

INDUSTRY INSIGHTS

Addressing the housing shortage post Covid-19

Could empty retail units provide a solution to housing shortages?

During recent months we've all needed to adapt to a life changed by COVID-19. There's not been a more disruptive incident in a generation with its fallout impacting our futures in ways we never thought possible. The human impact has undoubtedly been immense and may never totally heal but there is hope that the financial shock experienced will recover in time as we adapt to a new way of living.

As everyday life and some semblance of normality resumes more regular concerns will come front of mind once again. Social issues such as the acute shortage of housing for example are likely to reappear - but how has the pandemic affected this problem? The availability of property has changed for one but before we consider this, let's firstly take a look back at the extent of Britain's housing crisis.

THE LEVEL OF HOUSING SHORTAGES*

Household growth is one factor affecting overall housing need. The number of new households in England for example is projected to grow by 159,000 per year, based on current trends.

- The backlog of existing demand for suitable, affordable accommodation is often cited as a pressure on housing supply, as is desire for more space by households that can afford it.
- There has been a range of research into the amount of new housing needed, with estimates as high as 340,000 new homes per year.
- The government's target is to supply 300,000 new homes per year by the mid-2020s.
- There is geographic variation in household growth and housing need, with greater demand in London and the south of England.

GETTING BACK ON TRACK

As recent as March this year the government announced relaxed new measures to accelerate the building and modifying of homes, welcome news to potential property owners and those of us in the mortgage industry.

These new directives were announced before COVID-19 took its negative grip but will no doubt be considered helpful by most in the current climate to speed up house building. Planning departments have become fully functional again to approve new projects. This will lead to builders' merchants reopening and construction sites coming back to life ensuring that house building will accelerate. The question is, what other new residential opportunities will be available post Covid-19?



NEW HOUSING OPTIONS

Adapting redundant retail units is one answer. Vacant shop units could be increasingly reclaimed and converted into housing but why have so many sites recently become available?

There are a number of economic reasons but, in short, I believe the main reason is that over the last few years, due to the increasing popularity of online shopping, our high streets and town centres have become a shadow of their former selves. There's been a huge change in consumer shopping behaviour.

Even prior to Covid-19 many retailers dependent on a high street presence gave profit warnings or have since gone to the wall. In recent 'pandemic months' we've fallen even further out of love with the physical in-store experience with internet shopping taking centre stage. After all, why would we risk our health or shy away from the convenience of on-line browsing and door to door delivery?

The demise of the town centre retailer was already in view but massively accelerated by the Coronavirus. As a result we're seeing a change of usage for some of these underutilised units with many examples of premises becoming or destined to become split retail / residential dwellings or a complete change of use to flats and apartments.

The examples are endless and seen in virtually every town and city - I can reel off a string of examples in Hertfordshire where Harpenden Building Society is head quartered. The former Debenhams store in Welwyn Garden City is one such case and has gone through planning for part conversion to 27 flats. Could a similar outcome be seen at former British Home Stores vacant around the UK or some of the department store giants now facing closure post COVID-19?

With permitted development rights relaxed in recent years allowing offices, pubs and other redundant buildings to become housing, surely we will see more flexibility when it comes to change of use for unviable retail units. Advancing building techniques such as 'modular' construction is also making it easier for retail space to be quickly converted into residential dwellings.



THE MORTGAGE INDUSTRY'S RESPONSE

So change is afoot. Housebuilders once dependent on clearing brownfield sites or negotiating the complexity and controversy of a green belt planning application may see alternative options arising. The availability of redundant retail units coupled with the shake-up of planning laws to trigger a home-building surge is one such opportunity and could kick start housing development in ways previously unimagined in our town centres.

As lenders, mortgage intermediaries or those involved in servicing the wider property market we need to prepare, ensuring we can service and help drive new opportunities. The demise of town centre retail could be a valuable accelerant to a much needed housebuilding drive.

Future mortgage applications may look different as a new breed of property comes onto the market but the team at Harpenden Building Society will be looking at all requests in the same individual way. Every application, however complex will be reviewed by a personal underwriter with a solution-driven approach.

This and other opportunities will create a bright future for the mortgage industry beyond Covid-19 – we're ready.

Craig Middleton

Craig Middleton, Mortgage Sales & Distribution Manager, Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.