

OFFICE TO RESIDENTIAL



The many challenges presented by the ongoing COVID-19 pandemic have led to an unprecedented impact on the economy and how businesses operate. With the obvious economic downturn unfolding and the deployment of staff to widespread home working, both tenants and owners will be considering their strategy for retention and future occupation of their office buildings. This may also be in conjunction with strategies to minimise overheads and maximise the yield of their assets.

It is therefore expected that with the current COVID crisis and recession there is likely to be a rise in the offloading of office and retail space across the country. With Brexit also creeping back on the agenda, the lack of foreign investment to purchase any surplus of stock may see large quantities of office space remaining unoccupied.

"The real impact of coronavirus on London's office market has not yet been felt, with job losses and business failures likely to increase vacancies and drag down rents, according to one of the capital's leading landlords." - 1

In Birmingham, after an exceptional start to the year, the last quarter was the quietest on record.

"With 5 transactions and 61,474 sq ft, Q2 2020 - the 'COVID Quarter' - was the quietest on record in Birmingham."

Whilst reports suggest that the market in the Midlands may prove to be stronger in the long-term, the above paints a gloomy picture to those with offices or retail developments within their portfolios. There are however potential positives to be found and whilst the businesses previously in occupation will reap the rewards of reduced overheads, the owners of these properties or prospective investors can reap reward through conversion.

Permitted Development Rights (PDR) in the UK allow for certain types of 'change of use' to be carried out without applying for full planning permission. Within office and retail classification these include;

- B1(a) Offices to C3 Dwellinghouses (subject to prior approval)
- B1(c) Light Industrial to C3 Dwellinghouses (subject to prior approval up to 500m²)
- A1 Shops to C3 Dwellinghouses (subject to prior approval up to 150m²)
- A2 Professional/Financial Services to C3 Dwellinghouses (subject to prior approval up to 150m²)

- As of August 1st 2020 - The potential to demolish office buildings to build residential units (Subject to limitations and prior approval)

Source: Planning Portal - https://www.planningportal.co.uk/info/200130/common_projects/9/change_of_use/2

When considered with the ever-increasing demand for housing and new homes in the UK, coupled with the continuation of the help to buy scheme, the obvious question to therefore pose is; could I see more of a return from converting my office space to residential units rather than maintaining it as a leased office? Or; should I purchase an office to convert for profit?

At Baily Garner we have seen an increase in enquiries regarding office to residential conversions over the last 24 months and expect this to continue to rise. This has led to large scale projects being undertaken over the same period that will provide housing created from office space in areas of high demand across the country.

Whilst a project without the requirement for a full planning application may seem straightforward, there are certain considerations which could jeopardise a scheme and not every office or retail space is suitable for conversion.

Recently we have seen geographical areas that have removed the permitted development rights through Article Four directions. The recent Levitt Bernstein report also calls to put an end to this type of permitted development. This has predominantly been led by a bad reputation for crowding and space hazards commonly seen across these conversions through poor advice and design, often creating flats that are barely big enough for a decent quality of life.

"Only 22.1 per cent of dwelling units created through PD would meet the nationally described space standards (NDSS), compared to 73.4 per cent of units created through full planning permission." - 2

Most office and retail space has originally been designed for its intended use and as such requires experience and careful planning to ensure considerations are given to light, ventilation, finishes and the space required for a quality living environment that will also be desirable and yield a profit. As with all projects, the outcome will only ever be as good as those leading on it. We do not want to increase the amount of poorly converted stock and will always be bold enough to state where a site is not suitable, and as such an alternative is required such as redevelopment.

When considering an office to residential conversion there are a number of key considerations in the suitability of a building when converting to high quality homes that are beneficial to all stakeholders. Those noted below outline the key success factors from our experience;

- The space should allow for quality living conditions by providing a decent size of living space, natural light and ventilation, whilst being able to maintain financial viability.
- The knowledge as to whether there are any local planning restrictions preventing permitted development.
- The clear span of the building should allow for internal alterations for residential properties of appropriate sizes, proportions and space standards.

References:

- Consideration should be given for a roof top development to be added under a separate planning application to enable a greater number of spacious flats.
- To minimise build costs it is beneficial if existing utilities can provide sufficient output to supply multiple properties rather than a large office space. Similarly it is important to investigate whether there is appropriate drainage to support multiple units and ensure this does not impede the layout.
- Sustainable materials and technologies must be incorporated to reduce the energy use and the carbon footprint as these buildings were not intended for residential use. A fabric first approach is key whilst ensuring the usable floor area is not impacted.
- Key to profitability is through maximising the existing fabric and minimising structural change.
- The potential of the site should be investigated to understand the plausibility of extending the building within the boundary to allow for additional units.
- Careful consideration of parking arrangements whilst maximising the build out of external space is also required.

These stand as just a few considerations we can help you with when analysing your project's potential.

As a company with over 43 years of experience, spanning all aspects of refurbishment, new build, conversion and professional services; we are best placed to assist in your project no matter what the procurement route and can provide real added value through experience. We are a truly multidisciplinary organisation and can offer many of the disciplines required for projects of this nature in house. Our in-house services include Architecture, Building Surveying, Mechanical and Electrical Engineering, Quantity Surveying, Quality Control Inspections and Environmental Engineering, with experience across all sectors.

With offices in Central London, South East London, and Birmingham, we have a presence that extends the length and breadth of the country and, therefore, there are no bounds on the location in which we can undertake projects.

Two of our most recent and exciting office to residential conversion projects are illustrated below;

Irene House



- Conversion of a large office in Balham, Wandsworth to 83 units including roof top addition, built in line with space standards including 1 beds, 2 beds and Studio apartments.
- RIBA Stages 1-7
- In-house Services provided - Contract Administration, Architecture, MEP, Quantity Surveying and Building Surveying.

Ewing House



- Conversion of a high rise office in Brentwood, Essex to provide 39 self-contained flats.
- RIBA Stages 1-4
- In-house Services provided - Contract Administration, Architecture, MEP, Quantity Surveying and Building Surveying.

We would welcome discussions in relation to your conversions, whether prospective or firm and if you would like to talk more about the topic of office to residential conversion please do not hesitate to contact **Joe Jackson** or **Andy Tookey** on the details provided below;



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