BUSINESS LDN

In partnership with

CBRE

September 2026

FIXING LONDON'S TEMPORARY ACCOMMODATION CRISIS

A New Approach to a Systemic Problem

Contents

Executive Summary

London's temporary accommodation system is failing. It is failing Londoners, boroughs and the capital's economy – and it is doing so at growing speed and scale. More than 210,000 Londoners, including over 100,000 children, are now living in temporary accommodation. As demand continues to increase, boroughs are now spending £5.5 million every day to meet their legal homelessness duties.

Local authorities have a clear legal duty to accommodate homeless households. As demand has risen and supply has not kept pace, this duty has become one of the largest and fastest-growing pressures on local government finances.

A lack of affordable housing is driving a growing reliance on costly and often unsuitable forms of temporary accommodation. London boroughs are using a fragmented and increasingly expensive mix of temporary accommodation types, with 79% of total expenditure on temporary accommodation in London directed to the most expensive accommodation types – significantly higher than the rest of the country.

There is a fundamental mismatch between statutory responsibilities, affordable housing supply and an outdated temporary accommodation funding framework that is increasingly misaligned with market conditions. By design, the funding system prevents local authorities from recovering the full cost of meeting their statutory duties, requiring them to cover the shortfall from their own resources. Collectively, London's boroughs spent approximately £2 billion on homelessness services in 2024–25 and incurred an estimated £740 million in unfunded shortfall costs for temporary accommodation. In many London boroughs, temporary accommodation accounts for around half of all general fund expenditure and this is placing unprecedented pressure on borough finances, harming children's health and education, and undermining the talent pipeline that sustains London's economy.

With constraints on the public purse but a clear need for more housing, there is a strong rationale for the public and private sectors to work in partnership to unlock additional housing delivery. Done at scale, this approach could generate significant savings for the state. Private capital can provide upfront investment to acquire, develop and operate homes, while boroughs provide long-term demand and an appropriate regulatory framework. In return, investors receive stable, long-term income streams, and boroughs secure additional supply and reduce their reliance on the most expensive forms of emergency accommodation.

This report highlights three systemic failures at the heart of London's temporary accommodation crisis: a system that forces boroughs to operate in silos, limiting coordination across local, regional, and national government; structural barriers that create uncertainty around how to engage private capital appropriately and at scale; and a fundamentally broken funding regime.

The recommendations below address these barriers and seek to establish a more coordinated and predictable framework for temporary and affordable housing.

- **Recommendation 1:** Establish a pan-London Temporary Accommodation Delivery Board to act as a single point of engagement for investors, boroughs and government seeking to deliver at scale.
- **Recommendation 2:** Centralise procurement and demand aggregation for temporary accommodation, allowing price stabilisation and creating the certainty needed for private capital to invest.
- **Recommendation 3:** Establish a comprehensive system for data and performance monitoring to provide visibility of demand, accommodation costs and emerging pressure points.
- **Recommendation 4:** Standardise and endorse public-private delivery models endorsed by the Delivery Board which boroughs can adopt with confidence, providing them with the assurance they need when entering into new partnerships with the private sector.
- **Recommendation 5:** Enable national or strategic underwriting of long-term obligations, which would ensure that a borough's financial position does not ultimately determine whether its residents can access good temporary accommodation.
- **Recommendation 6:** Reform the temporary accommodation funding regime, ensuring that there is a credible mechanism for uprating funding in line with housing costs.

London's temporary accommodation crisis cannot be allowed to continue, and boroughs should not be expected to shoulder the burden alone. A coordinated approach, underpinned by a more sustainable funding framework and greater private sector investment, could help reform a system that is no longer fit for purpose and deliver better outcomes for London and its residents.

BUSINESS LDN

Introduction

London's temporary accommodation system is failing. It is failing Londoners, boroughs and the capital's economy – and it is doing so at growing speed and scale.

More than 210,000 Londoners,[1] including over 100,000 children,[2] are now living in temporary accommodation. Boroughs spend £5.5 million every day to meet their legal homelessness duties, yet an estimated £740 million a year of this spend is not covered by funding from central government [3] due to a framework that is increasingly misaligned with market conditions. Without reform, a growing number of London's boroughs may face significant financial stress and increasing reliance on exceptional financial support by 2028.

This is a systemic crisis that cannot be resolved through boroughs acting in silos, short-term funding patches or reliance on an emergency temporary accommodation market increasingly dominated by high-cost, nightly paid hotels and bed and breakfasts (B&Bs).

At the same time, public investment in affordable housing, such as the new 10-year £39 billion Social and Affordable Homes Programme (SAHP), is, on its own, insufficient to cover the costs of building the number of new affordable homes the capital needs. The underlying economics are clear: delivering social rent homes at scale requires public funding far beyond current allocations, and boroughs cannot continue to absorb temporary accommodation losses through council tax and service cuts.

This report examines how public funding for housing can be better used to leverage long-term institutional capital to form partnerships with the public sector and deliver more homes. Institutional capital – pension funds, insurers and impact investors – has both the appetite and the balance sheet to support large-scale delivery of both affordable homes and homes that can be used for temporary accommodation.

When properly structured, long-term, inflation-linked lease models – where leases run for 20 years or more and rents increase in line with inflation – can:

- decrease borough reliance on the most expensive emergency accommodation;
- deliver immediate supply at pace;
- provide stable, predictable costs; and
- reduce pressure on government budgets while more long-term housing is being delivered.

However, under current conditions, private capital will not invest at the scale that is needed. Together, fragmented demand, inconsistent lease structures, planning uncertainty and frozen public funding for temporary accommodation create a risk profile that deters even the most mission aligned investors.

The solution is coordination and clarity. A pan-London framework could help achieve this – aligning borough demand, standardising acceptable public-private models and providing the governance and certainty that long-term capital requires to invest. Together, this would create a new system to deliver better outcomes for London and its residents.

1. Legal and policy context

Key takeaway

Local authorities have a clear legal duty to accommodate homeless households. As demand has risen and supply has not kept pace, this duty has become one of the largest and fastest-growing pressures on local government finances.

1.1 Statutory duties

The duty to provide temporary accommodation is not discretionary. It has been progressively expanded over the past five decades, creating a comprehensive statutory framework that is increasingly expensive to operate under current housing market conditions.

The Housing (Homeless Persons) 1977 Act established, for the first time, a statutory duty for local authorities to secure accommodation for households made unintentionally homeless. It embedded key concepts – including priority need, intentional homelessness and local connection – that continue to inform homelessness decisions today. It marked a shift from housing as welfare provision to housing as a legal entitlement.

Part VII of the Housing Act 1996 consolidated and strengthened homelessness duties and remains the core legal framework in force today. It introduced:

- an interim duty to secure temporary accommodation while enquiries are undertaken (Section 188); and
- a main housing duty to secure suitable accommodation until a settled offer is made (Section 193).

The Section 193 duty is the single biggest driver of long-term use of temporary accommodation. Households can, and increasingly do, remain in temporary accommodation for years due to sustained shortages of affordable and social housing.

The Homelessness Reduction Act 2017 significantly widened local authorities' statutory responsibilities by introducing 56-day prevention and relief duties to all eligible households, regardless of priority need. While intended to shift the system towards earlier intervention, the practical consequence has been a substantial increase in statutory caseloads and temporary accommodation use. A government call for evidence found that 57% of responding local authorities reported increased temporary accommodation placements following the Act's implementation.[4] London has been disproportionately affected, accounting for 20% of all prevention and relief cases nationally, despite comprising only 15% of the population.[5]

1.2 Recent legislative and policy developments

Since 2025, the statutory context has tightened further, increasing both demand pressures and delivery expectations on local authorities.

The Renters' Rights Act 2025 represented a significant change to the rules governing the private rented sector (PRS), particularly the abolition of Section 21 "no-fault" evictions, which came into force in May 2026. The 2025 Act was the latest in a series of decisions by successive governments that have, whether inadvertently or by design, reduced overall private rental stock and, in turn, limited the options available to meet temporary accommodation demand.

In December 2025, the Government published *A National Plan to End Homelessness*, which committed £3.6 billion over three years to deliver three headline ambitions: halve long-term rough sleeping, eliminate unlawful use of B&B accommodation, whereby families are kept there for more than six weeks, and prevent more households from becoming homeless. The plan introduced a new Duty to Collaborate across public services and requires local authorities to notify schools, GPs and health visitors when children enter temporary accommodation.

In tandem, the Mayor, in partnership with London Councils, launched the Ending Homelessness Accelerator Programme (EHAP). This £3.5 million initiative, governed by a Delivery Board and backed by government funding, aims to overhaul the capital's homelessness support through innovative prevention strategies, reducing reliance on temporary accommodation and working to end rough sleeping by 2030. In addition, the EHAP's thematic group on temporary accommodation has a key commitment to explore a range of accommodation supply models for both temporary and move-on accommodation, in partnership with government and other agencies across London.

In July 2026, Andy Burnham used his first Prime Minister's speech to signal his intention to end rough sleeping at the "earliest opportunity". He initially announced £340 million to provide suitable accommodation and intensive support for people experiencing long-term rough sleeping as part of a wider five-year programme. One month later, on 19 August, the Government announced a further £102 million, bringing the total funding package to £442 million, alongside immediate action to offer everyone sleeping rough who needs it a route off the streets by Christmas. New accommodation and support will be rolled out across England with local authorities, Mayors and other local partners playing a central role in delivery.

At the time of writing, the first wave of funding of £10 billion was confirmed under the Social and Affordable Homes Programme (SAHP) with 33 delivery partners named including, for the first time, local authorities. While there had been some uncertainty as to whether the programme would be redesigned to support the Government's desire to increase council house building, the announcement confirmed that the allocation would still seek to deliver at least 60% of homes for social rent as had previously been intended. London has been allocated £11.7 billion of the national pot, which will be managed by the Greater London Authority (GLA). In addition to the announcement made by Government, the GLA also confirmed that they would be allocating an initial £6 billion to kick-start delivery with delivery partners to be announced later in the autumn.

Yet, even at this significant scale, the SAHP will not materially reduce temporary accommodation pressures in the short to medium term. Building enough permanent homes takes time, and the number of homes needed to move households out of temporary accommodation is far greater than the number currently being delivered.

BUSINESS LDN

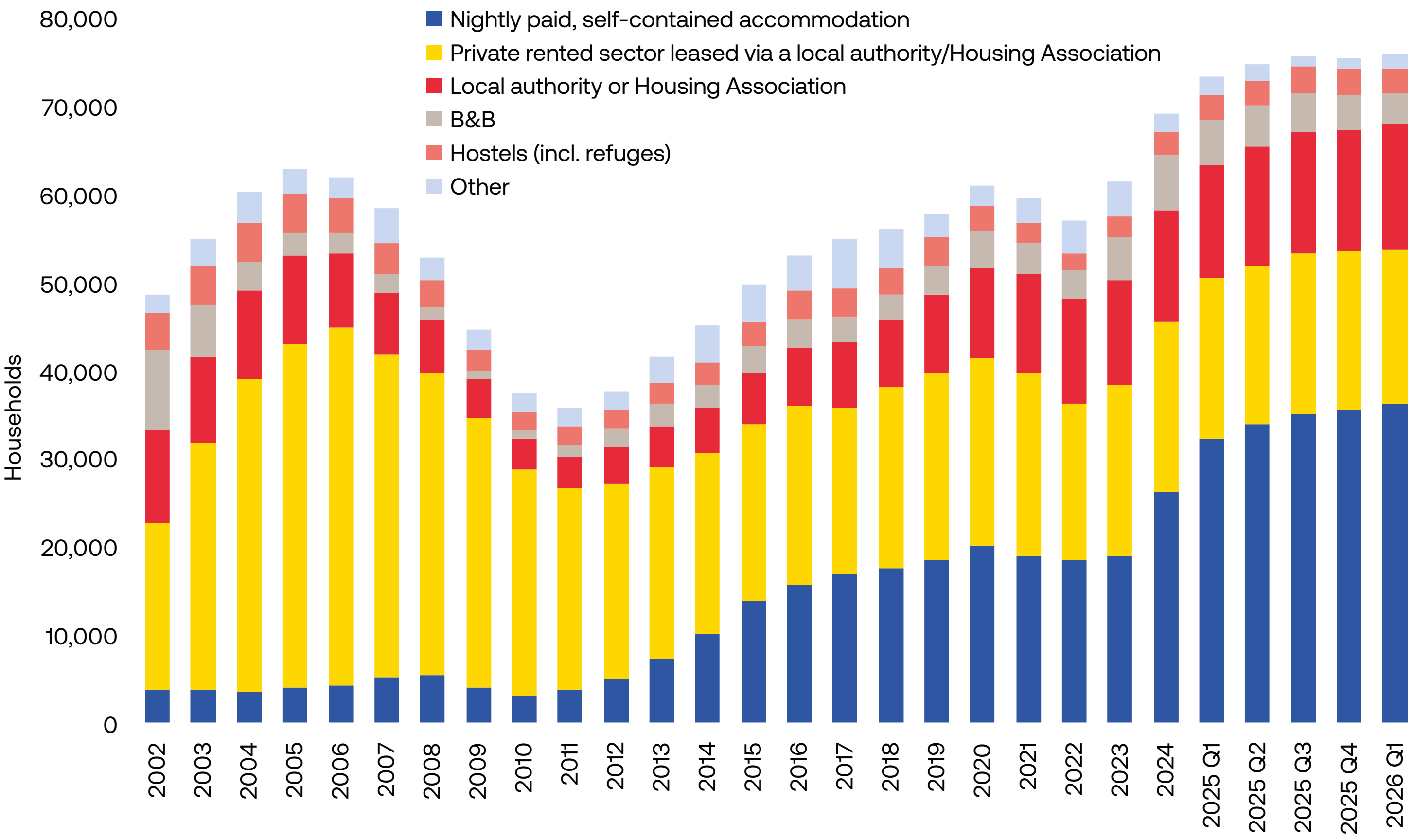
2. The different types of temporary accommodation in London

Key takeaway

A lack of affordable housing is driving growing reliance on costly and often unsuitable accommodation.

London boroughs use a fragmented and increasingly expensive mix of temporary accommodation types, each with distinct cost, quality and stability characteristics. Figure 1 shows the different types of temporary accommodation used in the capital, with a steady increase in nightly paid, self-contained accommodation since 2002, mirrored by a decline in PRS use.

Figure 1: Types of temporary accommodation in London



Source: MHCLG

Definitions of different types of temporary accommodation

Nightly paid, self-contained accommodation: This includes all temporary accommodation where the household has sole use of kitchen and bathroom facilities, including property held by local housing authorities, housing associations and private sector landlords.

Private rented sector leased via a local authority/ Housing Association: Housing authorities contract with the PRS to lease and/or manage accommodation owned by private landlords, which can be let to households as temporary accommodation.

Local authority or Housing Association: Temporary accommodation secured through an authority or housing association's own stock.

B&B is defined in the *Homelessness Suitability Order 2003* [6]as a form of privately owned accommodation in which residents share facilities such as kitchens, bathrooms and/or toilets, and is usually paid for on a nightly basis.

Hostel incl. refuges: Hostels are a form of temporary accommodation with individual bedrooms and shared facilities such as bathrooms and kitchens.

Other: Other types of temporary accommodation not listed above.

Sources:
MHCLG Homelessness Code of Guidance for Local Authorities (2026)
MHCLG's A National Plan to End Homelessness (2025)
MHCLG Statutory Homelessness in England (2025).

Figure 2: Types of temporary accommodation in London compared to England

Source: MHCLG

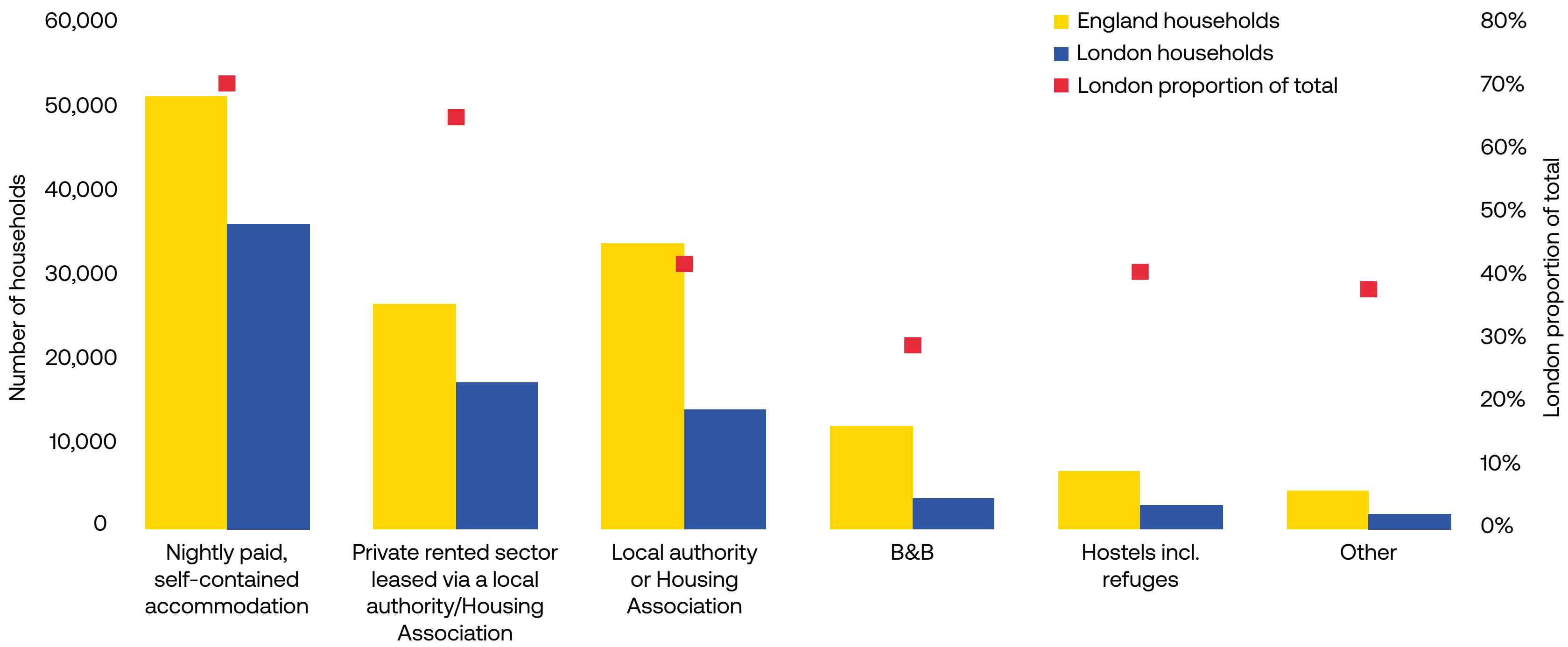


Figure 2 shows how the type of temporary accommodation used in London compares with the rest of England, with the capital accounting for a higher proportion of the total nightly paid, self-contained accommodation than the rest of the country.

Table 1 shows the estimated costs of the different types of temporary accommodation in the capital. These figures are illustrative and have been calculated by multiplying the number of households in London in temporary accommodation by the estimated per-night cost. They represent gross annual costs before Housing Benefit reclaim and are not directly comparable with the net borough spend shown in Table 3. As the table highlights, London's total spend on nightly paid, self-contained accommodation is higher than in any other category. Combined with spending on B&Bs and hotels, 77% of total expenditure is directed to the most expensive accommodation types – significantly higher than the rest of the country. This is having a detrimental impact on the finances of London's boroughs, as explored in Chapter 3.

Council housing available for use as temporary accommodation has been shrinking for decades due to Right to Buy disposals, large-scale stock transfers to housing associations and the inability of new council housebuilding to keep pace with disposal rates. At the same time, demand for temporary accommodation has outpaced the modest growth in affordable housing, leaving fewer homes available to move households into permanent accommodation and increasing reliance on costly private sector provision.

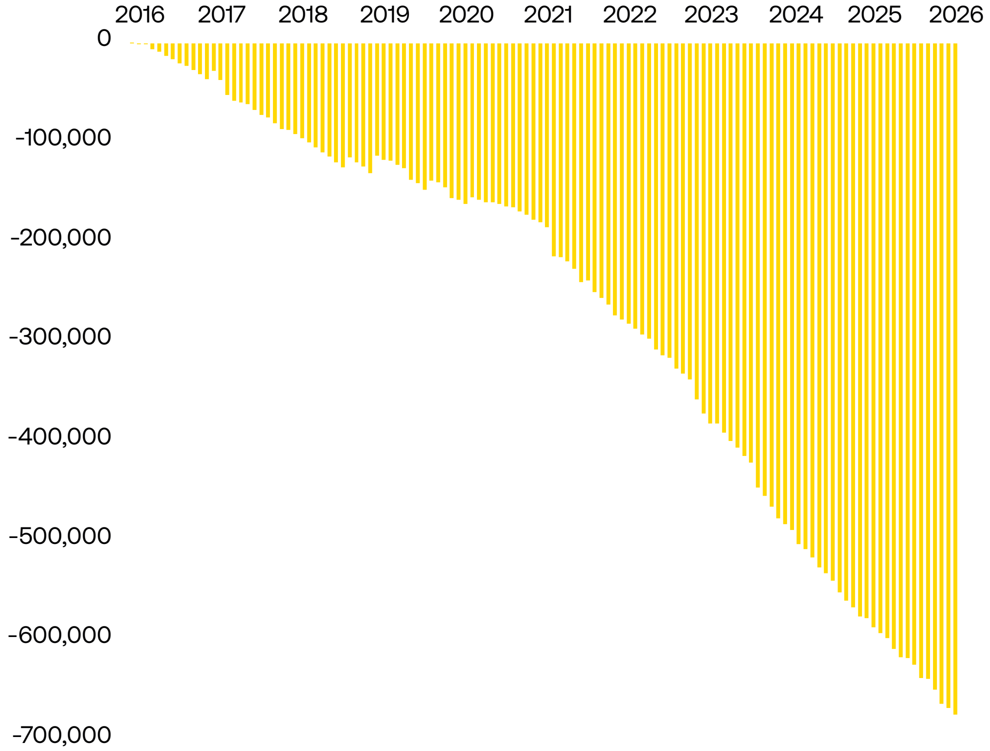
Under private rented sector leased arrangements, local authorities lease PRS properties on longer-term agreements, typically three to five years. As already highlighted in Figure 1, this type of accommodation has declined rapidly as landlords exit the market or seek higher returns than local authorities can offer. In the UK, the outstanding stock of buy-to-let mortgage loans rose steadily from 1.79 million at the start of 2016 to a peak of 2.06 million in November 2022, according to UK Finance data. Figure 3 shows the cumulative net change in the outstanding stock of buy-to-let loans relative to purchase completions, indicating that approximately 674,700 loans were redeemed between the start of 2016 and February 2026. This net reduction reflects the structural contraction of the private landlord market following successive tax and regulatory changes.

Table 1: Estimated costs to local authorities in London

TEMPORARY ACCOMMODATION TYPE	HOUSEHOLDS (LONDON, Q1 2026)	EST. COST (£/NIGHT)	EST. ANNUAL SPEND (£M)	SHARE OF TOTAL SPEND (%)
Nightly paid, self-contained accommodation	36,260	£130	£1,720.5	67.1%
Private rented sector leased accommodation via a local authority/Housing Association	17,430	£55	£349.9	13.6%
Local authority/Housing Association	14,220	£30	£155.7	6.1%
B&B	3,570	£200	£260.6	10.2%
Hostels incl. refuges	2,780	£45	£45.7	1.8%
Other	1,740	£50	£31.8	1.2%
Total	**76,020**		**£2,564.2**	**100.0%**

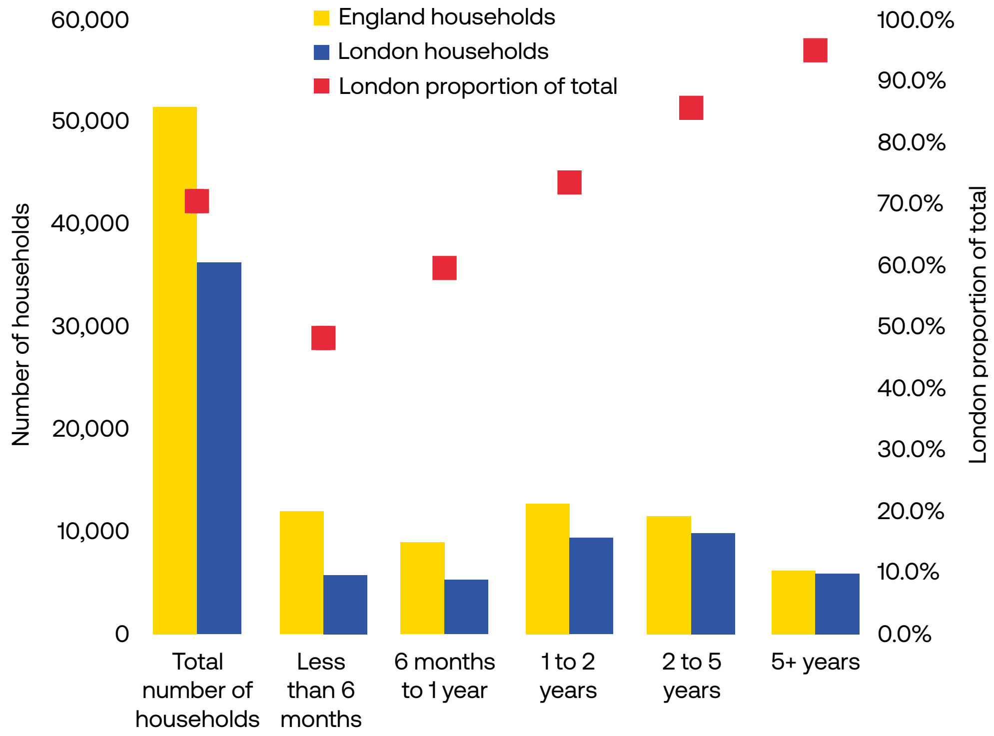
Source: MHCLG

Figure 3: Cumulative net change in buy-to-let mortgages



Source: CBRE, UK Finance

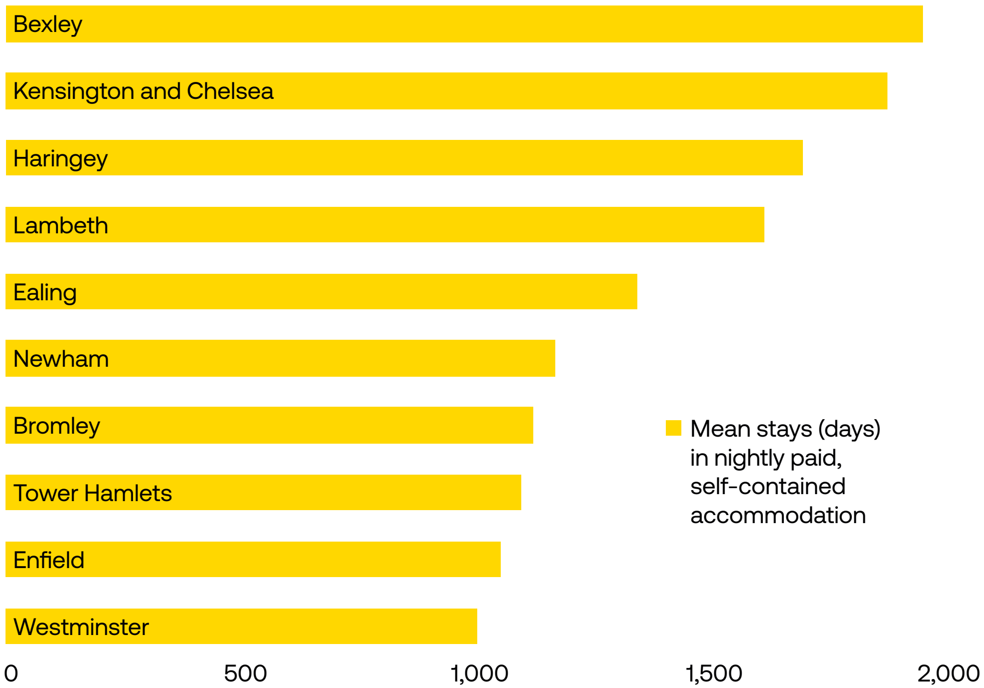
Figure 4: Duration of stay for households in nightly paid, self-contained accommodation (2026)



Source: MHCLG (note England figures include London)

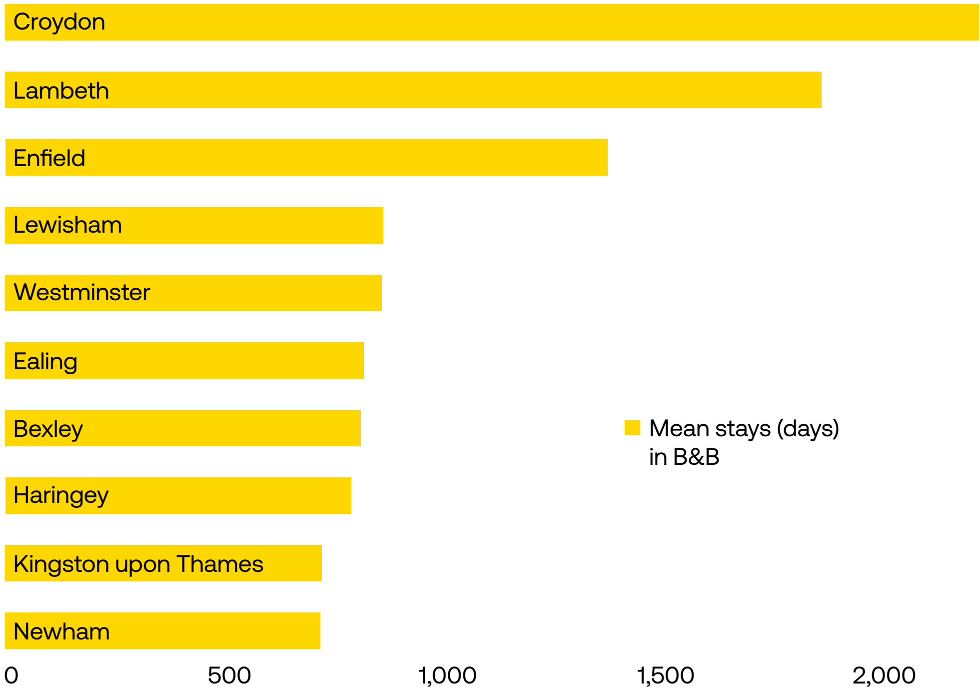
Nightly paid, self-contained accommodation is the fastest growing and most expensive form of temporary accommodation in London, with its use increasing tenfold between 2002 and 2026. Pricing is highly volatile, driven in part by competition between boroughs and bidding pressures created by specialist agencies. In 2026, it was the largest category of temporary accommodation in London, accounting for around 70% of all households in this type of accommodation across England. The concentration is even more pronounced among households facing the longest stays with figure 4 showing London's share rising from 47% of those staying less than six months to 96% of those staying five years or more.

Figure 5: Mean total time in temporary accommodation for households currently in nightly paid, self-contained accommodation, top 10 boroughs



Source: MHCLG

Figure 6: Mean total time in temporary accommodation for households currently in B&B or shared annex accommodation, top 10 boroughs



Source: MHCLG

There is no geographical pattern in how London's temporary accommodation crisis is unfolding. As shown in Figure 5, the households remaining the longest in nightly paid, self-contained accommodation are spread across Central, Inner, and Outer London, highlighting that this problem is not unique to any particular group of boroughs.

The same geographic spread across the capital is also true of households placed in emergency provision, such as hotels and B&Bs (Figure 6). This is not only an expensive form of temporary accommodation, but also particularly unsuitable for families. The Children's Commissioner has documented significant negative impacts on children's physical and mental health. Under the Housing Act 1996, families with children should not be placed in B&B accommodation for more than six weeks; however, the lack of suitable long-term affordable accommodation means that local authorities face increasingly limited alternative options.

3. How temporary accommodation is funded and the financial and social impacts

Key takeaway

The funding system for temporary accommodation is structurally broken. By design, it prevents local authorities from recovering the full cost of meeting their statutory duties, requiring them to cover the shortfall from their own resources. In many London boroughs, temporary accommodation accounts for around half of all general fund expenditure. The temporary accommodation crisis is placing unprecedented pressure on borough finances, harming children's health and education, and undermining the talent pipeline that sustains London's economy.

Over the past 15 years, the funding architecture for temporary accommodation has steadily deteriorated. Costs have risen sharply, while government reimbursement has remained largely static. The result is a widening structural gap between what boroughs are legally required to spend and what they can recover, which is now one of the principal drivers of financial distress for London's local authorities.

3.1 Housing Benefit and Local Housing Allowance (LHA)

When a local authority places a household in temporary accommodation, it pays the full cost upfront but can only reclaim a proportion of that cost through Housing Benefit from the Department for Work and Pensions.

For most forms of temporary accommodation, the reclaimable subsidy is capped at 90% of January 2011 LHA rates. However, these rates bear little resemblance to current market rents, particularly in London, where private rents have increased by 37% over the last decade.[7] The resulting shortfall, therefore, between what a borough pays and what it can reclaim, of around £5,200 per year for a single placement, must be met by the borough's general fund.

Table 2 below provides a simplified illustration based on a one-bedroom household in inner North London.

This problem is compounded by the long-term erosion of LHA itself. Since the link between LHA and local rents was severed in 2012, payments have been frozen three times (2016–19, 2021–2023, April 2025) and reset twice (in 2020 and 2024). As a result, only 2.7% of homes across the UK are now affordable to households reliant on Housing Benefit.[8] For households, this means that many are unable to move from temporary accommodation into the PRS, thereby extending their stays and increasing demand for additional temporary accommodation. For local authorities, this leaves them exposed to unavoidable and unrecoverable costs whenever they discharge their homelessness duties.

Table 2: Temporary accommodation recoverable costs

	PER WEEK	PER YEAR
Cost of a one-bedroom temporary accommodation home	£333.70	£17,352.40
Maximum reclaimable subsidy	£234	£12,168
Shortfall	£99.70	£5,184.40

3.2 The structural funding gap and impact on borough finances

The impact of increased temporary accommodation costs on local authority finances has been severe and cumulative. The share of temporary accommodation costs funded directly by local authorities has risen from 7.1% in 2009–10 to 50.6% in 2024–25 (Figure 7), meaning they are funding more than half of the total cost of a service mandated by statute, but insufficiently funded by government.

In London alone, Table 3 shows that collectively, boroughs spent approximately £2 billion on homelessness services in 2024–25 and incurred an estimated £740 million in unfunded shortfall costs for temporary accommodation.

Figure 7: Proportion of temporary accommodation cost funded by local authorities in England

Source: Institute for Government, Performance Tracker 2025: Homelessness

Table 3: Financial impact of temporary accommodation costs on London boroughs

METRIC	FIGURE
Collective daily temporary accommodation spend (London boroughs)	£5.5 million (2024/25)
Annual temporary accommodation expenditure (London)	c. £2 billion (2024/25)
Annual unfunded shortfall	£740 million
Cost per London household	£202 per year
Share of average council tax bill	11%
Boroughs on emergency financial support	7 (£418 million total)
Boroughs at risk of needing emergency financial support by 2028	Up to 17 (50%)

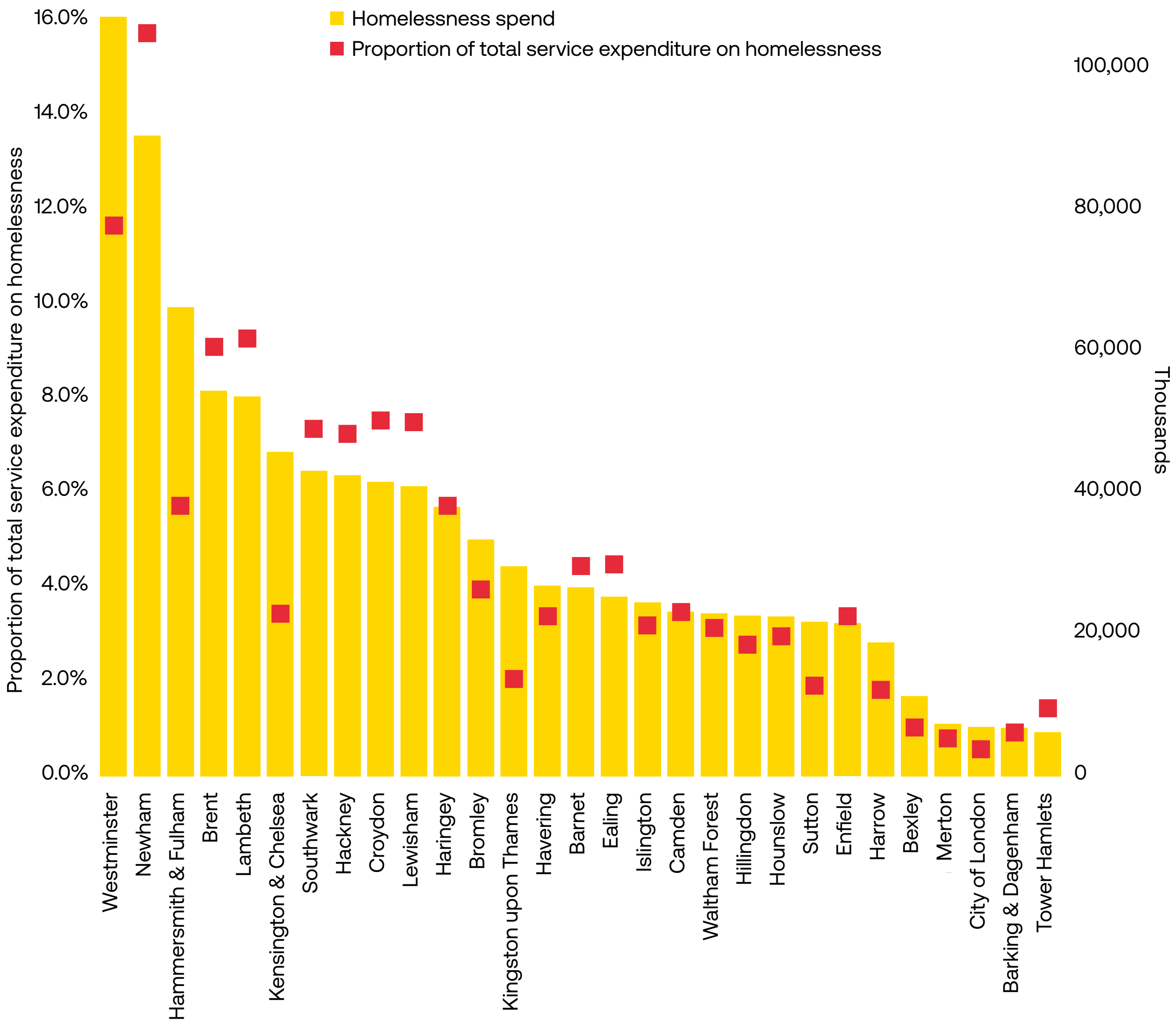
Sources: London Councils Homelessness Briefing (Dec 2025); LSE Housing Research (Oct 2025); MHCLG Exceptional Financial Support data.

At a more granular level, Figure 8 illustrates the scale of the structural pressures facing London's boroughs. Through no fault of their own, boroughs are operating within a failing temporary accommodation system, leaving many with no choice but to spend double-digit proportions of their total service budgets on tackling homelessness – a financially unsustainable approach. Collectively, boroughs now spend £5.5 million every day on temporary accommodation and homelessness services.

Temporary accommodation overspends directly reduce a local authority's capacity to fund other essential services. The crowding-out effect of this spend means there is less investment for children's services, adult social care, community safety, regeneration and local economic development. For boroughs such as Newham, where spending on temporary accommodation is expected to exceed £130 million annually, roughly half of which remains unbudgeted, the financial pressure is existential. London Councils estimates that the aggregate borough overspends on homelessness reached £330 million in 2024–25 and that the cumulative funding gap could reach £4 billion over the medium term.[9]

Temporary accommodation is now one of the leading causes of exceptional financial support requests and medium-term insolvency risk across London. This is not a failure of local management. It is the predictable outcome of a system that mandates provision, caps reimbursement and leaves local authorities to absorb the difference.

Figure 8: Homelessness spend by borough – April 2025 to March 2026



Source: CBRE, MHCLG

3.3 Social impacts

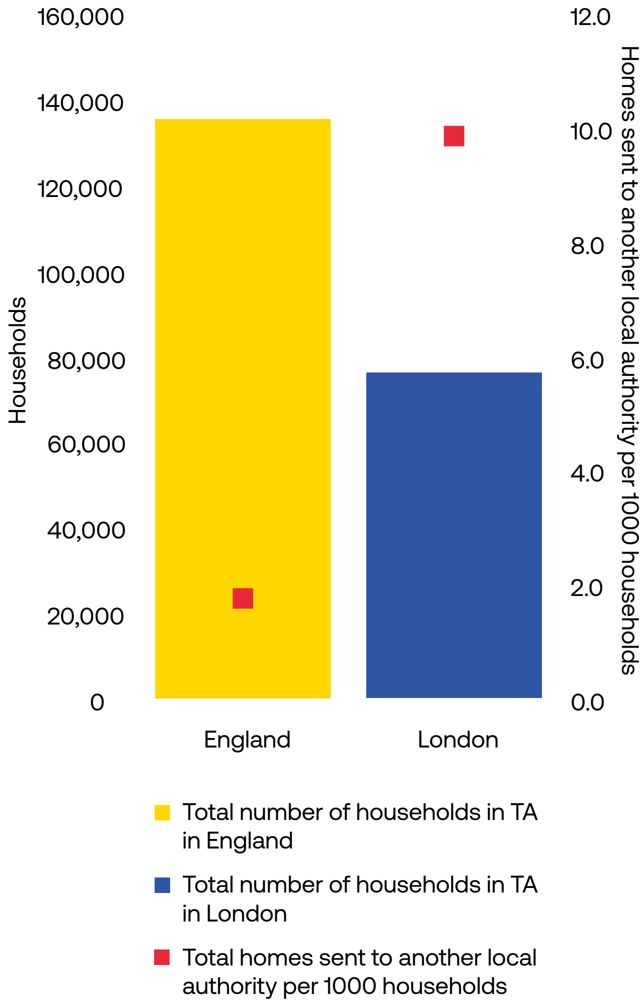
The human cost of London's temporary accommodation crisis is measurable and profound. Over half of school-age homeless children have missed school because of living in temporary accommodation, and of those, more than a third have missed more than a month. Over half of parents in temporary accommodation report negative impacts on their children's physical or mental health.[10]

Out-of-borough placements

Many London boroughs are increasingly forced to place homeless households into temporary accommodation outside their own boundaries. This is not a policy choice, but a consequence of the acute shortage of affordable homes and mounting financial pressures on local authorities.

These out-of-area placements can have a significant impact on wellbeing, particularly when families are housed in B&Bs or hotels. The disruption compounds the stress and instability experienced by households already in crisis. Community ties are broken; children's education is interrupted; access to employment and support networks is weakened; and travel costs increase. Out-of-area placements now account for 47% of London temporary accommodation households,[11] and London accounts for 82% of all out-of-area temporary accommodation placements nationally (Figure 9 – 35,460 of 43,180 at Q1 2026).[12] Many of these moves often take place at short notice, and in some cases with as little as 48 hours, leaving families with limited time to prepare or adapt.

Figure 9: Temporary accommodation households and rate sent to another local authority



Source: MHCLG

3.4 Impact on London's economy and workforce

A housing shortage in the capital is not just a social problem; it is also a business issue. London's £600 billion economy depends on attracting and retaining talent across all skill levels, yet the housing crisis is increasingly constraining who can live in the capital. CBI/CBRE London Business Survey data found that two-thirds of London firms report that housing costs negatively impact their recruitment of entry-level staff, with 28% of firms reporting that employees are leaving because they cannot afford to live locally.[13]

Over a quarter of people in temporary accommodation report having to reduce their working hours while 11% report stopping work.[14] As BusinessLDN's Growth Commission highlighted earlier this year, addressing housing supply and costs is fundamental to economic growth in the capital and critical to retaining talent and maintaining competitiveness.[15]

As long as the funding model remains unchanged, boroughs will continue to face a choice between breaching statutory duties or cutting core services. Any serious attempt to reform the delivery of temporary accommodation – including the deployment of long-term private capital – must therefore address the financial framework that supports the system. Without this, risk will continue to fall on local taxpayers rather than being shared across all levels of government, and the social and financial impacts outlined above will only intensify.

4. How long-term institutional investment can help solve the temporary accommodation crisis

Key takeaway

With constraints on the public purse but a clear need for more housing, there is a strong rationale for the public and private sectors to work in partnership to unlock additional housing delivery. Such an approach can ultimately save the state a significant amount of money.

4.1 The idea

The basic proposition is straightforward: private capital provides upfront investment to acquire, develop and operate homes suitable for temporary and affordable accommodation, while boroughs provide the occupational demand and regulatory framework. In exchange, investors receive long-term, inflation-linked, stable income streams secured by council covenants or government-backed guarantees. Boroughs receive immediate supply, reducing their dependence on the most expensive forms of emergency accommodation.

This is not about privatising homelessness services. It is about leveraging the £218 billion asset base of England's housing associations[16] and the demonstrated appetite of institutional investors to deploy capital into social infrastructure. Private investment cannot replace the need for public funding. Building social rent homes still requires significant public funding of around £209,000 per home, even when land is provided for free.[17] However, private capital can help bolster public funding by increasing the number and accelerating the delivery of new homes. It also brings professional investment and asset management expertise to a sector that, historically, has had limited capacity in these areas.

4.2 Channels for private capital deployment

There are a number of ways private capital can be invested in temporary and affordable housing:

Portfolio acquisition via credit tenant lease: Investors buy a portfolio of properties and lease them on a long-term agreement to a financially secure tenant. In attracting funding through investors rather than the mortgage market, this model can access larger and potentially cheaper sources of finance. The Westminster/Phoenix model (Case Study 6, Annex 1) shows that insurers and pension funds are willing to provide 30–50-year, inflation-linked financing to support local authorities in acquiring existing housing portfolios for temporary accommodation use. The key enabler is a local authority's credit strength, less so the underlying property value.

Forward-funding of new build: Institutional investors forward-fund the construction of purpose-built temporary accommodation or affordable housing, taking ownership upon completion and leasing to local authorities or housing associations on long-term agreements.

Covenant lease: The local authority borrows against its own payment covenant and owns the property from the outset, with the liability sitting on its balance sheet. This works well when the local authority wants to own new homes directly, and the Westminster/Phoenix model (Case Study 6, Annex 1) provides a good illustration of how this would work.

Vehicle-owned lease: A local authority-owned company or special purpose vehicle (SPV) directly owns properties and leases them back to the authority. This can be funded through the local authority's pension fund, and the authority may also receive money upfront by transferring existing properties into the vehicle. This model can help unlock capital from existing stock and make use of local government pension funds. (Case Studies 3, 8, and 9, Annex 1).

Portfolio acquisition and forward funding models have proven success in delivering large-scale projects in collaboration with the public sector. Where these models differ in relation to temporary accommodation is in how long the asset is owned, how the liability is treated on the local authority's balance sheet and the primary objective the scheme is intended to serve.

There is also a potential role for the Local Government Pension Scheme (LGPS). A distinctive feature of the London market is that local authorities can act not only as housing providers but also as investors. The LGPS has around £400 billion in assets nationally, with an aim to invest locally – particularly in affordable and temporary housing. This could enable pension funds to direct capital towards housing need in their areas while generating a long-term, risk-adjusted return aligned with their liabilities.

4.3 Potential savings from replacing emergency temporary accommodation with long-term private investment

Emergency forms of temporary accommodation are the most expensive and least efficient components of the system. Table 4 below illustrates the potential savings the public sector could achieve by moving away from these short-term solutions and instead adopting an institutionally backed long-term investment model. Annex 2 explains the assumptions behind the calculations and sources.

Nightly paid, self-contained and hotel accommodation typically cost £80–£180 per night, equivalent to £2,400–£5,400 per household per month, depending on location and family size. Costs are highly variable, driven by interborough competition and short-term contracting, with boroughs having limited leverage over the quality of the accommodation or duration of the stay.

By contrast, private capital-backed models can deliver stable, long-term provision at significantly lower and more predictable cost. Investor-funded, long-term leased accommodation can be delivered at an equivalent cost of £30–£60 per night, reflecting the removal of nightly pricing risk and the benefit of scale.

Table 4: Illustrative savings from replacing emergency temporary accommodation with a long-term private investment model

SCENARIO	ACCOMMODATION REPLACED	CURRENT COST (PER HOME/YEAR)	PRIVATE CAPITAL MODEL COST (PER HOME/YEAR)	INDICATIVE SAVING (PER HOME/YEAR)	INDICATIVE ANNUAL SAVING (TOTAL)
B&B replacement	500	~£54,750 (£150/ night avg.)	~£16,425 (£45/night long-term lease)	~£38,500	~£19m
Nightly paid, self-contained accommodation replacement	2,000	~£38,325 (£105/ night avg.)	~£16,425 (£45/night long-term lease)	~£21,900	~£44m
Combined	2,500				~£63m/year

These models typically deliver 70–80% savings compared with hotel-based placements, while also offering higher standards and better outcomes for residents.

Modular and modern methods of construction (MMC) have gained traction, offering a faster and often more cost-effective route to delivery while maintaining quality. It is not, however, the natural vehicle for the large-scale, low-cost capital this report describes. MMC has matured over recent decades and units are now designed to be relocated five to six times across their lifecycle. That flexibility is a genuine benefit that could be used to catalyse stalled brownfield sites, but it is also the opposite of what the cheapest, longest-dated capital needs and therefore could be a barrier to the solution. The pace at which schemes can be delivered is an advantage, but it is further offset by planning, where relocatable and traditional schemes take broadly the same time to achieve consent as traditional housing, and where land and infrastructure costs are high, achievable rents cannot underpin delivery. Without a permanent, long-lease product, low-cost capital is unlikely to flow to modular.

The current system represents a structurally inefficient use of public funds, not an unavoidable cost. The example in Table 4 of replacing 2,500 homes delivers £63 million in savings and is a deliberately conservative estimate. Replacing more, or indeed all, of the most expensive forms of emergency accommodation with private capital-backed provision would generate substantial annual savings for London boroughs.

This matters because temporary accommodation costs are not one-off expenditures; they are recurring obligations with no built-in route to reduction under the current model. Every year that London continues to prioritise emergency and reactive provision over planned, long-term supply, avoidable cost and fiscal risk are further locked in.

Deploying private capital does not increase public spending commitments; it reshapes how already-committed funds are used. Delivered at scale and under a pan-London framework – as considered in the next chapter – private capital offers a credible route to lower accommodation costs, provides greater certainty, improves public finances and, crucially, delivers better outcomes for Londoners.

5. Recommendations

A new approach to a systemic problem

The analysis in this report points to three systemic failures at the heart of London's temporary accommodation crisis: a system that forces boroughs to operate in silos, limiting coordination across local, regional, and national government; structural barriers that create uncertainty around how to engage private capital appropriately and at scale; and a fundamentally broken funding regime.

The recommendations that follow address these problems directly, setting out a practical and investable framework for change. They are intended as a starting point for discussion rather than a definitive blueprint. They would require further refinement before implementation, and there may be alternative approaches that achieve the same objectives more effectively. Our aim is to contribute constructively to the debate and help identify practical solutions. Although out of scope of this report, we also recognise that achieving meaningful and lasting reform may require changes to the legislative framework, including the statutory duties relating to homelessness and temporary accommodation.

Recommendation 1

Establish pan-London leadership and governance

To end coordination failure, a pan-London Temporary Accommodation Delivery Board should be established, bringing together London boroughs, the GLA, MHCLG, Homes England, and private sector delivery and capital partners. The Board should have a clear mandate to set strategic direction, align borough demand and act as the single recognised point of engagement for investors and delivery partners seeking to operate at scale.

To end coordination failure, a pan-London Temporary Accommodation Delivery Board should be established, bringing together London boroughs, the GLA, MHCLG, Homes England, and private sector delivery and capital partners. The Board should have a clear mandate to set strategic direction, align borough demand and act as the single recognised point of engagement for investors and delivery partners seeking to operate at scale.

The capital's temporary accommodation crisis cannot be resolved through 33 separate responses to a pan-London problem. Boroughs are competing against one another, and the Home Office, for the same limited pool of accommodation, driving up prices and driving down standards without increasing supply. The result is reactive, costly and unsustainable, entrenching a reliance on the most expensive forms of temporary accommodation.

No individual borough, regardless of scale or financial strength, can resolve this alone. The aggregate cost, risk and demand now operating across London requires a response that matches the geography of the problem.

Recommendation 2

Centralise procurement and demand aggregation

The Temporary Accommodation Delivery Board should seek to adopt a pan-London approach to procurement and demand aggregation. By presenting a single, coordinated demand review, London can stabilise pricing, reduce destructive competition and create the pipeline certainty required by long-term institutional investors and construction partners.

A central mechanism – with a clear mandate and delivery model aligned to rental market realities – would allow capital to be raised at scale while deployment remains at the local level. Boroughs would retain control over placements, housing management and resident support, while benefiting from collective purchasing power, standardised structures and lower costs. This is not about removing local accountability but rather enabling boroughs to discharge their legal duties more effectively and sustainably by acting together.

Recommendation 3

Establish a comprehensive system for data and performance monitoring

Alongside governance reform, a pan-London temporary accommodation analytics platform should be commissioned to provide real-time visibility of demand flows, placement duration, accommodation costs and emerging pressure points. Without shared intelligence, commissioning will remain reactive. With it, boroughs can plan rather than respond, and London can begin to manage temporary accommodation as a system rather than as an emergency.

A London-wide system requires shared intelligence. At present, boroughs operate with fragmented and incomplete data, reacting to acute pressure rather than managing demand strategically.

A pan-London temporary accommodation analytics platform would track demand, placements, duration and cost in real time; identify emerging pressures before they become crises; support evidence-based commissioning; and measure performance and outcomes consistently across London. Ultimately, it will help to provide opportunities to reduce costs and prevent homelessness.

Recommendation 4

Standardise and endorse public-private delivery models

The Temporary Accommodation Delivery Board should develop and endorse a suite of standardised public-private delivery structures, including model lease documents and risk allocation principles, that boroughs can adopt with confidence. Endorsement across all tiers of government matters: it demonstrates political support, signals strategic intent and gives borough finance and legal teams the assurance they need to proceed.

There is a genuine and growing appetite among long-term institutional investors to deploy capital into temporary accommodation and appropriate housing that has been evidenced in our discussions with boroughs and investors. For investors such as LGPS, insurance companies and pension funds, long-term, inflation-linked cash flows are highly attractive, providing not only a better rate of return but also the ability for investment to be deployed at scale. The models exist – credit tenant leases, forward-funding arrangements and long-term indexed leases – and there are working examples in London and beyond (see Annex 1). The barrier is not investor appetite; it is borough-level uncertainty about what structures are legitimate, affordable and legally sound.

The legacy of the Private Finance Initiative (PFI) has created understandable caution among local authorities. However, public-private finance models have played a significant and successful role in delivering new homes, so past issues must be addressed through clarity rather than left to deter action. These models are not PFI, nor are they a privatisation of statutory services. They are long-term leasing arrangements in which private capital funds the acquisition or construction of homes that local authorities use to meet their legal duties. The distinction is important and should be stated plainly. This does not need to apply to a temporary living use class; it can also be used to unlock affordable housing as part of a holistic plan to resolve this crisis.

Without standardisation, every transaction will require bespoke negotiation. Transaction costs will remain high, deals will be slow, and private capital will gravitate toward easier markets. Standardisation and pan-London coordination are how London creates a pipeline.

The case for stronger credit support at a strategic or national level is straightforward. Individual borough balance sheets vary enormously in strength, yet housing need is not correlated with financial capacity. A borough with severe homelessness pressures and a constrained balance sheet faces worse borrowing terms than a financially stronger neighbour, regardless of the underlying quality of its delivery model.

This is not about increasing public spending. It is about using public credit strength more intelligently to leverage private investment already available, and to do so in a way that is equitable across London.

Recommendation 5

Enable national or strategic underwriting of long-term obligations

Options should be explored for underwriting temporary accommodation lease obligations at a national or strategic level, through National Housing Bank guarantees or equivalent mechanisms. Stronger credit support would lower the cost of capital, widen the pool of eligible investors, improve value for money and ensure that the financial position of an individual borough does not determine whether its residents can access decent accommodation.

No governance reform, no partnership model, and no credit structure can compensate for a funding regime that has been frozen since 2011. The LHA rates that underpin temporary accommodation funding payments have not moved in 15 years, while London rents have risen by 37% over the past decade.[18] The result is a structural and widening gap between what boroughs receive and what they are legally required to spend – a gap that now runs to an estimated £740 million a year across London.

Despite the increased use of some workaround solutions by local authorities, these approaches are unsustainable. The issue is a fundamental mismatch between the costs of providing new affordable housing and the public funding that is available to support it. This structural break in the financial design of the system is one of the biggest barriers to the viability of long-term delivery models. Investors cannot commit to a 30-year lease when public funding does not reflect the real cost of delivering new homes.

Recommendation 6

Reform the temporary accommodation funding regime

Urgent reform of the temporary accommodation funding regime is required, including a credible and sustained mechanism for uprating funding in line with actual housing costs. Without this, borough deficits will continue to widen, reliance on high-cost emergency accommodation will persist, and private investment will remain constrained regardless of what else changes.

The temporary accommodation crisis is no longer a short-term pressure but a systemic failure that demands a fundamentally different approach. This report sets out a practical pathway forward with recommendations that could help deliver better outcomes for Londoners.

London's spending on temporary accommodation is already at a scale that could enable transformative investment in new affordable homes. The choice facing policymakers is therefore clear: continue funding an increasingly expensive and unsustainable crisis or redirect that expenditure towards a system that delivers lasting homes, greater financial resilience and better value for the public purse.

Annex 1: Case Studies

Case Study 1

Resonance/Real Lettings Property Fund – GLA and London Boroughs (2013–ongoing)

Social impact investment company Resonance, in partnership with homelessness charity St Mungo's, launched the Real Lettings Property Fund 1 in 2013, raising £56.8 million from socially motivated investors to purchase 259 homes across London. Boroughs including Westminster, Lambeth, and Croydon co-invested in subsequent funds totalling over £198 million across three vehicles. Properties are leased to St Mungo's Real Lettings, which supports formerly homeless tenants into stable tenancies. The model has housed over 3,600 people across more than 1,140 homes nationally. Returns to investors are secured by guaranteed rents from the social lettings agency.[19]

Case Study 2

Waltham Forest and Mears/BAE Systems Pension Fund (2018)

Waltham Forest Council entered a 40-year joint venture (JV) with Mears Limited to purchase and manage 330 homes for temporary accommodation and homeless households. The JV raised £88 million through a bond issue subscribed by the BAE Systems Pension Fund. The council leases homes from the JV at LHA rates, generating sufficient returns for investors while representing better value than nightly paid alternatives. At the end of the 40-year term, homes revert to council ownership. The model – developed in partnership with the Local Government Association (LGA) – is one of the earliest examples of pension fund capital directly financing temporary accommodation supply.[20]

Case Study 3

London Borough of Bromley and Pension Insurance Corporation (2021)

In August 2021, the London Borough of Bromley completed a £67 million funding deal with Pension Insurance Corporation to help alleviate local emergency homelessness. The funding, long-dated, inflation-linked, and maturing in 2071, was used to purchase up to 300 affordable properties outright, managed by the specialist housing group Orchard and Shipman, with the funds secured on the housing assets. By building a standing portfolio of homes for families in temporary accommodation, the arrangement was designed to reduce the council's reliance on high-cost emergency options such as hotel rooms and formed part of Bromley's housing and homelessness strategy.[21]

Case Study 4

Bromley Council and Phoenix Group/Pinnacle (2023)

In July 2023, Bromley Council and property manager Pinnacle secured a £58 million, 55-year inflation-linked loan from Phoenix Group, arranged by Macquarie Asset Management, to acquire more than 200 affordable homes. London's largest borough by area – which faces acute temporary accommodation pressure – used the financing to purchase properties specifically earmarked for households currently homeless or in temporary accommodation. The deal gave residents longer tenure security while generating stable, long-dated cash flows for Phoenix. It directly preceded the larger Westminster transaction, as noted in Case Study 6, and established the Macquarie/Phoenix model as a repeatable London template.[22]

Case Study 5

Havering Council and Wates Residential – Modular Temporary Accommodation Homes (2025)

As part of a £1 billion, 12-estate regeneration joint venture with Wates Residential, Havering Council approved £6.5 million in January 2025 for 18 modular homes on the meanwhile-use Waterloo and Queen Street site in Romford. Built by Rollalong, the homes – 14 two-bedroom and 4 three-bedroom – are designed to be relocated up to five times, with a 60-year lifespan, and built to full energy efficiency standards. The scheme directly reduces reliance on hotels and hostels. It demonstrates how regeneration joint ventures with private partners can incorporate temporary accommodation delivery as an interim use of land awaiting permanent development.[23]

Case Study 6

Westminster City Council and Phoenix Group (2025)

In April 2025, Westminster City Council completed a £235 million deal to acquire 368 homes from housing association A2Dominion, securing their continued use as temporary accommodation. Funding was provided by Macquarie Asset Management on behalf of Phoenix Group through a Credit Tenant Lease structure with a 42-year, inflation-linked term and an initial two-year rent-free period. The council benefits from guaranteed rent levels and an option to own the properties outright at the term's end. The deal demonstrates that institutional capital will back temporary accommodation provision at scale when anchored by a council's credit covenant – with the property value secondary to the strength of the public sector counterparty.[24]

Case Study 7

Dartford Borough Council long lease for new-build temporary accommodation (2025)

In April 2025, Dartford Borough Council agreed in principle to take a 55-year fully repairing and insuring lease on 139 new-build homes on a single site in the borough, for use as temporary accommodation or to discharge its homelessness duty. The developer is selling the completed homes to a SPV, which then leases them to the council, so that the developer meets all pre-development and construction costs and carries the risk of any cost overrun. The council takes on the lease and begins payments only at practical completion, with the homes due to complete in 2026 and the lease expected to run from January 2027. At the end of the term, the council has the option to acquire the freehold of all the homes for £1.

The council appointed an independent adviser to compare borrowing to buy the homes against the leasing route. Leasing was preferred because it avoids upfront capital, delivers a larger number of homes more quickly, brings out-of-borough placements back into the area and keeps the homes outside right to buy. The lease payment is a fixed obligation, payable in full regardless of the rent the council recovers from tenants, which places the income risk on the council rather than the developer or funder.[25]

Case Study 8

Royal Borough of Kensington and Chelsea (RBKC) & RBKC Pension Fund (2025)

In June 2025, the Royal Borough of Kensington and Chelsea agreed to use up to £100 million from its own LGPS fund to buy up to 250 homes for households in temporary accommodation. The council describes it as the first arrangement of its kind in the UK. The fund purchases the homes on the open market and treats the investment as a long-dated, gilt-like asset that returns a building of value at the end of the term.

To manage the conflict created by the council being responsible for both the pension fund and its housing duty, the council was advised to interpose an SPV: the vehicle leases the homes from the fund and leases them on to the council as housing provider, keeping the investment decision at arm's length from the statutory duty. The homes are leased to the council on a long-term basis, with the council collecting rents and managing the properties. The council's payments to the fund are set at a discount to commercial borrowing, and the scheme is intended to run at no net cost to taxpayers, with rental income covering both the payments to the fund and ongoing management and maintenance. The homes can be let either as temporary accommodation or as longer-term private rented housing which can be acquired both within and outside the borough. As of late 2025, the council was working through the interaction with pension pooling, in discussion with the London Collective Investment Vehicle and government, with the £100 million earmarked for deployment by April 2026.[26]

Case Study 9

Westminster City Council and Westminster Pension Fund (2026)

In a pioneering follow-up to its 2025 Phoenix deal, Westminster City Council used its own LGPS pension fund to finance a second temporary accommodation portfolio acquisition in April 2026. A council-owned LLP acquired 124 homes, funded by a secured loan from the Westminster Pension Fund, with the council leasing them back under a 40-year Credit Tenant Lease. This marks the first time a UK council has used its own pension fund for this type of arrangement – bringing public capital full circle by aligning social purpose with retirement savings. Rent is structured to amortise the loan over the lease term.[27]

BUSINESS LDN

Annex 2: Notes on assumptions and sources

- Current cost ranges: hotel/B&B £80–£180/night; nightly paid £80–£130/night estimated midpoints used.

- Private capital model cost: long-term leased accommodation £30–£60/night; midpoint £45/night applied. Cost ranges are derived from multiple sources.

  - For hotel/B&B accommodation, the upper bound reflects costs of up to £6,000 per household per month reported in borough-level data.

  - For nightly-paid accommodation, actuals reported by the London Borough of Havering show an average cost of £88/night in 2024/25, rising from £81/night in 2023/24. London Borough of Havering Cabinet Paper, Chesham House, December 2024, Table 1.

  - The £30–£60/night range for long-term leased provision reflects CBRE analysis of emerging institutional models, corroborated by the London Borough of Havering's own financial modelling, which uses £50/night as its base comparator for nightly paid PRS provision when assessing the benefit of longer-term leased alternatives. London Borough of Havering Cabinet Paper, Acquisition of Zodiac House, January 2025, para. 4.16(vi).

  - All figures represent indicative ranges; actual costs vary by borough, property type and contractual terms.

- Unit volumes: MHCLG Live Table TA1, March 2026 - London B&B total 3,570; nightly paid total 36,260. Scenarios represent 14% and 6% of the respective totals.

- The 2,500-unit combined scenario represents approximately 3.3% of London's 76,020 total temporary accommodation households – a deliberately conservative starting point.

- At full scale (replacing all 3,570 B&B and between 7,500 and 12,000 nightly paid units, roughly 20% to 33% of London's nightly paid stock), the annual saving potential across London would be in the range of £300m to £400m.

Endnotes

1 Statutory Homelessness Statistics Q3 2025, MHCLG, February 2026.

2 Statutory homelessness in England: January to March 2026, MHCLG, August 2026.

3 The Temporary Accommodation Subsidy Gap in London: Analysis and Implications, LSE Consulting, October 2025.

4 Evaluation of the Implementation of the Homelessness Reduction Act: Final Report, ICF/MHCLG, March 2020.

5 Statutory homelessness in England: January to March 2026, MHCLG, August 2026.

6 Homelessness Suitability Order 2003.

7 Office for National Statistics, Private rent and house prices, UK, August 2026.

8 How affordable private rents can help tackle health inequalities and homelessness, Crisis, March 2026.

9 £330m homelessness overspend as housing crisis threatens to bankrupt London boroughs, London Councils, April 2025; and London boroughs face 'impossible' £4bn funding gap in coming years, London Councils, October 2025.

10 England's Homeless Children: The crisis in temporary accommodation, Housing, Communities and Local Government Select Committee report, April 2025.

11 Statutory homelessness in England: January to March 2026, MHCLG, August 2026.

12 Statutory homelessness in England: January to March 2026, MHCLG, August 2026.

13 London Business Survey 6th Edition, CBI/CBRE, April 2018.

14 Still Living in Limbo: Why the Use of Temporary Accommodation Must End, Shelter, March 2023.

15 BusinessLDN Growth Commission, BusinessLDN, March 2026.

16 Regulator of Social Housing, 2025 Global Accounts of private registered providers, January 2026.

17 Homes for the People We Need, Making Social Rent Homes Viable, Various, October 2025.

18 Office for National Statistics, Private rent and house prices, UK, August 2026.

19 Real Lettings Property Fund, Resonance, St Mungos, 2013.

20 London Borough of Waltham Forest: Joint venture with Mears Limited for new accommodation, LGA, February 2022.

21 PIC invests £67 million in innovative Bromley affordable housing deal, Pension Insurance Corporation, 31 August 2021.

22 Phoenix Group and Macquarie Asset Management provide £58m funding for affordable housing, Macquarie Asset Management press release, July 2023.

23 Wates Residential and Havering Council temporary modular homes, Havering Council, October 2022.

24 Macquarie Asset Management and Phoenix Group finances more than 350 temporary accommodation properties in Central London, Macquarie Asset Management press release, July 2023.

25 Dartford Borough Council long lease for new-build temporary accommodation, BBC, May 2025.

26 Groundbreaking plan agreed to house homeless families, RBKC, June 2025.

27 Trowers advises Westminster City Council on transaction to fund a portfolio of 124 homes for temporary accommodation, Trowers and Hamlins, April 2026.

BUSINESS LDN

We make it easier to grow your business in the capital.

We work to deliver the bigger picture, campaigning to tackle today's challenges and to secure the future promise of London.

We harness the power of our members, from sectors that span the economy, to shape the future of the capital so Londoners thrive and businesses prosper. We support business to succeed — locally, nationally, globally. We link up with other cities around the UK, to ensure the capital supports a thriving country.

We campaigned for the creation of the office of London Mayor and Transport for London, for the Elizabeth Line, for congestion charging, we incubated Teach First and run the UK's largest annual jobs and careers fair, Skills London.

We create opportunities for our members, from sharing insights to providing platforms, from making introductions to finding new talent. We facilitate collective, organisational, and individual ambition.

Becoming a member of BusinessLDN helps to keep London and the UK working — for business, for Londoners, for the whole country.

Stephanie Pollitt
Programme Director, Housing

E stephanie.pollitt@businessldn.co.uk

T 020 7665 1427

One Oliver's Yard, 55-71 City Road, London EC1Y 1HQ

businessldn.co.uk

CBRE

CBRE is the world's largest commercial real estate services and investment firm, helping clients make informed decisions across the entire real estate lifecycle. We advise investors, developers, owners and occupiers on strategy, capital formation, development and operations, combining global scale with deep local market insight. Our teams support both financial performance and long-term value creation, in complex sectors such as living where market dynamics, policy and capital intersect.

John Percy
Senior Director, UK Public Sector, CBRE

Archie Burrows
Advisory & Transactions, UK Development Consultancy, CBRE