

MFS Insights:

How can specialist
lenders facilitate
an increase in the
supply of homes?



Financing property developments

Specialised lenders may not offer the initial development funding required for a housing construction project. However, they can offer support as the project approaches its conclusion.

Incomplete developments are a widespread occurrence. Frequently, this stems from developers facing financial constraints towards the end of a project, a problem that became increasingly prevalent as costs rose across 2022 and 2023. Furthermore, delays in supply chains can also hamper plans and delay completion.

Development Exit Loans offer a solution to this problem. They allow developers to settle their initial development loan, thus preventing penalties for late repayment. Subsequent funding can then be supplied to facilitate project completion, paving the way for the sale or rental of the property, and ensuring a smoother process for developers.

**Development
Exit Loans offer
a solution to this
problem.**



Making use of empty commercial units

Due to the pandemic-induced switch to hybrid working patterns, data suggests that 14% of London's commercial office space was unoccupied during the summer months. Currently, the equivalent of 60 Gherkins' worth of office space lies abandoned in the Capital. As such, a strong case should be made for transforming commercial units into new homes.

Following the government's revision of "permitted development rights" in 2021, properties falling under the Class E classification – encompassing establishments like banks, gyms, and shops – have become more viable projects to take on due to reduced planning permission for changing their designated usage. However, some landlords may need additional

capital to turn their unused commercial property into flats or houses, so lenders who can provide them with bridging loans to carry out the necessary work will come to the fore.

Considering the substantial number of unoccupied commercial spaces in London, precisely where demand for residential properties is highest, such projects are likely to seamlessly align with the preferences and requirements of today's prospective buyers and tenants.

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Adding extensions to existing properties

The need for new homes is undeniable, but equal consideration should be given to augmenting the square footage of current properties.

Addressing the housing crisis extends beyond constructing entirely new buildings. It encompasses the expansion of living space, be it through extra bedrooms or the extension of living areas.

Fortunately, the Government is enacting legislation to streamline the process of implementing such extensions. Indeed, Housing Secretary Michael Gove recently revealed plans to significantly reduce red tape, thereby enabling a larger number of individuals to undertake loft extensions.

This approach looks to 'make better use of the buildings we already have'. In the pursuit of doing so, lenders can supply landlords and investors with financial products that allow them to carry out such work on their properties quickly, and with a great deal of flexibility.

Examples of

MFS' Financial Products:



**Residential
Bridging Loans**



**Commercial
Bridging Loans**



**Permitted and
Light Development
Bridging Loans**



**Developer Exit
Bridging Loans**



**Buy-To-Let
Mortgages**

Britain must

**“make better use
of the buildings
we already have”**



Getting derelict property back on the market

Data shows 676,452 homes in England alone sat empty in early 2023, of which 248,633 were unoccupied for longer than 6 months.

Utilising these could provide another effective way of boosting housing supply for both buyers and renters alike, putting these properties back on the market.

However, many will likely not be up to livable standard, while others will be caught up in probate proceedings or other legal complexities.

For investors seeking a property to revitalise, and thereby grow the number of available habitable homes, there are several options available. For instance:

- ▶ There are dedicated platforms and auctions tailored to discovering abandoned real estate
- ▶ Lenders could provide finance to support borrowers looking to facilitate the acquisition and/or renovation process of a property

*Current number is
“a national disgrace”*

*Martese Carton
Director of Mortgage Distribution at Leeds Building Society*

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Raising awareness for the housing deficit

The housing crisis isn't confined to the public sector alone. It's a challenge that requires stakeholders who can contribute valuable insights and solutions to address the obstacles hindering the construction of more housing.

Therefore, an approach through which specialised lenders can bolster the housing stock is to sustain an ongoing dialogue about the matter, and drive legislative reforms where housing shortages are concerned.

It's vital that lenders engage with all stakeholders to exchange knowledge and ideas to effectively tackle the housing deficit. Establishing and nurturing an ongoing, transparent discourse regarding pragmatic approaches to tackle housing scarcity is imperative for achieving sustainable, lasting results.

**MFS are a bridging loan and buy-to-let mortgage provider, not financial advisors. Therefore, Investors are encouraged to always seek professional investment and tax advice.*

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A word from our CEO

According to Shelter, there was a shortage of at least **4 million homes** in the UK at the beginning of 2023. Therefore, it's hardly unexpected that with an election on the horizon, both major political parties have focused on addressing the housing deficit in the country.

Given that governments on both sides have fallen short of fulfilling their manifesto commitments to housebuilding in the past, however, any pledges are likely to be received with a measure of doubt. After all, the Conservatives are unlikely to hit their yearly goal this year, while the previous Labour government consistently lagged behind its targets.

Evidently, commitments outlined in manifestos do not always mature into practical and implemented policies when in power. Consequently, solely relying on any single government to create a fairer housing market seems impractical. A collaborative effort between the private and public sectors is needed instead.

The financial services industry will be looking to be heavily involved in this, particularly in delivering the finance that investors and developers need to effectively improve the availability of housing. Here we have provided five ways in which the specialist lending sector could be of value in supporting borrowers.

Paresh Raja, CEO, Market Financial Solutions



**Contact us today for all
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