlights strong support amongst DC (Defined Contribution) savers across both accumulation and decumulation for their pension capital being invested in affordable housing, viewing it as an important social issue to address (97%).

The study, based on a survey of over 4,400 DC pension savers, reveals millions of renters could be heading into retirement with a financial blind spot, underestimating how much they'll need in later life compared to homeowners.

It found one in five (20%) pension savers currently do not own their own home and think they never will. And despite the extra costs of renting, 8% of renters believe they won't need any additional savings in retirement. Among those who did estimate a gap, the vast majority (90%) significantly underestimated the amount they would need compared to homeowners, often by hundreds of thousands of pounds. Most thought they'd need £250,000 extra or less – £150,000 short of industry forecasts, which suggest retirees who rent may need closer to £400,000<sup>2</sup> driven by rising rents and longer retirements.

The findings come as The Pensions Policy Institute warns that 3.6 million households will be renting in retirement by 2041, including 1.7 million in the private rented sector<sup>3</sup>.

The data underscores the critical need to boost supply of affordable housing to account for the growing number of individuals renting into retirement. Investment in affordable housing not only addresses the supply side demand, but it also works to engage savers with their pensions by investing in initiatives which can improve the local communities in which they live and work.

L&G's research found that over 65% of respondents identified affordable housing to rent as a 'critical' issue, rising to 80% among renters, over a fifth of which felt it should be the government's top priority. The findings were similar for affordable housing to buy.

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<sup>1</sup>Research conducted, on behalf of L&G, by Ignition House in May 2025 among 4,600 pension savers. Affordable housing refers to homes for sale or rent that are priced below market rates to help people whose needs aren't met by the private housing market. We define generations as Baby Boomers (Boomers): Born between 1946 and 1964, Generation X (Gen X): Born between 1965 and 1980, Millennials: Born between 1981 and 1996, and Generation Z (Gen Z): Born between 1997 and 2012.

<sup>2</sup>Barnett Waddingham At-Retirement Report, as at April 2025.

<sup>3</sup>[The UK Pensions Framework: Renting in Retirement - The Fault Line Below the UK Pension System](#), as of 2023.



The survey also found that 60% of savers said it would make them want to engage more with their pension if they knew their money was helping to solve real-world problems like housing. Over half (54%) said they'd be willing to pay more for a pension if it was building affordable housing, rising to 67% among Gen Z. Four out of five (83%) said they'd be willing to pay more than £50 extra a year and one in three (33%) said they would pay more than £100 extra.

Currently, 1.3 million people sit on local authority waiting lists for social housing<sup>4</sup>. DC pension capital can play a crucial role in the funding required to meeting national housing needs, with the industry's Mansion House Accord commitments to increasing private markets investment highlighting growing investment into the sector.

In July 2024, L&G launched its Affordable Housing Fund ("the Fund"), dedicated to the development of high quality, sustainable affordable housing to tackle the UK's housing crisis. It has attracted strong investor interest, demonstrating the attractive proposition that the asset class offers – raising £510m as of February 2025.

The Fund is available to DC savers through the L&G Lifetime Advantage Fund and from the end of July via L&G Private Markets Access Fund , designed to offer DC schemes access to a diversified range of private market investments.

**Jayesh Patel, Head of UK DC Distribution, L&G:** "The rise of renters in retirement underscores the urgent need for more affordable housing solutions. Our latest research demonstrates the power of private markets to deliver the change which savers wish to see. For asset managers and providers there is an opportunity to deploy DC capital towards creating homes for those most in need, while for members, they get to invest in initiatives that directly improve the communities in which they live. It is incredibly positive to see DC members support allocation to this critically important sector."

**Ali Farrell, Head of Impact Strategies – Real Estate, Asset Management, L&G:** "A lack of affordable housing is a crisis which affects millions of people across the UK. We believe there is a compelling investment case for investing in affordable housing, an asset class which aims to generate a stable, inflation-linked cashflow alongside meaningful societal benefits in local communities. The research supports L&G's commitment to mobilising pension capital towards an area of acute societal priority – helping savers with their current housing needs, as well as securing their retirements."

**-ENDS-**

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<sup>4</sup>[Social housing lettings in England, tenants: April 2023 to March 2024 - GOV.UK.](https://gov.uk/social-housing-lettings-in-england-tenants-april-2023-to-march-2024)



## Notes to editors

### About L&G

Established in 1836, L&G is one of the UK's leading financial services groups and a major global investor, with £1.1 trillion in total assets under management (as at FY24) of which c. 44% (c. £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading player in Institutional Retirement, in Retail Savings and Protection, and in Asset Management through both public and private markets. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

### About L&G's DC & Workplace Savings business

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DC & Workplace Savings bridges our Retail and Asset Management businesses. It exemplifies both our synergistic model and our commitment to our clients, savers and society, uniting our expertise in managing assets with our deep customer knowledge and ongoing member journey innovation.

It's currently looking after the retirement savings of 5.6 million members<sup>5</sup>, with over £180 billion in DC AUM<sup>6</sup> and the sector's largest commercial Mastertrust. By serving nearly one in 10 automatically enrolled UK adults in tech-driven, highly personalised ways, it plays a vital role in supporting better long-term financial outcomes nationwide. With a target of £40-50bn of cumulative net flows into it by 2028, it's also a very important part of our broader long-term strategy.

## Further information

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<sup>5</sup>As at June 2025.

<sup>6</sup>As at March 2025.



## Key Risks

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