



HOW TO UNLOCK MORE AFFORDABLE HOMES FROM AVAILABLE RESOURCES?

LAR 2026 MANIFESTO



QUESTION: WHAT IS THE ONE THING THE GOVERNMENT CAN DO TO...

- ▼ Unlock **100s** of additional **affordable homes** fast?
- ▼ Make **limited public resources** go further?
- ▼ Help **hard working families** struggling with living costs?

ANSWER: USE LOAN FINANCE

How?

By lending financial transaction monies as **low cost, forward funded, long term loan finance** to mid-market rent (MMR) providers using the Lar model to unlock 100% additional affordable MMR housing, enabling town centre and brownfield regeneration and development of affordable rural and community housing.

Why?

More loan finance = life changing support for hard-working low-income households. MMR enables households on low to moderate incomes who do not qualify for social housing to live in high quality, energy efficient homes that are close to work and amenities, without spending more than a third of their household income on rent.

This year alone, Lar has been able to save almost £3M for its tenants – that is £3,616 saved in rent per annum for each household against the prevailing market rent, preventing financial hardship.

Grant funded programmes depended on affordable contributions from developers, which are unable to keep pace with demand - affordable housing approvals, starts and completions are significantly down (-31%, -21% and -22% from last year respectively[1]), while nurses, care workers, shop assistants and other key workers need affordable options now.

[1] [Housing Statistics for Scotland Quarterly Update: New Housebuilding and Affordable Housing Supply to end March 2025 - gov.scot](https://www.gov.scot/housing-statistics-for-scotland-quarterly-update-new-housebuilding-and-affordable-housing-supply-to-end-march-2025)

Low cost ensures low rents to tenants. At 0.1% interest, Lar can let homes at or below local housing allowance levels, providing an affordable option for households on low incomes who do not qualify or are not in a priority group for social housing and cannot afford private rents.

Typical MMR tenants are nurses, support workers and other key workers whose jobs are in areas of high housing demand and high rents. An initial low-cost loan of £55M as junior finance from Scottish Ministers allowed Lar to borrow a further £65M commercially, while keeping the blended cost of finance at a level that enabled rents to be set at below local housing allowance, while also amortising commercial debt.

Lending to non-profit organisations, such as Lar, means that rents can be lower, as they do not need to deliver a return to investors over and above servicing and repaying debt.

Forward funded gives certainty, enabling providers to respond to time-limited market opportunities, negotiate better deals and look at opportunities to cross subsidise at portfolio level.

Forward funding gives providers control over timing and allocations as the total loan is fully committed upfront. Certainty over funds enables continuous development that is not constrained by budget cycles as well as development across prime and more marginal areas, or a blend of easy and more complex sites, as the provider can look at feasibility and sustainability across the portfolio of opportunities.

With a total fund of £120M committed and at a fixed cost, Lar has been able to create a portfolio encompassing homes bought off-the-shelf and off-plan from developers, discounted portfolios from investors, design and build units on Lar acquired land, repurposed derelict and disused buildings.



Long term makes the acquisition and development of more complex and strategic sites possible for affordable providers and facilitating a considerable impact, bringing derelict and empty ‘eyesore’ buildings back into use, creating vibrant new communities.

It takes from 2-5 years to develop a site before any rental income can support borrowing costs. A patient long term loan would finance a project from acquisition to construction completion before interest or repayments start. More complex sites with abnormal land conditions, brownfield sites with contamination and listed or derelict buildings take longer to develop and can become unviable if commercially financed.

Long term capital allows sites to be acquired and thoughtful solutions to be developed. A 25 year loan with a bullet repayment has allowed Lar to take on projects such as the former Boatyard at Cockenzie, acquire buildings and develop tailored solutions for the Edinburgh Health and Social Care Partnership at Ford’s Road and Niddrie Mains Terrace, convert city centre buildings such as former St Kentigern’s Church at Fountainbridge in Edinburgh, and repurpose former factory buildings into residential use at The Quadrangle in Glasgow.

Loan means that support provided by government is repayable, and therefore good value for the taxpayer and repaid funds can be reinvested.

Lar’s initial loan is fully repayable by 2040 as a bullet repayment through refinancing against its assets. Commercial debt borrowed in addition to the Scottish Minister’s loan can either be amortised or repaid as a bullet repayment. If commercial borrowing is amortised during the loan term, this will reduce the amount of commercial borrowing as rental income needs to cover debt and interest payments, however, paying back debt over the life of the loan will reduce the overall refinancing risk as amount of debt to be refinanced against asset value in the model decreases.

If all debt is repaid as a bullet repayment, a higher level of commercial debt can be borrowed on top of Scottish Minister’s debt upfront, and refinancing will rely solely on house price inflation to create Loan-to-Value headroom. Lar will repay £55M to Scottish Ministers in 2040, which has already delivered 800 units for MMR in perpetuity. It is estimated that £55M in 2040 would support the delivery of a minimum of a further 200+ units if re-lent on a like for like basis.

BENEFITS OF PATIENT, LOW-COST, FORWARD FUNDED LOAN FINANCE:

Tried and Tested

SFT and Scottish Government successfully piloted this financing model with Lar Housing Trust, and it was subsequently used to capitalise Thriving Investments and Highland Housing Alliance delivering 2000 units for £114M of 0.1% interest loans.

Quick and Easy To Do

No need to spend time or money on legal or professional fees, as the necessary agreements are already developed and have been approved by government departments and commercial banks' credit committees.

Great Value For Money

Loans are repayable, so government will get its money back and can recycle the loan capital to unlock further projects. At 0.1% interest rate, loans allow matching private finance, while still keeping rents at or below local housing allowance levels.

Availability

Budget for these loans comes from the several billion of Financial Transactions (FTs) monies received from the UK Government that can only be used to support the private sector. **Currently FTs are used to fund the Scottish National Investment Bank. However, this does not provide low-cost or 'soft' loans, but could, if directed to do so by Ministers.**

Fast Delivery

Forward funding means that providers can access time-limited opportunities with ease, and delivery is not constrained by budgetary cycles or approvals processes. Particularly in high demand areas, where there are active construction sites, all developers have units on the shelf and ready off plan. With adequate funding, providers can approach mainstream builders as soon as loans have been committed.

Unlocking Regeneration

Providing 0.1% loans facilitates delivery of more complex regeneration projects as cost of capital is not prohibitive and loan terms are not restrictive to projects, that require whole site / building renovation before any units can be occupied and start to generate rental income.

Additional Affordable Housing

As this investment comes from FT monies, it is separate to grant funded programmes, and therefore offers a completely additional, fast and cost-effective boost to overall affordable housing supply above and beyond developer section 75 contributions. Between 2015 and 2018[2], Scottish Government provided £114.1M of low-cost loans which unlocked a total of £406M of investment into 2000 MMR homes.

Life changing support for hard-working low-income households

Private rents across Scotland have on average increased over 40% in the last five years and nearly 60% over the past decade. Average 2-bed rent in Edinburgh was £1,443 and in Glasgow was £1,205[3] at the end of December 2025, against median household income of £2800 per month in Scotland in 2024[4]. For a household not to spend more than 30% of their income on rent alone would require a minimum income of £58k and £48k respectively.

Options

Thanks to the innovative financing structure of Lar, its MMR units are in perpetuity allowing tenants to make a home and put down roots. Almost 50% of Lar's tenants leave to buy a home of their own - with the deposit they have been able to save thanks to Lar's low rents.

If you would like to learn more about Lar Housing Trust or our past and current projects and the work we do, please visit www.larhousingtrust.co.uk or do drop us a line at info@larhousingtrust.co.uk. We would be delighted to explain what Lar does in person and show you some of our developments.

[2] HIGP3002-Economic-and-Social-Benefits-Assessment-July-2024-MMR-Properties-Scotland-FINAL-lower-res.pdf

[3] Calm After The Storm

[4] Chart of the week: Regional incomes | ICAEW