

From old departments to new apartments

Converting offices into flats can both increase housing supply and boost regeneration, says Arita Morris

Part of the government's intended review of the Use Classes Order (UCO) is the proposal to extend permitted development rights to allow the change from offices, research & development and light industrial properties to residential (irrespective of legislative changes). The move is a timely reminder of the opportunities that redundant office space can offer in bringing forward much needed new housing.

Our practice has converted numerous office spaces to residential over the past 22 years. In all cases, the conversion has transformed redundant buildings and provided long term benefits in relation to the local community and townscape. The idea of converting buildings to residential is not new; over the past three decades a range of commercial buildings has been converted to residential use in London. The boom in conversion reached its heyday during 1980s and 1990s when the rate of conversion increased exponentially and areas that were previously considered down at heel were turned into vibrant neighbourhoods.

This was fuelled by the availability of 1960s office space made redundant owing to the rise in new, cheaper commercial space built in the 1980s and by the increase in foreign investment and an upturn in residential values. A number of high profile schemes such as Docklands' waterfront developments and the Manhattan Loft Corporation's schemes in Clerkenwell showed it was possible to create – and successfully sell – attractive housing in areas that were previously thought of as industrial or commercial.

Whole areas of London with a legacy of older, poorer quality commercial buildings were transformed. The idea of living on the city fringes became attractive and areas such as Clerkenwell, Farringdon, Shoreditch and Bermondsey became desirable residential locations, and in the process attracted other uses to serve the new communities.

So what are the implications for London of the proposed change to the permitted development rights? There are three fundamental elements to consider: the type, location and format of available building stock, the business case for conversion, and the implications of policy.

Available building stock

The nature and location of the available stock of buildings largely determines whether conversion can potentially take place and what form it might take. Our analysis of the type and format of existing office spaces established that post-war offices built before 1970 is the group of buildings most likely to be viable for residential conversion. Key parameters include the size and height of the building, its depth, structure, envelope and cladding, the internal layout and access, location of building services, acoustic characteristics, and means of escape. To meet current building regulations re-cladding is usually neces-

sary, which might make the process more complicated, but would be an inevitable part of improving a building's energy efficiency and improving its aesthetic value.

The stock of redundant 1960s office space in London is vastly reduced since the 1990s. If the availability of redundant office space is drying up and the rate of conversion in Central London is therefore likely to slow down, does this imply that housing conversion will decline? We think not. Developers are pursuing new opportunities including looking for opportunities to provide mixed use schemes or to convert smaller offices above shops. There are likely to be far fewer larger redundant office blocks available and ripe for conversion in Central London although there are exceptions, such as the proposals by Almacantar for converting Centre Point. Most coming forward are likely to be small to medium-sized, such as British Land's development at 95-99 Baker Street.

While available stock in Central London is reduced, the search area has widened and suburban office centres, where demand for commercial space is low, are now being targeted. In Croydon, the 24-storey former Nestlé headquarters is being considered for residential use by Legal & General. The proposals will adapt the existing town centre masterplan and create a residential-led 'gateway' to the city – although it remains to be seen if the local authority will be flexible in its policy approach in favour of the longer term regeneration benefits. This proposal represents a much greater flexibility in the market, although in a number of locations it may be some time before developments of this nature are generally acceptable.

Viability

Does the business case make sense? In 1990 the received wisdom was that many – perhaps most – buildings were difficult to convert. But once the scale of conversion became greater, and prices had been established, services, parking and even financial contributions for affordable housing could be budgeted for and still allow a substantial profit.

Today, the purchase of redundant offices are no longer 'fire sales'. At one time some empty and unwanted offices were bargains. But with average national land values putting residential land at over £1.8m per hectare, commercial at around £700,000 and industrial fractionally lower at £600,000, acquiring land currently used for commercial or light industrial use still seems to make sense particularly in London where the positive differential in residential values can be far higher. Based on a case study in Hillingdon we studied four cost scenarios to illustrate the possibilities open to residential developers: • Upgrading an older commercial building to current standards and requirements • Converting to residential to meet existing building regulations • Converting to residential to meet 2013 building regulations • An equivalent new build residential



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BEFORE AND AFTER

Canal Building, Shepherdess Walk
Hackney/Islington (Millennium Lofts / UKI) Our clients ignored the advice of agents and purchased a 10,000sqm 1930's storage building which was in very poor condition. Child Graddon Lewis were selected to design and deliver this pioneering scheme that was to kick-start the regeneration of the entire stretch of the canal from the Wenlock Basin through to Gainsborough Studios.



development. The office upgrade, unsurprisingly, is cheapest per square metre, at around £1,400. A residential conversion to meet current building regulations would come in at around £1,600, and to achieve the forthcoming changes in 2013 regulations, at £1,700. Then comes the biggest hike: an equivalent new build development would cost around £2,200. So although conversion is not necessarily a low-cost option – it can cost as much as new build, particularly if services have to be provided from scratch, or diverted significantly – our analysis shows that the construction costs would still be lower than new build. There is also the added benefit in relation to the sustainable reuse of an existing building.

In London residential values have been strongly supported by a developing investment market. While recent economic problems may reduce this support, the demand for rented accommodation seems likely to remain strong, the market in rented housing has attracted considerable interest in the recent past, and with excellent returns in the sector, investment companies are building up their portfolios and conversion schemes would offer the sort of product to meet this demand.

Planning Policies

Planning policies and controls have restricted conversion. Although many boroughs, such as Westminster, tend to support the re-use of office building for residential purposes, this is not universally true. An over-riding consideration for many remains the desire to protect employment (often B1) space.

Other typical planning policies include consideration of the suitability of the development in its environmental context, standards relating to density, minimum dwelling size, mix of dwelling types, access and parking, and design issues. Local planning authorities can be flexible in their application of these standards in conversion schemes. Planning requirements regarding the use of s.106 agreements for environmental improvement or affordable housing can, however, be a problem for developers. Many feel it is impossible to mix social and private sector housing, although they may be willing to compromise if separate access arrangements can be devised for the

different tenures. Again, this can create costs which reduce the profit on marginal schemes.

Does all this office conversion make a difference? Within the context of an estimated household increase by 2033 of 5.8m, and the demand for up to 232,000 new homes annually, these schemes will really make very little difference.

However, when this approach is considered as a catalyst for the wider resurgence of an area, as our experience also shows – as with Shoreditch in the 1990s – it becomes a more interesting prospect. And with developers showcasing greater expertise in successfully converting buildings, new locations with strong housing markets should expect to benefit from this approach. ■

Download the Departments to Apartments report at www.cgluk.com



BEFORE AND AFTER

Hayes Gate House, Hillingdon

The building was used as the basis of a worked case study in the Departments to Apartments report and represents a classic example of a redundant office building which is ideal for reuse as residential. Outdated for its original intended use, the building has been lying empty for several years. A typical 1960's, concrete framed building, comprising a 12 storey tower and podium set within open space used for parking. Child Graddon Lewis were appointed to prepare proposals for a residential conversion scheme. Discussions with the local authority were held and policy preserving employment use prevented the change of use being acceptable. The building has since lain empty and has raised significant concern from residents who wish to see the 'eyesore' brought back to use. The hypothetical proposals were based on current standards and regulations and would provide 108 new apartments, the external facade would be stripped back to the frame, and replaced with a new envelope. Form larger retail units. It is likely that this type of mixed use conversion will form a large part of any central London conversion schemes.



BEFORE (centre) AND AFTER (left and above)

Acre House, Long Acre, Westminster (Gannon Homes)

Originally a print works, the building was constructed in the latter part of the 19th Century and has until recently been used primarily as a retail outlet. Completed in 2011, the office floors were converted to residential, with the lower floors rationalised to form larger retail units. It is likely that this type of mixed use conversion will form a large part of any central London conversion schemes.

Child Graddon Lewis has published Departments to Apartments, a report analysing the impact and opportunities of the government's proposals which was prepared with Nathaniel Lichfield & Partners, Robinson Lowe Francis, and engineers Ramboll, part of Gifford, with the NHBC acting as an advisory partner.