Why vital real estate needs active investment





Sian Roberts & Rodrigo Cortes, Co-Heads of Distribution, Octopus Capital

In operational real estate, how an asset is run can matter just as much as the building. At Octopus Capital, close oversight and specialist teams help us spot problems early and act before they escalate and aim to protect income and long-term potential value.

Vital real estate: meeting essential demand responsibly

Care homes, affordable housing and retirement living support some of society's most fundamental needs. And they can offer investors resilient income.

Vital real estate addresses a persistent gap between society's needs and the supply of suitable places to live and receive care. In England, 1.34 million households were on local authority housing registers at 31 March 2025 – the highest number since 2014. Only 263,000 households received a new social letting during the year. These figures point to the scale of demand for good-quality, genuinely affordable homes.

An ageing population adds to that demand. The number of people aged 85 and over in the UK is projected to rise from 1.8 million in 2024 to 3.6 million by 2049. At the same time, care-home capacity is not keeping pace: in England, there were nearly 450 fewer care-home beds per 100,000 people aged 65 and over in April 2026 than in April 2019. The need for modern care homes, accessible housing and retirement communities is likely to remain substantial.

Michael Toft, Co-Head of Real Estate at Octopus Capital, puts it simply: "As the need for this type of housing continues to build, we see an opportunity for private capital to help deliver these much-needed homes. Managed correctly, this investment can aim to deliver attractive returns over a long period."

Meeting that need takes more than capital and buildings. These assets are people's homes and – in many cases – where residents receive essential support. Poor service, weak governance, or unsuitable accommodation can harm residents and investors alike, leading to regulatory intervention, reputational damage, lower occupancy, and weaker financial performance.

The opportunity is to provide essential infrastructure responsibly, through platforms with the expertise and authority to act when problems emerge.

The platform approach to operational real estate

While financial performance depends on the building, it also depends on the operator, the service customers receive and the manager's ability to spot and address problems early.

Investors therefore need a manager with the expertise, information, and authority to act, rather than simply monitor from a distance.

Octopus Capital has built operating platforms that bring together sector specialists, close operational oversight, and a focus on customers. The examples below show how this works across care homes, affordable housing and retirement living – and how, in each case, staying close helps us act early to control operational and reputational risk.

Care homes: clinical oversight

In care homes, long-term value depends on the standard of care and the strength of the operator, and reputational risk can quickly become a financial one. No risk can be reduced to zero, but this one should never go unaddressed. Our quality assurance team helps us manage it proactively. Led by Carrie Pilgrim, Head of Quality Assurance at Octopus Capital, it includes three registered nurses with more than 25 years' experience each, supported by a consultant geriatrician and an externally chaired clinical committee.

Clinical expertise runs through our investment process. Before we invest, the team carries out detailed due diligence on each operator. Once a home opens, our nurses visit at least annually, monitor regulatory reports and care quality indicators, identify homes that need closer attention and share best practice across the portfolio. Their aim is simple: identify concerns early and prevent problems before they escalate.

We reinforce this with detailed operational, financial and environmental reporting, and with rights that let us act early, before issues affect residents or become financially significant. "Our team has a depth of experience across health and social care, and we know what a well-run care home looks like. Clinical insight helps us see beyond the numbers, identify concerns early and work with operators to improve care. Better outcomes for residents can also protect the long-term value of the investment," says Carrie Pilgrim.

The strength of our approach is demonstrated by the resilient performance of our portfolio – both financially and operationally – through recent market challenges. We have continued to grow the portfolio to 115 high-quality homes in partnership with 31 operators, while exceeding our target returns and ensuring our operators have the foundation to provide the care each resident needs.

Affordable housing: helping the end customer

The same principle applies in affordable housing: the closer we are to how homes are run, the earlier we can act.

Affordable housing investment can provide investors with resilient, index-linked income, but only when homes are well managed and residents are treated fairly. Our Octopus Affordable Housing strategy

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A brighter way

addresses this by owning NewArch Homes, a regulated housing provider, rather than relying on long leases. NewArch keeps landlord responsibility, governance oversight and regulatory accountability, while approved housing associations provide customer-facing services.

This model keeps Octopus Capital close to the risks that matter. NewArch's strategy has four priorities: delivering affordable homes at scale, maintaining their quality over the long term, treating customers well, and operating safely and soundly. They are supported by a 30-year asset-management plan, resident engagement, partner accountability, financial resilience and regulatory compliance.

The result is an operating platform designed to align customer and investor interests. Well-managed homes support high occupancy and stable income, while clear accountability and active oversight help protect reputation and long-term asset value. That is how specialist management can turn affordable housing from a passive property holding into resilient social infrastructure.

As Jack Burnham, Head of Affordable Housing for Octopus Capital and CEO of NewArch Homes, says: "I spent 15 years in the affordable housing sector before joining Octopus Capital, so my team and I understand its operational complexity in detail. We lean into that complexity rather than keeping it at arm's length. And this gives investors confidence that their manager understands the asset class, helps manage its risks actively and can deliver positive impact for both residents and investors."

NewArch now owns more than 1,000 operational homes, and the strategy has exceeded its return targets to date. But the platform's value goes beyond scale and financial performance: direct ownership gives us room to innovate for residents. At Carpenter's Yard, homes are eligible for Octopus Energy's Zero Bills tariff, designed to remove energy bills for at least five to ten years. Direct ownership also lets us bring the wider Octopus Group approach, including Octopus Energy's focus on innovation and customer service, into affordable housing.

Retirement living: the power of an integrated platform

Retirement living goes a step further. Rangeford Villages, owned by another part of the Octopus Group, demonstrates the power of combining investment, development and operational expertise in one platform. Our involvement covers the full lifecycle: selecting sites, shaping design, overseeing construction, sales and pricing, and the resident experience.

That integration gives us more ways to create value than a traditional property investment. We can apply what we learn from operating communities to new developments, respond quickly to changing customer needs and focus capital on the best opportunities.

The result is a stronger, more scalable business: five operational villages, around 800 homes and three further communities in the pipeline. Sales have improved in each of the past three years, prices achieved at three villages are ahead of original underwriting, and Strawberry Fields has received four industry awards.

By staying close to every stage, we can protect and create value for investors while improving the product and customer experience and helping to provide safe communities for our ageing population.

Scaling internationally

We believe our operating models can scale internationally. We already work with global investors and operators active across Europe, supported by our team in Madrid and the wider Octopus presence in Australia.

"In Spain, we have built a local team with a detailed understanding of the market, regulation and operating environment. Combined with our experience in the UK, this gives us a strong base from which to expand our existing platforms. We see significant opportunities in Spain and across Europe to apply this approach at greater scale," says Cristina Perez Liz, Co-Head of Real Estate & Head of Spain at Octopus Capital.

In each market, we apply the same core disciplines: deep sector expertise, carefully selected local partners, close operational oversight and a focus on customer outcomes. Regulation and market structures differ, but the principles of good management travel.

Close enough to act

Operational real estate can help address some of society's most pressing social infrastructure needs – from quality care and affordable housing to better retirement living. These are long-term needs that require committed capital, specialist expertise and active management.

At Octopus Capital, we bring those capabilities together through teams and structures that remain close to customers and operations, which allows us to spot issues early and act before they become costly. As demand grows in the UK and across Europe, that is the opportunity: to invest in the essential infrastructure society needs, with the expertise to run it well.

Octopus Capital is part of Octopus Investments, a B Corp-certified asset manager that invests in the people, ideas and industries that will change the world. Our focus is real estate, infrastructure and private debt.

Find out more about our strategies at octopus-capital.com

[1]Ministry of Housing, Communities & Local Government, Social housing lettings in England
[2]Office for National Statistics, National population projections: 2024
[3]Care Quality Commission, The state of health care and adult social care in England 2025/26