CONVERTING THE RULES

Alex Christopher, associate director, planning & development, at BNP Paribas Real Estate, the leading property adviser, comments on the potential impact of the government’s new permitted development right to allow office space to be converted into homes without planning permission:

“The Department for Communities and Local Government (DCLG) announced on the 24 January 2013 that new permitted development rights will be introduced in spring 2013 to allow for office (B1a) floorspace to be converted into residential (C3) floorspace.

Following a previous consultation that was undertaken by the government in April 2011 for the proposed alteration of permitted development rights, it was generally viewed that the proposed concessions would not be followed. Such a viewpoint appeared to be substantiated by the subsequent positively worded policy statement within the National Planning Policy Framework in March 2012, which encouraged such changes of use. However, the government has sought to introduce this change along with other measures in an attempt to ease the current national housing shortage. In addition, the government considers that the proposals will create jobs in the construction and service industries, as well as act as a catalyst for regeneration in town centres and commercial areas.

It is clear that the proposals have the potential to help address the current national housing shortage through the delivery of large scale housing within the proposed three year temporary period, with this increased housing delivery having undoubted large scale associated economic benefits. However, the question is asked whether this will come at a social and environmental cost.

Following the publication of this DCLG statement, a high level of uncertainty remains as to what controls will remain to ensure that developments provide an acceptable residential environment and importantly do not damage the role and function of existing employment areas. This is on the basis that whilst proposals in non-exempt areas will benefit from permitted development rights for a change of use, the DCLG statement states that there will be a “tightly drawn approval process” that will cover key potential impacts such as transport, flood risk and land contamination.
However in the absence of more detailed information on this prior approval process, it has been difficult for councils to gain any reassurance that the proposals will ensure any form of compliance with local planning policy aspirations.

In the absence of any legislative comfort, it remains to be seen how many councils will be supportive of these proposals. To date, the Royal Borough of Kensington and Chelsea, Camden, Westminster and the City of London have confirmed that they have or will be seeking an exemption. Mayor of London, Boris Johnson has also confirmed that the GLA will follow suit and seek an exemption for the whole of London’s Central Activities Zone (CAZ), as well as other key employment areas. It is therefore anticipated that the proposed permitted development rights are unlikely to be applicable in Central London.

DCLG have advised that exemptions will only be granted in ‘exceptional circumstances’ where it can be demonstrated that the proposals would lead to the loss of a nationally significant area of economic activity or that there would be substantial economic consequences. It would appear that outside of Central London and particularly in areas where there are higher levels of office vacancy rates, that it will be very difficult for councils to justify an exemption.

In the absence of an exemption being granted, there is a current lack of any mechanism that would allow for councils to prioritise the loss of their existing employment floorspace. Whilst the released DCLG statement outlines the intention of bringing existing empty office blocks back into an active use, there is no commentary to suggest that the prior approval process will prioritise vacant offices over those currently underutilised for employment purposes. There is a potential danger that the location of such conversions will ultimately be driven by a demand for office buildings which are located in areas where housing rents exceed existing commercial rents, as opposed to prioritising longstanding vacant office buildings.

The shortfalls of such an approach could see ad-hoc office buildings within primarily commercial areas converted into residential uses, where the existing infrastructure of a business park is unlikely to be sufficient. In such circumstances, it would be likely that there would be insufficient amenity and play space within the immediate vicinity of the building for future residents, with the needs of an office worker varying greatly from that of the average family. There is also concern that such conversions in turn would then detrimentally impact on office rental values. A conflict between the uses could harm the operation of a commercial business park, which ultimately could result in existing businesses choosing to locate elsewhere. This would therefore endanger the future viability of the business park.
The question can also be raised as to whether a standard office building lends itself to a straightforward residential conversion, particularly in terms of providing a high quality residential environment with adequate daylight, sunlight and outlook. This would be the case for existing larger office buildings where the footprint depth would substantially exceed that of a standard residential building, which would give rise to major design challenges. A high proportion of office buildings are also unlikely to be suitable for residential purposes by virtue of their external design, with amendments to the external fabric of a building of a material nature (i.e. revised fenestration/balconies/cladding) being likely to be required for the majority of conversions. Such operational development would be likely to require planning permission.

In addition, the proposals also raise serious questions on social and environmental grounds. Unless the government is to add detailed caveats, it is likely that conversions will avoid the need to include affordable housing and other associated Section 106 and/or Community Infrastructure Levy (CIL) financial contributions as part of proposals to mitigate against the associated impacts of the development, unless the building has been vacant. If schemes are exempt they would fail to create mixed communities, with the absence of any financial contributions being a burden to education and healthcare services in the immediate area.

Whilst the proposed changes have the potential to bring forward much needed residential development nationally on brownfield land, it remains to be seen whether this will be on a scale that will address the current chronic national housing shortage. The likely impact of the proposed revisions to permitted development rights will however become a lot clearer in the coming weeks when further information is published by DCLG on both the councils that have been granted an exemption, as well as the finer details of the prior approval process.”

-ends-

About BNP Paribas Real Estate

BNP Paribas Real Estate, leading international real estate provider, offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with more than 180 offices and 3,400 employees (16 wholly owned subsidiaries and 20 by its Alliance network, that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

For more information: www.realestate.bnpparibas.com

Real Estate for a changing world

Press contact:

Alex Tucker, UK Press Officer – Tel: +44 (0) 207 338 4086 alex.tucker@bnpparibas.com