

Why UK real estate planning isn't all about new builds

Daniel Austin, CEO and co-founder at ASK Partners looks at the potential of adaptive reuse for housebuilding growth.

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- Daniel Austin - ASK Partners

The UK has a widely reported and growing housing shortfall as a result of underbuilding since the 1950s. A broken planning system and local objections have been blamed and aside from the human cost, this has become a major economic problem.

It is very hard to increase growth without being able to provide homes, and the associated infrastructure, for workers in high-growth sectors such as life sciences, pharma and tech.

We have recently seen a number of planning decisions referred to by the Secretary of State which can delay the delivery of schemes by years and create such uncertainty that developers are reluctant to take the risk.

With an election on the immediate horizon, both political parties are making promises to fix the planning system, but with political agendas becoming ever more populist, the question is whether either party can come up with plans that will genuinely accelerate growth without losing them votes; which is the exact reason why central and local government should not be involved in the planning process at all as they cannot be impartial in controversial decisions which have a major impact on their electorate.

An often overlooked and relatively new aspect of the potential for housebuilding growth in the UK is adaptive reuse. This process, which involves repurposing existing structures for new functions has become a popular development strategy since the Covid pandemic, with developers actively seeking out those assets which will benefit from being re-positioned to take advantage of the shift in occupier demand, such as office to residential conversions.

These projects are easier to obtain financing for as loans can be secured against a fixed asset rather than a piece of land. Construction risks are reduced and critically in an inflationary environment, costs are also lower. It is also a more sustainable approach, emitting less carbon than demolition or ground-up development.

Crucially, it can skirt planning hurdles altogether. In some cases, conversions can be carried out under permitted development rules. One such example is an office building in Solihull which was converted into 181 apartments under permitted development and with minimal changes to the core structure of the main buildings. The project was completed on time and on budget given the lower construction risks.

Permitted development projects are not always possible but where full planning permission is required, conversions of existing buildings are far less likely to receive local objections. Locals tend to be in favour of breathing new life into unattractive disused buildings and boarded-up shops to bring back vibrancy to the local area and economy.

An example in this case is the Z Hotels group, which has acquired a number of central London sites for conversion into its now well-known compact luxury hotels. ASK recently financed the acquisition of a vacant office block in Leicester Square which the group now planning to convert into a further hotel in its portfolio.

Furthermore, research carried out by the homeless charity, Crisis, found that there are currently 250,000 homes sitting empty and in disrepair in the UK. Not repurposing them is clearly a missed opportunity to provide genuinely affordable housing for those in need and proof that it's not all about new builds; it just requires a change of mindset. The repurposing approach also unlocks development opportunities for small and medium-sized developers.

As a specialist real estate debt provider, these are the kind of creative property developers we want to support and who can contribute to creating a resilient, sustainable, and vibrant real estate sector that aligns with the diverse needs of communities and the ever-evolving landscape of the UK.

As such, we offer bespoke lending solutions, in many cases at the pre-planning stage, based on our flexible underwriting process which enables us to evaluate projects factoring in location, underlying land value and potential.

So, whilst the planning system remains a huge hurdle in the UK, there are huge numbers of existing buildings ripe for refurbishment and conversion which just require creative strategies that align with the changing demand for the built environment to help them become the much-needed homes we require, and less controversially and more sustainably.