

Challenges and Opportunities for Social Rental Housing in Emerging Markets

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Across many emerging markets where AHI has worked over the years – including countries in Latin America, Sub-Saharan Africa, Eastern Europe, and Asia – rental housing exists but is often informal, not professionally managed, and not formally adopted by government as a deliberate policy to address diverse housing needs.

In Ukraine, for example, official statistics indicate that less than 4% of households live in private-rental housing, when in reality, it is estimated that this market actually accounts for almost 13% of the country's total housing.¹ However, most of these arrangements remain informal without written contracts or legal protections. Public or social rental housing,² on the other hand, is virtually non-existent and represents less than 0.5% of the total housing stock.³

Governments from most of these regions have historically prioritized housing policies and programs that promote homeownership rather than supporting a broader range of tenure options. While this may align with prevailing cultural preferences, and can therefore generate political support, it often fails to address the needs of lower-income households and other segments of the population (young people, the elderly, migrants, etc.) for whom rental housing, and in particular social and/or affordable rental housing, may provide a more appropriate, affordable, and flexible solution to their housing needs.

What makes social rental housing more challenging than homeownership programs?

The social rental housing value chain shares many links with other types of tenure, including homeownership. On the supply side, it requires roughly the same steps: securing and servicing the land, obtaining permits, designing units, and completing construction. On the demand side, eligibility criteria determine which households qualify and are allocated housing, sometimes supplemented by subsidy, and eventually reach contract signing. Nonetheless, social rental housing also carries challenges specific to its own tenure model.

¹ Crises Conflict and Recovery Working Group (2026) Ukraine's rental housing system: a Rapid Diagnosis and Open Access Report, ENHR CCR WG with Centre for Urban Research, RMIT University.

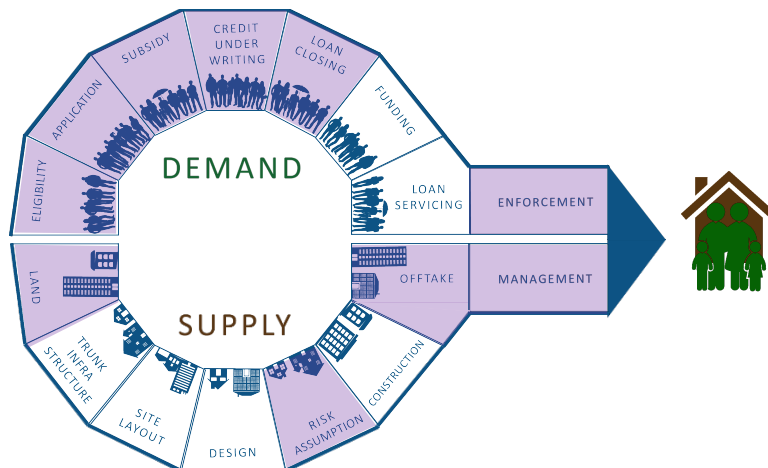
² While affordable housing is a broad term generally used for housing at below-market prices for low- to middle-income households encompassing different forms of tenure, social rental housing usually refers to deeply discounted rental housing targeting a defined group of eligible households.

³ Housing Institute. 2024. Municipal Housing Stock in Ukraine. Challenges and Opportunities.



The first is financing. Compared to housing destined for homeownership, rental housing generates lower short-term returns, since there is no immediate profit from selling units at construction completion. Instead, returns accrue over a longer period, creating a profitability gap up front. That rental income profile means development loans ideally need tenures of 20-30 years to make a project viable, but few capital markets (if developed) or banking systems can offer terms anywhere close: in Latin America and the Caribbean (LAC), most banks cap out at 5-10 years; in many African countries, at 5 years or less.

Figure 1. Social rental housing value chain. Source: AHI, 2026



Governments are therefore often required to intervene by introducing mechanisms that can reduce lender risk and the cost of long-term financing to make social rental housing projects viable, draw in private, non-profit and other institutional actors, and keep housing affordable.

A further complication arises at offtake. Selling a unit is a clean exit; renting is a permanent management commitment — a fundamentally different business model from the one most developers operate under. Today's sector is dominated by developers whose instincts and exit expectations are built for a sale, not for the patient, long-term capital that rental requires.

This connects to a broader challenge: management. In social rental housing, the hard part usually isn't construction, it's what comes after. Acting as a landlord, especially for social housing, is a complex responsibility that requires a distinct set of capabilities. These include asset management, preventive and corrective maintenance, rent collection, tenant relationship management — sometimes further complicated by the diverse forms of vulnerability that beneficiary households may experience (e.g. low income, single parenthood, or other socio-economic challenges) — and, where necessary, resolving conflicts involving beneficiary households. These skills and responsibilities differ significantly from those of a developer. Yet in markets where professional rental housing operators have not emerged as a distinct category of ecosystem actors, or mostly focus on the higher end of the market, these two roles often blur, with developers sometimes expected to assume landlord responsibilities as well. Failing to recognize social housing management as a separate, specialized function is one of the main reasons social rental housing programs struggle to achieve sustainable performance over time.

The South African model is a virtuous example where institutional capacity building was treated as a core component of sector development from the outset. When the social housing model was introduced, South Africa did not yet have a mature ecosystem of specialized organizations capable of developing, financing, operating, and maintaining social rental housing at scale. The creation of



the Social Housing Regulatory Authority (SHRA) therefore went beyond establishing a regulator and funding agency: it also created an institution responsible for actively developing the capabilities of emerging Social Housing Institutions (SHIs) and other delivery agents. Through Institutional Investment Grants and other support mechanisms, SHRA assists organizations with pre-accreditation, project feasibility and preparation, staff recruitment and operational readiness, remedial support for underperforming institutions, and broader training and capacity-building activities. In this sense, the South African experience illustrates that a social housing delivery ecosystem does not necessarily emerge spontaneously: public investment may be required not only to finance housing projects, but also to create and strengthen the institutions capable of delivering and managing them sustainably over time.

Figure 2. Social housing developments in South Africa. Source: SHRA, 2026



For countries where the rental component is nascent and who are trying to introduce social rental housing – from Brazil under its Minha Casa Minha Vida program to Ukraine as part of the reconstruction and housing reform efforts – separating the development role from long-term management and forming a dedicated category of professional social housing operators is essential.

The enabling conditions for social rental housing to work

On the one hand, housing is highly political and is often used as an easy way to gain votes and is therefore subject to changes with each political/election cycle. On the other hand, rental housing projects, especially those targeting low-income households, take a long time to repay costs and generate returns. Therefore, it requires political stability and commitment to policy consistency over the years.

This stability is also necessary to create trust among the actors expected to participate in the sector. Social rental housing typically depends on long-term financing and long investment horizons, and lenders, investors, developers, and operators are unlikely to enter these transactions if they cannot reasonably expect the regulatory framework, public support, and revenue model to remain stable over time. Policy



continuity is therefore not only important for individual projects, but also for allowing a broader ecosystem of specialized actors to emerge and mature.

Evidence of this can be found in countries like France and Austria, where social rental housing policies have been implemented for over 100 years. This long-term continuity and consistent financial investment, supported by the development of appropriate instruments over the years, have enabled social housing to develop and scale as a sector, which now represents 14.8% of housing in France and 23.5% in Austria.⁴

Countries like the UK and Spain, on the other hand, were characterized by policy inconsistency, with units being sold off over the years and a drift away from the original mission and objectives of social housing, showing how instability and lack of political commitment can destroy rental ecosystems faster than bad policy.

Chile may be heading the same way. After several years of policies supporting rental and social rental housing, the 2026 election brought in a government with the opposite view – one that has already signaled a shift back toward homeownership, undercutting the progress made so far in building a social housing sector.

Policy continuity also requires understanding social rental housing as a complement to, rather than a competitor of, homeownership programs. Different tenure options respond to different housing needs and stages of the household life cycle. While ownership may be appropriate for households seeking long-term residential stability and who have the ability to assume the associated financial commitments, rental housing can respond more effectively to younger households, mobile workers, older people, households undergoing transitions, migrants, or families that cannot access ownership. A diversified housing policy should therefore offer different solutions for different needs, rather than treating one tenure model as a substitute for another.

Emerging opportunities

Over the past few years, we have seen an increasing number of countries consider introducing social rental housing as a deliberate housing policy. This emerging trend is particularly visible in the LAC region, in countries like Brazil, Ecuador, Peru, and previously, Chile.

Several International Finance Institutions (IFIs) have recognized this momentum and are supporting it through research, technical assistance, funding, and policy advocacy. AHI has been contributing to these efforts through initiatives in countries including [Ukraine](#), [Ecuador](#), [Brazil](#), [Peru](#), [Panamá](#), and [Mongolia](#). These initiatives can also foster knowledge sharing, allowing emerging markets to draw lessons from countries with more experience in social housing and to avoid past policy shortcomings.

For example, between the 1950s and 1970s, France responded to severe housing shortages and rapid population growth through the mass construction of moderate-rent social housing

⁴ Housing Europe. 2025. The State of Housing in Europe – 2025.



(Habitations à Loyer Modéré, or HLM). While this large-scale building policy met an urgent need for affordable housing, many developments were concentrated in peripheral urban areas. Over time, this spatial concentration contributed to patterns of residential segregation and the marginalization of already vulnerable households. In response, housing and urban policies in recent decades have increasingly sought to promote greater social mix and reduce the spatial inequalities associated with earlier approaches.

While knowledge sharing can be catalytic in introducing the social rental housing model, it must be complemented by appropriate financing instruments that provide long-term funding, reduce reliance on short-term interventions, and enable the sector to scale sustainably.

What should governments and donors prioritize to support the sector?

Key enabling conditions for social rental housing can be categorized as follows:

1. Policy: sustaining political commitment to create and maintain enabling conditions, building trust across sectors, and bringing private sector stakeholders on board.
2. Financial: introducing financing instruments (guarantee funds, concessional loans, refinancing schemes) that unlock more affordable, long-term capital.
3. Institutional: recognizing the missing actor in the ecosystem (the social landlord) and building the capacity to fill that gap for long-term management.

Building the housing is the easy part; building the institutions to manage it for the long run is the real test. With so many countries now moving to introduce social rental housing, this is the moment to get that foundation right.

