

Alternative fix for housing crisis



Lending a hand Roxana Mohammadian-Molina

It is no secret that the UK is suffering from one of the worst housing crises in generations. Governments have described it as the nation's most urgent and complex challenge and said that solving it is the biggest domestic policy challenge of our generation.

The Covid-19 pandemic is set to make the crisis worse. A new study by Savills and Shelter shows that more than 300,000 planned new homes may remain on the drawing board in the next five years, the equivalent of the government's annual target for building new homes. Lockdown-induced delays in construction and the recession will cut the number of new homes being built by 85,000 this year alone.

Disturbingly, construction of much-needed affordable and low-cost housing will suffer most. The research shows that social

housing may fall to 4,300 units annually - the smallest number since the Second World War.

While Boris Johnson's plan to reform the planning system and "build, build, build" is welcome, one key issue still needs addressing: funding. The Home Builders Federation report 'Reversing the decline of small housebuilders: reinvigorating entrepreneurship and building more homes' highlighted how availability and financing terms for residential development have become extremely difficult for small housebuilders over the past decade or so.

Traditional lenders have

drastically changed their attitudes to the sector since the financial crisis. At a time when large-scale public borrowing will see an unprecedented deterioration in public finances, chancellor Rishi Sunak will be scratching his head as to where to find the cash.

This could be resolved by inviting alternative lenders such as Blend Network, which emerged in response to the lack of funding from traditional lenders after the financial crisis, to be part of the solution - particularly, peer-to-peer lending platforms.

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Our lenders are looking for yield and are happy to invest in property-secured loans

The prime minister, who promised his government would "put its arms around people at a time of crisis", would be delighted to know that we are able and willing to lend to SMEs and support the national housebuilding effort, and help deliver his vision to build the

homes the country needs.

As a key player in the alternative lending space, Blend Network strongly believes the time is ripe for alternative finance providers to work with traditional lenders and high-street banks to achieve a shared goal: delivering the houses the UK needs and supporting small housebuilders that struggle to access traditional funding channels.

Not only is this our duty, it is what investors are demanding. Our lenders, a mix of high-net-worth investors, family offices, institutional investors and retail investors, are looking for yield and are happy to invest in UK property-secured loans.

In the past couple of months, we have seen an increase in appetite from investors looking at private debt as a way to protect themselves against the volatility of the stock market. This led to us funding our two largest-ever loans, with a record number of lenders, in May and June.

Roxana Mohammadian-Molina is chief strategy officer at Blend Network

Help to Buy alone is not enough



The home front Dean Clifford

Green shoots have started to show in the housing market, from an uptick in mortgage enquiries, renewed interest in certain properties such as houses with gardens, and big statements of confidence from major housebuilders such as Taylor Wimpey.

But there are big challenges

ahead, from tighter mortgage lending to reduced housing delivery as a result of coronavirus. For the feel-good factor to return, government action is required. Berkeley Group CEO Rob Perrins recommended cutting stamp duty, scrapping the Community Infrastructure Levy and extending Help to Buy. He's already got some

of what he wanted: a nine-month stamp duty cut that will stimulate transaction levels and in turn boost housebuilding. Meanwhile, the industry is reportedly in talks with the government to extend the equity loan scheme, which has had both its supporters and detractors.

Some have accused Help to Buy of pushing up house prices, inflating housebuilders' profits and risking putting the taxpayer in negative equity if there is a housing crash. But house price inflation is more attributable to planning restrictions that have resulted in decades of structural undersupply,

a problem compounded by years of rock-bottom interest rates and quantitative easing, which have hiked asset prices.

However, Help to Buy undoubtedly supported housebuilding after the financial crisis by stimulating demand among those who wanted to get onto the housing ladder. It helps people achieve homeownership, which remains the aspiration of most Britons, including many renters. So the government is right to revive the Starter Homes initiative: properties for first-time buyers that come with a perpetual

Offices may emerge stronger



Office angles Barry Jessup

There seems to be major angst building over how real estate will respond to seemingly conflicting reports about how productive and safe everybody is at home, versus the time and expense of working from an office.

It astonishes me that people think this is a new phenomenon. What you have in reality is an acceleration of trends very evident for the past few years. Technology allows us to work from anywhere and there is now a presumption that this is acceptable. For millennials, long commutes are anathema. They also want a working environment that blurs seamlessly with their personal lives, and an employer and workspace that accord with their belief system. Covid-19 has just brought all this into sharper focus.

A lot of office occupiers have been considering how to adapt to this for a while. They demand flexibility (both physical and legal), access to

high-quality staff amenities and strong social and environmental credentials. They realise that in a lot of cases, the office they occupy is a direct reflection of the brand image they project, and this will be a major factor in recruiting and retaining their key talent. The importance of this won't change post-Covid-19.

We also know that office demand in regional cities and towns has increased rapidly over the past few years. We know about the surge in values driven from the knowledge sector along the Oxford-Cambridge Arc, with Cambridge leading, Oxford following on and Milton Keynes about to get in on the act. We have also seen a surge of demand and value in cities such as Brighton and Bristol, which benefit from a very high-quality lifestyle offer as well as rich pools of local talent.

This trend is likely to accelerate as large businesses realise they can both cater to their employees'

discount. That is not to say Help to Buy is perfect. There is evidence it has pushed up house prices and aided first-time buyers who didn't need help. The pandemic has also made clear the need for better-quality homes that promote wellbeing and support modern lifestyles, so a renewed Help to Buy scheme must be used to drive higher-quality developments.

Planning reform needed

To bring the housing market back to life, the government must do more than just subsidise home ownership. We need more supply across the board. Planning reforms like those announced in Boris's "build, build, build" speech, such as making it easier to replace

commercial buildings with housing, will speed up delivery and de-risk development. Fewer planning barriers will help level the playing field for the SME developers.

Yet unless planning departments are properly funded there is little point in reforming the planning system, as councils won't have the resources to process applications speedily and enforce regulations. And while the government is right to prioritise homeownership, a broader mix of housing types and tenures is needed to reflect the new world we are living in.

Greater state funding is needed to build more affordable and social housing. A shortfall of homes has led to long waiting lists that put people at risk of homelessness or



Brighton: among the regional cities where office demand is growing

wishes to reduce commutes and save money by adopting a hub-and-spoke office strategy.

First-rate regional space

This will further increase the demand for space in these locations – but not any old space. It won't be acceptable for the new offices at the end of the spokes to be seen as second-rate; they will need to provide all the flexibility, wellbeing and sustainability credentials that employees and employers expect.

The other question being asked is whether a glut of office stock will come back to the market as occupiers realise that their staff can work efficiently from home, and see the opportunity to cut costs. This misses the whole point

of the office. Of course you can work very efficiently – sometimes even more efficiently – from home. But humans aren't wired or motivated by efficiency; the office performs a crucial role as a place of collaboration, idea creation and learning. These are far harder ambitions to achieve in an online world. And the talent pool you will be fishing in, if that is your employee offer, will be very shallow.

So at the end of this global upheaval, we might actually end up with better workspace spread more evenly around, helping to support regional high streets, with occupiers and employees finally getting what they want.

Barry Jessup is a director at First Base

living in accommodation that is inadequate. While many still aspire to own, more people are renting privately and for longer – a trend unlikely to be reversed by Covid-19. Encouraging institutions to invest in the emerging build-to-rent sector will be crucial to meeting this growing housing need.

Help to Buy helped rescue housebuilding after the financial crash and has helped thousands reach the dream of owning their own home. But extending the programme without reform and not as part of a wider package to boost supply will not get Britain back to building again at the levels the government wants.

Dean Clifford is co-founder of Great Marlborough Estates

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