



## Why the pandemic could spark a resurgence for SME housebuilders

/ Isla MacFarlane

Sam Le Pard, co-founder of LEXI Finance looks at why the pandemic has caused a resurgence for SME housebuilders.

In the late 1980s, SME developers were building around four in 10 of all new homes. By 2016, these same firms were only developing 12 percent, with many wiped out by the Great Financial Crisis (GFC).

However, there are early signs that the pandemic could be the catalyst that sparks a resurgence for SME housebuilders.

Lockdown has meant many of us have spent the last year working from home. Whilst the death of the office is overplayed; many people will work from home post-pandemic far more regularly than they did pre-Covid.

Being locked down for prolonged periods has made people value space. And the truth is that young professionals are increasingly questioning the value of spending their hard-earned cash renting small city-centre apartments to be close to offices they will now spend less time in. Many are already voting with their feet.

For example, renters are leaving cities in favour of suburban and rural locations. Hampton's reported that in September 2020, city renters dropped by 7% while demand for homes in the countryside rose by 4%.

This significantly increased stock levels in the city, with available homes rising by 29%, while levels of available homes outside cities were down by 48%.

SME developers are perfectly positioned to meet this changing demand. They are typically focused on delivering small to medium-sized residential development plots of up to 100 homes. These suburban and semi-rural sites do not make sense for the larger, listed housebuilders, creating a viable market for SMEs.





But the importance of a vibrant financing market to help SMEs deliver these homes cannot be overstated. According to 2019 research from [the Federation of Master Builders](#), nearly four out of 10 SME developers said access to finance was a barrier.

This is changing.

A good example is our recent transaction with Blakesley Estates; an equity investment to support the construction of 32 private, eco-friendly and affordable homes in Devon, with a gross development value of £17 million.

Here, we partnered the regional housebuilder with a private investment consortium that took shares in the development vehicle. This will support Blakesley Estates' plans to scale their activities and build 500 homes across the South West.

In contrast to the years after the GFC, credit has not dried up in the period since the outbreak of Covid. In fact, the retraction of High Street lenders experienced following the GFC, was filled by a great number of alternative real estate debt providers. This fragmentation has proved resilient and has been quick to recognise homebuyers' desire for lifestyle changes.

Our expectation is that these trends supporting SME housebuilders will continue, and many more such schemes and developers will have access to debt and equity support at levels they have not enjoyed for years.

Hampshire, Dorset, and Devon are markets where we are already seeing significant activity fueled by people wanting green space. SME housebuilders may have had a tough few years' post-GFC, but the next few years look set to be a return to the good times of the 1980s for the market.

Read the article [here](#).

