

Decline in change of use further constricting housing supply

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Jonathan Samuels, CEO of [Octane Capital](#), believes that a decline in conversion projects could ultimately prevent the Government from hitting its ambitious housing delivery targets, as the firm's latest analysis has revealed that the number of homes created through change of use has fallen sharply in the last five years.

Octane Capital analysed official Government figures* on net housing supply and found that across the last five years, a total of 114,961 homes were delivered through change of use. This marks a 22% decline compared with the previous five-year period, when 147,458 homes were created.

The decline has been felt across every region. The North East has seen the steepest fall, down by more than half (-52.6%). London has also suffered a dramatic decline, with completions down by almost 50% (-49.7%). The East Midlands (-26.3%) and East of England (-23.5%) have also seen substantial reductions.

Even in the West Midlands, where change of use was more resilient, output still slipped slightly (-1.3%).

Several factors have contributed to this downward trend. Developers have faced more restrictive planning requirements, particularly around permitted development rights, which have limited the number of straightforward office-to-residential conversions seen in previous years.

Higher build costs, supply chain pressures, and rising interest rates have also made projects less financially viable. At the same time, mainstream lenders have become more cautious, with stricter lending criteria creating further barriers to getting projects off the ground.

Despite these challenges, change of use remains one of the fastest and most efficient routes to adding to

the housing stock, particularly when compared to the long timelines involved in new-build construction. Specialist lenders are already playing a role in keeping projects moving.

In fact, as the lending landscape has improved in recent months, Octane Capital notes that specialist finance is playing a key role in allowing developers to utilise change of use as a viable method to deliver more homes to market.

Bridging loans, refurbishment finance, and development exit facilities are helping developers to act quickly on opportunities, restructure funding when schemes become more expensive, or release equity to move on to the next site.

Jonathan Samuels, CEO of Octane Capital, commented: “The Government has set itself some very ambitious housing targets, but the reality is that these will never be achieved through new-build delivery alone.

Change of use is one of the most effective ways of bridging the supply gap, yet delivery has been in decline. A lack of funding, stricter planning, and rising costs are all standing in the way.

However, the specialist finance sector is helping to combat this trend by giving developers the speed and flexibility to secure sites, fund conversions, and bring much-needed homes to market. At Octane Capital, we’re committed to supporting projects that make a meaningful difference to supply, particularly in a climate where mainstream funding routes are often limited.”