Research

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Assessing the impacts of extending permitted development rights to office-to-residential change of use in England







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Report for Royal Institution of Chartered Surveyors

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Acronyms

BCO	British Council for Offices
BID	Business Improvement District
CAZ	Central Activities Zone (in London)
CIL	Community Infrastructure Levy
DCLG	Department for Communities and Local Government, renamed the Ministry of Housing, Communities and Local Government
GLA	Great London Authority
GPDO	General Permitted Development Order
HMO	House in Multiple Occupation
LPA	Local Planning Authority
PD	Permitted Development
PDR	Permitted Development Rights
PRS	Private Rented Sector
S106	Section 106 (Town and Country Planning Act 1990)
SoS	Secretary of State
SPD	Supplementary Planning Document
SPG	Supplementary Planning Guidance
VOA	Valuation Office Agency

1.0 Executive summary

1.1 Background

In England (apart from a few areas of agreed exemption), it has been possible since May 2013 to convert a building from being an office into residential use without needing planning permission. This deregulation was a policy decision taken by central government, primarily to boost the supply of housing but also to help regeneration through reuse of vacant office space. The policy was reviewed by Ministers in autumn 2015, heralded as successfully delivering thousands more homes, and made permanent.

The impact assessment for the policy change published in 2013 predicted that there would not be any financial costs from the change, that there could be administrative cost savings for Local Planning Authorities (LPAs), that there might be about 140 applications for office-to-residential change of use per year across England after implementation, and that it was unlikely it would lead to housing in unsustainable locations like industrial estates as developers would struggle to make a profit from such schemes.

Over four years later, it is now possible to test these assumptions and claims in practice. This research aims to extend existing work on this controversial topic, by taking a more detailed in-depth case study approach in order to answer the overall question as to whether enhanced freedom to change the use of property threatens the development of sustainable communities through the loss of public revenue and unwelcome externalities.

The key issues are to consider the financial implications for local authorities, the planning implications, and the broader implications for communities from office-to-residential change of use becoming 'permitted development' with reduced scrutiny and control by LPAs.

1.2 The approach taken

Previous work on this topic has tended to take an extensive and desk based approach, for example calculating the number of prior notifications approved and potential loss of office space based on the Department for Communities and Local Government (DCLG) and local government monitoring data. This research has taken a more intensive approach, involving a two-stage case study approach.

The first stage was to select five different LPAs across England which have seen high rates of use of this permitted development (PD), though each have quite different built environment and socio-economic characteristics: Camden, Croydon, Leeds, Leicester and Reading. Glasgow was also selected as a comparator authority from Scotland, where this change of use is not PD and still requires full planning permission.

For each authority, a list of all proposed office-to-residential conversions was collated from April 2013 to March/April 2017 (including via PD and planning permission in the English authorities and just planning permission in Scotland). A site visit to 568 of these buildings was then conducted to look at scheme implementation, conversion quality and amenity. A range of statistic data was collated and analysed. A range of stakeholders were also interviewed who were connected to these locations about their views on office-to-residential PD.

The second stage of case study was to select a smaller group of 45 individual buildings across these authorities and conduct detailed research including looking at all prior notifications / planning applications submitted, their plans and reports, to look at planning issues and residential amenity in particular. An online search was also conducted to see any information about the marketing of the building or completed residential units, and in the

English authorities any data about business rates, council tax or sale history. LPAs were asked if any Section 106 or the Community Infrastructure Levy (CIL) had been paid on the PD conversions, and what would have been sought had they come through full planning permission. Finally, residents of completed schemes with publicly confirmed address points were asked to complete a short survey.

International comparison was provided by a visit to the Netherlands, where local government officials were interviewed and some buildings in Rotterdam visited. National government officials in The Hague were also interviewed. There is a high rate of office vacancy there and efforts to promote conversion to residential use, but under quite different governance arrangements.

1.3 Findings

High rates of prior notification were found for office-to-residential conversion in all authorities, far more than predicted by DCLG when introducing the policy. There were 487 proposed schemes, which would produce 8,057 housing units if all implemented, across the five English authorities studied in the first four years of PD. Implementation rates varied but overall 69% of the proposed schemes were completed or under construction, delivering 72% of the approved units.

There were divergent views from stakeholders on the merits of PD, and its impacts. The developers and agents interviewed generally thought it had delivered much more housing, aided the regeneration of town and city centres and led to quicker implementation. Planners, local politicians, civic societies and also business interests were generally concerned about the quality of housing being achieved and its impacts, and even the agents acknowledged some issues due to the variability of approaches taken between developers.

The nature of the top concern varied according to local contexts, but included:

- loss of occupied employment space in Camden
- residential quality and impact on local infrastructure in Croydon
- suitability of some locations for housing in Leeds
- residential quality and impacts on neighbouring users in Leicester
- loss of affordable housing contributions in Reading.

There was evidence in some places of occupied office space being converted, leading to a potential loss of business activity and its contribution to local economies and community vitality, albeit there were also many genuinely vacant office buildings put into productive new use as housing.

The quality of these schemes varied enormously. There were some high-quality developments. However, PD has also allowed extremely poor-quality housing to be developed. The comparison showed that PD residential quality was significantly worse than schemes which required planning permission, even though it clearly was still possible to deliver viable office-to-residential schemes through the more stringent full planning permission process. Evidence of this reduction in quality included:

- 'studio' flats just 15 or 16m^2 (and an overall rate of just 30% meeting national space standards)
- no access to private or communal amenity space
- buildings with barely any changes done to convert from office to residential use
- residential developments in the middle of industrial estates
- 77% of units in the case study buildings were studio or one bedroom flats, only catering to a very narrow segment of the residential market. Two residents told us in some detail of the quality of life issues they faced in poor quality conversions.

There was direct evidence of the profitability of conversions for developers and land owners, but little evidence of contribution to the additional public infrastructure required to support the quantity of additional housing seen in the case study authorities. Although theoretically CIL liable, most schemes had been able to avoid this through claiming partial occupancy of the office space before conversion. Important findings include:

- Schemes were not making Section 106 contributions, leading to a potential loss of income of £10.8 million and 1,667 affordable housing units across the five study authorities (calculated using local policy for each LPA).
- There was £4.1 million less income to these five councils due to lower planning fees.

The comparative study of Glasgow, where office-to-residential conversion requires full planning permission rather than PD showed higher residential quality being maintained with better space standards and many units

being dual aspect. The comparative study of Rotterdam showed the potential for alternative softer governance approaches rather than the hard governance deregulation seen in England. With a stronger, proactive steering role for the state, a similar number of office-to-residential conversions have been achieved (but for actually vacant office buildings).

Overall, office-to-residential PD has been a fiscal giveaway from the state to private real estate interests, whilst leaving a legacy of a higher quantum of poor quality housing than is seen with schemes governed through full planning permission.

1.4 Recommendations

Given the research findings, there are several recommendations that would help address the issues found.

Central government

- The original impact assessment from DCLG in 2013 was flawed. The policy of office-to-residential change of use being permitted development should be properly reviewed, and it should be returned to full planning control.
- If government is unwilling to reregulate here, it should consider amending the prior approval process to introduce some more safeguards. For example:
  - adding a requirement that the office space is actually demonstrated to be vacant before approval can be granted for conversion
  - adding minimum space standards which would apply even to PD schemes.
- Ensure a reasonable fee level for the LPA in processing prior notification and make amendments so that planning gain can be levied (including affordable housing contributions).
- As part of a wider review of CIL, government should amend the regulations so that all development creating new residential units are liable for a contribution towards local infrastructure need regardless of previous use or vacancy of the building.

Local government

- LPAs should seek to take a proactive approach to office-to-residential PDR due to the potentially significant impacts. Article 4 directions should be used, where resources allow.
- Proper plans should be required with prior notifications, with conditions imposed to implement the schemes as indicated in the submitted plans, and completions monitored through conditions requiring notification.
- Following more proactive monitoring of permitted development conversions, where necessary, appropriate enforcement action should be taken against inadequate housing provision, even if this might be through other regulatory regimes.
- S106 legal agreements should be considered where appropriate in relation to the issues LPAs can consider during prior approval.

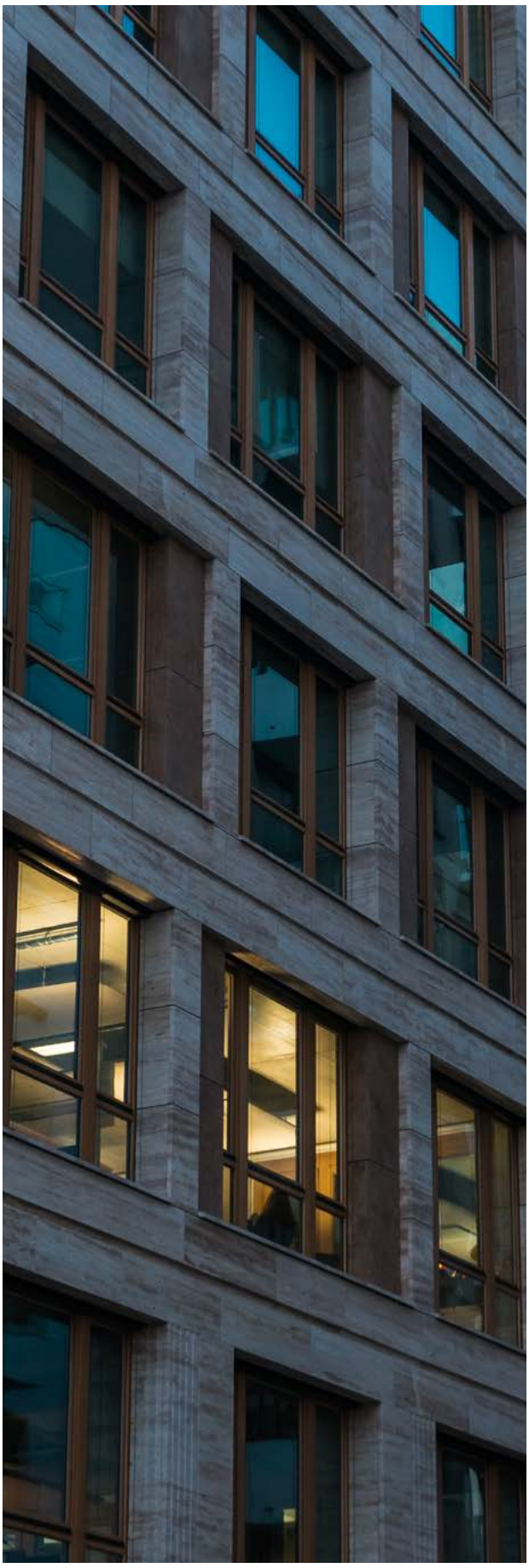
Local communities and civic groups

- Local communities and civic groups should closely monitor office-to-residential conversions and notify their LPA if they are aware of any inadequate housing provision or where evidence may qualify an area for an Article 4 Direction.

Developers and their agents

- Developers should give careful consideration to the wider implications of their schemes on communities and people's everyday quality of life. Their agents should also provide robust advice about this particularly if there are professional conduct and ethics implications.





2.0 Introduction

2.1 Background

In England, apart from a few areas of exemption (see Section 2.2), it has been possible since May 2013 to convert a building from an office to residential use without needing planning permission (which would have been required for the same change of use since 1948). This was a policy decision taken by central government, primarily to boost the supply of housing.

The idea to deregulate planning control over office to residential change of use emerged in the budget statement in March 2011, following which a consultation examined stakeholder views about making better use of 'buildings which no longer function as intended' (Department for Communities and Local Government[1]; DCLG, 2012a). Following this, it was announced that the government would introduce new secondary legislation to allow the change of use from office to residential to become 'permitted development' (PD), not requiring planning permission at all. Introducing this in the House of Commons on 24 January 2013, Secretary of State Eric Pickles announced that

'the changes would encourage developers to bring underused offices back into effective use as houses for local residents … They will provide badly needed homes … they will also help create jobs in the construction and service industries, and help regenerate our town centres' (UK Parliament, 2013: online).

This policy was to take effect on 1 May 2013 with a provision it would only apply for three years and be reviewed as that deadline approached. The press release issued by DCLG stated the new policy was an 'opportunity for office owners and developers to bring outdated and underused buildings back to life' (DCLG, 2013a: online). Further changes to secondary legislation (the General Permitted Development Order; GDPO) followed, including establishing a system of 'prior approval' whereby Local Planning Authorities (LPAs) are required to assess certain issues such as highways impacts, contamination and flooding risks within a limited 56 day consideration period.

In October 2015, it was announced that Permitted Development Rights (PDR) for office-to-residential conversion would be made permanent rather than expiring in April 2016. The associated press release stated that thousands more homes would be developed, noting that 'between April 2014 and June [2015], almost 4,000 conversions were given the go-ahead' (DCLG, 2015: online).

1 Now the Ministry of Housing, Communities and Local Government

In April 2016, an amendment was then made to the 2015 GPDO to make PD permanent. Additional matters for prior approval were also added, most notably the requirement to assess the impacts of noise from commercial premises on the intended occupiers of the development (DCLG 2016a) and a statement from the applicants specifying the net increase in dwellinghouses proposed (which should assist more accurate data collection on housing numbers, though dwelling size and tenure details are still not required). Although anticipated, the 2016 amendments did not include the potential impact of loss of strategically important office accommodation as an additional matter for consideration under prior approval. Nor was the proposal to allow for demolition and reconstruction under PD taken forward. Further detail on the evolution of office-to-residential PD is provided in Smith (2017a) and Smith (2017b).

When the PD was first implemented in 2013, DCLG published an impact assessment for the policy change. This suggested that:

- 'There are no monetised costs' from the policy change and that 'reducing the regulatory requirement for change of use is beneficial for business'.
- 'External impacts of residential development are likely to be equal to or less than for office use' and thus 'it is unlikely to have any potential costs in terms of additional infrastructure requirements'.
- There would be benefits to LPAs from reduced planning processes required and so administrative cost savings.
- The planning system was a key reason vacant office buildings existed in areas with high demand for housing.
- It was difficult to predict the number of additional housing units that might result from PD, but it was expected that there would be 140 applications per year across England.
- It was unlikely the PD would result in housing built in unsustainable locations, such as industrial sites, as these would not prove attractive to housing developers (DCLG, 2013b: 2-15).

Over four years later, it is now possible to test these assumptions and claims in practice. Certainly, office-to-residential PD has turned out to be one of the most controversial planning reforms introduced in England over the last decade. There have been a number of reports looking at the issue (see Section 3), but these reports have tended to be quantitatively driven desk research, considering numbers of schemes and resulting loss of office space and number of housing units proposed.

2.2 Research question

This research aims to extend existing work on this topic, by taking a more detailed in-depth case study approach to comparatively explore the implications of office-to-residential PD for local authorities and local communities. It will also consider potential alternative governance approaches through comparison with planning approaches beyond England. In doing so, it is the aim of this research to test some of the assumptions and claims made by central government when introducing the policy.

The overall research question is: does enhanced freedom to change the use of property threaten the development of sustainable communities through the loss of public revenue and unwelcome externalities?

In order to address this, the research will look at the local authority and individual office-to-residential building scale with an aim of considering:

- Financial implications for local authorities (for example potential loss of planning fees, differential between business rates and council tax, loss of planning gain).
- Planning implications (for example potential loss of ability to manage change of use and associated externalities or the location of new housing development).
- Implications for communities (for example potential loss of employment, loss of affordable housing provision, and concerns over the quality of housing provided, for example, space standards, amenity, supporting infrastructure).

2.3 Research methods

This research uses five cases studies in England and two comparator cases. The main English cases are the LPAs of Camden, Croydon, Reading, Leicester and Leeds, and the two comparator cases are Glasgow and Rotterdam.

Case studies in England examine the issue at the LPA level and then through specific change of use developments implemented both via full planning application and via PDR route. The selection was based on authorities with high numbers of submitted prior notifications, according to the data collected and published by DCLG (DCLG, 2017).

Previous research has identified Camden and Croydon as two London LPAs with some of the largest numbers of applications and conversions and where the impacts were most strongly being felt (see Section 3). Reading is the leading office market in the South East after London and is considered to be the central hub in the emerging Thames Valley region. It has a strong university presence and student population and the housing market is continuing to rise. In the first three years of PDR, Leeds and Leicester were the two LPAs with the highest rates of schemes outside the south of England and are both regional centres with different economic characteristics.

Glasgow was chosen as a comparator case on the basis of being a large city in Scotland, where PD does not apply for office-to-residential schemes, but with a broadly similar planning system. Rotterdam was chosen as an international comparator case for having a very different planning system, but where there has been real concern about high office vacancy rates and potential approaches to reusing these buildings.

For each case study authority, a series of semi-structured interviews were conducted with a range of relevant stakeholders from local planners, councillors, civic societies to developers and their agents (see Appendix 1 for the semi-structured interview guideline). Interviewees were recruited through direct approach to key local stakeholders, and also through developers and their agents as noted on submitted planning documents for case study buildings. Two residents of office-to-residential conversion in Croydon were also interviewed. A summary of these 30 interviews is provided by Table 1.

Interviewees in England were asked about their perceptions and experiences of office-to-residential permitted development and its consequences. In Glasgow and Rotterdam, interviewees were asked about their experience of converting office buildings to residential use, how this was governed and perceptions of the implications of deregulating this (albeit this was more speculative as opposed to in England where it was asking about their actual experience).

A list of all prior notifications and planning applications for office-to-residential conversion received April 2013-March/April 2017 were obtained from the LPAs. These were cross-checked against searches of their public planning databases, from which lists of planning applications for office-to-residential conversion received April 2009-March 2013 were manually generated. These lists were carefully analysed to identify scheme sizes in terms of number of units, but also to look for multiple notifications for the same building and determine whether these were duplicates (different proposals for the same space) or complementary (different proposals for different parts of the building). Using these lists of prior approvals, the total fees paid to the LPAs and the fees that would have been paid had they been full planning applications were calculated instead of using the standard charges laid down by DCLG.

A site visit to every scheme submitted through the PDR route in the 2013-2017 study period was conducted for four of the five cases in England. Leeds was the exception, where only 39 (of the 112 total) schemes were visited. This was because data provided by the LPA only covered schemes of four or five or more units. However, these larger schemes represent a good sample – 35% of all the schemes there. The research also included a site visit to a selection of full planning application cases submitted between 2009-13 and 2013-17 in all five English LPAs in England and in Glasgow (where 65% of schemes approved 2013-17 were visited).

In total this amounted to physically visiting 568 buildings: 414 with prior approvals and 154 with planning permission for conversion. Each case was recorded with a photograph and a record of detail on the current state of the scheme, location, number of units observed (if conversion implemented), original use/typology of the building and target-market of conversion. The number of units was calculated by looking at things like door buzzers, post boxes and signage. The typology, original use and target-market of conversion were established by the researcher judging against a pre-agreed list. Important observations about the immediate location were also recorded (for example noise, accessibility) as an indicator of quality of life for residents of any conversions. The researchers collectively visited the first few buildings together to calibrate their judgements around these more subjective elements.

Following these visits, a selection of 45 schemes were chosen for further analysis which included viewing all relevant plans and documents on the relevant LPA planning database, as well as web searches for details of sales, occupiers and tax including public data from the Land Registry, Valuation Office and council tax valuation list. From the plans it was possible to note or calculate the space standards of each unit and whether there was any provision of private or communal amenity space (such as balconies or roof terraces), as key indicators of housing quality.

For those case study schemes which came through prior approval, the relevant LPA advised if they had paid any Community Infrastructure Levy (CIL) or Section 106 contributions and (for Section 106) what they would have sought had those schemes come through full planning permission instead.[2] Any relevant local policies relating to these charges, or affordable housing provision (as set out in adopted development plans), were examined to try and establish what might have been gained had schemes gone through full planning permission instead of prior approval.

Finally, a questionnaire survey was sent by post to those completed case study schemes with publicly available address points and following this, two further interviews were conducted with residents of PDR office-to-residential developments in Croydon (as included in Table 1).

2 The Community Infrastructure Levy is a planning charge levied on development creating new floorspace or dwellings at a standard rate adopted by each LPA. A Section 106 agreement is an agreement between an LPA and a developer to mitigate the impact of a proposal and make it more acceptable in planning terms. These are negotiated on a scheme-by-scheme basis, but local policy may indicate preferred rate, particularly around affordable housing provision on residential schemes

Table 1 Summary of research interviewees

Interview	Role / number of people interviewed	Case study
Interview 1	Local authority planner (1) and economic deployment officer (1)	Camden
Interview 2	Local authority planners (2)	Croydon
Interview 3	Local authority planners (2) and economic deployment officer (1)	Leeds
Interview 4	Local authority planners (2)	Glasgow
Interview 5	Local authority planner (1)	Reading
Interview 6	Local authority planners (2)	Leicester
Interview 7	Local councillor (1)	Camden
Interview 8	Local councillor (1)	Croydon
Interview 9	Planning consultant (1)	Leeds
Interview 10	Civic trust staff (1)	Leeds
Interview 11	Business Improvement District staff (1)	Croydon
Interview 12	Planning consultants (2)	Croydon
Interview 13	Planning consultant (1)	Croydon
Interview 14	Business Improvement District staff (1)	Camden
Interview 15	Local authority economic development officer (1)	Reading
Interview 16	Civic trust staff (2)	Reading
Interview 17	Civic trust member (1)	Leeds
Interview 18	Local authority planners (2)	Leicester
Interview 19	Local councillor (1)	Leicester
Interview 20	Developer (1)	Croydon
Interview 21	Civic trust members (6)	Leeds
Interview 22	Civic trust member (1)	Glasgow
Interview 23	Local councillor (1)	Glasgow
Interview 24	Planning consultants (2)	Camden / Croydon
Interview 25	Planning lawyer (1)	Camden / Croydon
Interview 26	Local authority planners (2)	Rotterdam
Interview 27	Developer (1)	Rotterdam
Interview 28	Central government civil servants responsible for planning and housing (2)	Rotterdam
Interview 29	Resident of office-to-residential PD conversion (1)	Croydon
Interview 30	Resident of office-to-residential PD conversion (1)	Croydon

3.0 Context: planning context for office-to-residential permitted development rights

3.1 Planning context

The Town and Country Planning Act 1990 regulates the development of land in England and Wales and specifically sets out the requirement to obtain planning permission to carry out development. It also gives the Secretary of State the power to make development orders which allow for some development to take place without the need for planning permission – referred to as 'permitted development'.

Under the Town and Country Planning (Use Classes) Order 1987, land and buildings are put into various categories, or 'use classes', as follows:

- **Class A** – shops, restaurants, cafés, banks, and other retail premises
- **Class B** – offices, workshops, factories and warehouses
- **Class C** – residential uses
- **Class D** – non-residential institutions, assembly and leisure.

Each category is then further split into subclasses. For the purpose of this report, offices fall into the B1a use class and residential (dwellinghouses) into the C3 use class. Other types of residential uses fall into different subcategories, for example, hotels are C1, student housing is C2, houses in multiple occupation (HMOs) are C4. The 1987 order guides which changes of use (within and between classes) require planning permission and is designed to ensure a balance between different uses and gives the local planning authority some level of control over the externalities created by change of use. Home (1992) traces the origins of the use class order. As discussed in the introduction, there is a PDR to change the use of buildings from office to residential. In planning terms, this means converting a building in the B1a use class to C3 use class does not require planning permission.

3.2 Exclusions

At present, there are 17 areas that were granted exemption from office-to-residential PD upon making a case following the introduction of temporary permitted development in 2013 (DCLG, 2013c).

Article 4 of the GPDO has the effect of preventing development being carried out over a specified area or site in question unless planning permission is obtained. In other words, it removes PD rights. Article 4 directions were originally widely used in relation to heritage and conservation issues (Larkham and Chapman, 1996), but have now been used by a number of authorities to restrict office-to-residential PD. A strong signal was sent by DCLG to local government in the early days of this PD; the Secretary of State (SoS) cancelled the Article 4 direction prepared by Islington Council and insisted on amendments to reduce the scope of that prepared by Brighton and Hove Council (Local Government Lawyer, 2014; Brighton and Hove City Council, 2014). The then Planning Minister, Nick Boles, announced in a statement to Parliament that the borough wide Article 4 direction proposed by Islington had not been justified and that 'this revocation should send a strong message' (UK Parliament, 2014: online). Article 4 directions must take into account Government's Guidance[3], which states that there must be clear justification for removing national PD.

Other notable exclusions include listed buildings, and development requiring an Environmental Impact Assessment.[4] Although in general, PD are more restricted in 'designated areas' such as Areas of Outstanding Natural Beauty, Conservation Areas and National Parks, there are no such restrictions to PD for office-to-residential conversions.

Importantly, change of use permitted by Class O (for commercial office to residential use) does not include any building works that materially affect the exterior of the building. Works like balconies or new cladding would usually trigger the need for a planning application to be submitted after or in parallel with the prior approval application.

3.3 Planning obligations and infrastructure contributions

A notable feature of the PD for office-to-residential conversions is the inability of the LPA to secure affordable housing. In the case of development requiring planning permission, the LPA can enter into a Section 106 (S106) agreement (referring to Section 106 of the 1990 Act) with the developer, which would serve as an obligation on the developer to either provide affordable housing on site, or an agreement to pay the local authority an agreed sum to fund the delivery of affordable housing elsewhere.

In the case of a prior approval application, a planning obligation could in principle be agreed, but only as a means of dealing with the various technical matters

3 As set out in the National Planning Policy Framework (DCLG, 2012b) and its specific guidance on Article 4 directions (DCLG, 2012c) 4 For a full list of exclusions, refer to Goodall (2016), Appendix A.

assessed under prior approval. For example, it could secure provision or funding for the management of traffic, cycle parking, or flood risks. However, the limited time available to the LPA to determine the application is likely to make it impractical to negotiate and secure a S106 agreement. Importantly,

'…there would appear to be no justification … for a planning obligation to secure the provision of, or any contribution to, affordable housing, or as to the provision or funding of educational facilities, public open space, play areas and the like, no matter what planning policies may have been adopted by the LPA with regard to such matters' (Goodall, 2016: 193).

On the other hand, the CIL may be payable on permitted development, depending on whether a charging schedule has been adopted by the LPA. In the case of office-to-residential conversions, if the building has been in lawful use as an office during a continuous period of at least six months in the three years ending on the day prior approval was first sought (and does not create any new build floorspace), then the permitted development is *not* CIL liable (see Bibby et al, 2018 for further discussion).

3.4 The national picture

Since the introduction of PD for office-to-residential conversions in 2013, as Table 2 shows, there has been a total of 10,166 prior approval notifications submitted to LPAs across England.

As Table 3 shows, prior approval for 12,824 dwellings was secured through office-to-residential change of use (under PD) in 2015-16, representing 42% of all dwellings secured through change of use in general and 6.8% of total net additional dwellings in England that year. In 26 LPAs in England, 25% or more additional dwellings were secured through office-to-residential PD in 2015-16. The table also shows that the number of dwellings secured through change of use was relatively consistent – at approximately 12,500 dwellings per year – until 2014-2015, when there was a jump to 20,650, and a further rise to 30,600 in 2015-16. It is possible to assume that most of this increase has been as a result of facilitated office-to-residential conversion through PD.

Table 2 **Applications for prior approvals for permitted development received in England 2014-2017**

	2014-15	2015-16	2016-17	Total (2014-2017)	
Prior approval not required	1416	1110	762	3,288	32%
Granted	1865	1528	1480	4,873	48%
Refused	699	684	622	2,000	20%
Office to residential total	**3980**	**3322**	**2864**	**10,166**	**100%**

Source: DCLG, 2017

Table 3 **Net additional housing units made by change of use of buildings (including office-to-residential) in England 2011-2016**

Components of housing supply	2011-12	2012-13	2013-14	2014-15	2015-16
Net additional dwellings (total)	134,900	124,720	136,610	170,690	189,650
Net change of use of which delivered under permitted development rights, comprising	12,590	12,780	12,520	20,650	30,600
Agricultural to residential	-	-	-	-	226
Office to residential	-	-	-	-	12,824
Storage to residential	-	-	-	-	55
Any other to residential	-	-	-	-	645
Unspecified to residential	-	-	-	-	129
Total to residential	**-**	**-**	**-**	**-**	**13,879**

Source: DCLG, 2016b

Two notes of caution in interpreting these figures, however:

- First, looking at more historic data for change of use, it is clear that in 2014-2015 there was simply a return to the pre-recession levels (Figure 1) therefore how much of the gain is attributable to PDR is unclear.
- Second, it should be noted that these figures do not actually represent dwellings delivered on the ground (i.e. implemented schemes). The DCLG figures for each of the case study locations (Table 4) reveal that a total of 1,140 dwelling units were 'delivered' in Leicester through change of use (including office-to-residential), but if these figures are compared to data gathered as part of this research (Table 7) this figure is more likely to correspond to the total number of prior approvals *granted*, not schemes implemented. Furthermore, the low figures for Leeds do not appear at all accurate, when compared with the detailed data provided by Leeds City Council to us and also compared to the own searching of the city's planning database.

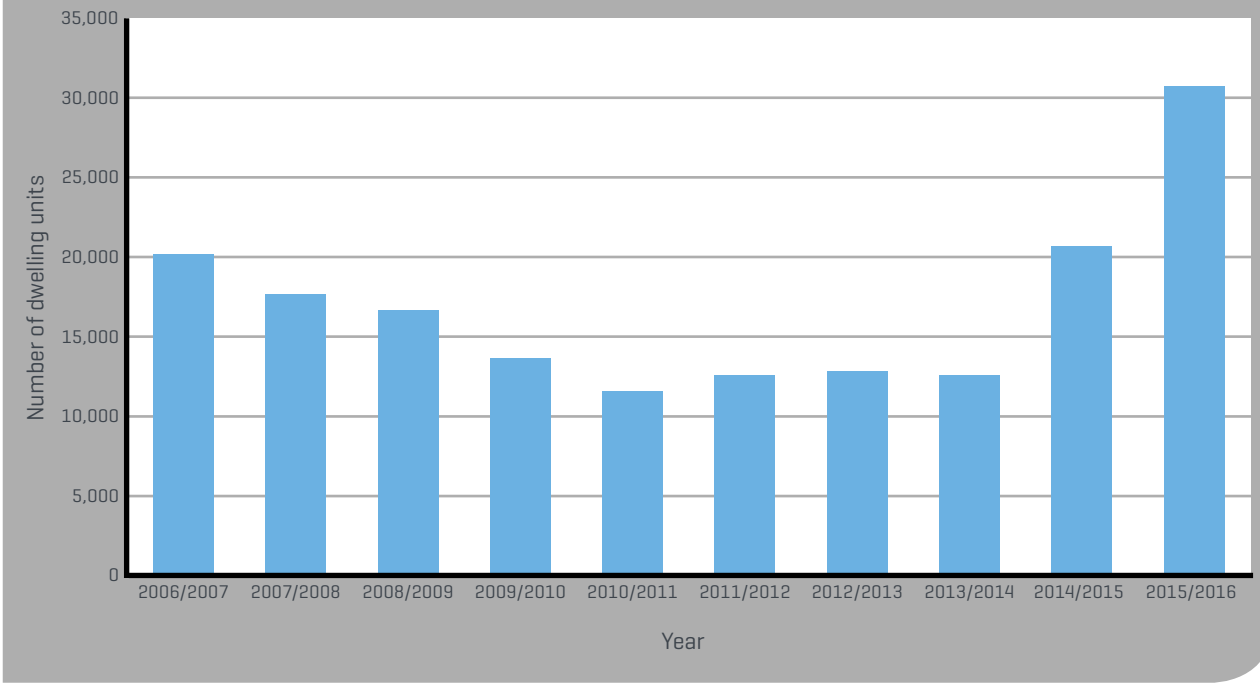
Moving forward, it should become easier to monitor more accurately the number of dwelling units secured through office-to-residential PD as in 2016 developers were required to state in their prior approval notification how many new dwellinghouses would be delivered. For now however, it is important to treat the statistics from DCLG here with some caution.

Table 4 **Net additional dwelling units created from change of use of buildings (including office-to-residential) for case study authorities 2012-2016**

	2012-13	2013-14	2014-15	2015-16	Total
Croydon	100	90	290	710	**1190**
Camden	160	90	150	240	**640**
Reading	60	50	260	280	**650**
Leicester	120	350	200	470	**1140**
Leeds	0	0	0	190	**190**

Source: DCLG, 2016b

Figure 1 **Number of dwelling units secured through change of use 2006-2016**



Source: DCLG, 2016a; Table 120)

3.5 The London picture

More detailed monitoring of change of use has been undertaken in London, led by the Greater London Authority (GLA) and facilitated by the London Development Database. This is important given that the largest number of schemes under this PDR have been in Greater London.

The London Plan (Policy 4.2, GLA, 2016a) supports the managed conversion of surplus office capacity to more viable, complementary uses, especially housing. The Housing SPG (GLA, 2016b) suggests that this policy is considered by the Mayor to have served London well, providing on average 1,180 homes a year in London via office-to-residential conversions going through the formal planning applications process during the seven years leading up to the Government's changes in 2013.

Table 5 shows that between 2009 to 2012 a total of 39,000 residential units were delivered in London through conversions of B1 floorspace through full planning permission, which represents an average of 13,000 units per year. Table 6 shows that subsequent to the extension of PD in 2013, between 2013 and 2015, 4,757 residential units were delivered through office-to-residential PD conversions, representing an average of 2,378 units per year, -18% of the average prior to 2013. Although these two tables are not directly comparable, particularly in the timescales covered, the evidence does suggest that office-to-residential conversions through PD have had a rather modest effect on the delivery of housing.

Table 5 **Full planning permissions for office-to-residential conversions with corresponding B1 floorspace losses and residential units 2009-2012 in London**

Stage	Number of sites	B1 floorspace losses (m^2)	Residential units
Completed	767	-505,800	11,400
Started	379	-515,100	13,200
Not started	1,019	-654,700	14,400
Total	**2,165**	**-1,675,600**	**39,000**

Source: GLA, 2012

Table 6 **Office floorspace lost and residential units gained through office-to-residential PD 2013-2015**

Stage	Office floorspace lost (m^2)	Residential units
Inner London	-84,813	1,440
Outer London	-203,427	3,317
London	-288,240	4,757

Source: GLA, 2017

4.0 Context: existing research on office-to-residential conversions and related issues

4.1 Housing numbers

A number of research reports have been published on the implications of office-to-residential PDR, as well as a small number of relevant academic publications. The first reports dealt with applications and consents rather than with actual implementations (e.g. EGi, 2014a; London Councils 2015). The high and fast growing numbers of applications following the PD route suggested that the market was responding to the policy change. The reports noted the prevalence of PD applications over full planning applications and EGi (2014b), for example, claimed that virtually all office-to-residential applications in outer London for the 2013-2014 period were following the PD route.

Lack of data on actual implementations meant that there was some uncertainty over the real impacts of this planning policy relaxation. Some authors suggested that there was an implementation gap—a significant difference between consents and implementations (e.g. Johnson, 2015). The British Council for Offices (BCO) (2015:7) suggested that this gap could be explained partially because 'securing a prior approval could provide a negotiating tool for a developer who would really prefer a more flexible planning consent'. Similarly, EGi (2015) suggested that the frenzy of prior notifications was less to do with developers intending to use this route than to gain leverage.

'…either to facilitate new build by precedent or as a means of reducing the overall affordable contribution of a new build scheme or indeed merely as a tool for property traders to increase the value of the building before selling it on EGi' (2015: 4).

This gap has nevertheless closed significantly, as illustrated in EGi (2015). Information on construction starts and completions also confirmed the market skewedness toward outer London, particularly toward Croydon. As EGi argues,

'…Croydon … has had, up to the implementation of the legislation, very little historic office to residential refurbishment activity, a mere 183 unit starts in the last 10 years. ... one year's worth of PD Right starts in Croydon were some 817% greater than the entirety of 'normal' office to residential refurbishment starts in the last decade' (2015: 5).

The most recent BCO report claims that in the spring of 2017 'conversions are … running at a all-time high' estimating that 'number of homes created from the new rights was around 6,600 in 2014 and 11,200 in 2015' (2017: 6). BCO assessment of implementation rates, are based on data from the Department for Communities and Local Government (DCLG) and the Valuation Office Agency (VOA), and shows, for instance, 57% in London (BCO, 2017: 4).[5]

In terms of future trends, existing research suggests that office-to-residential conversions are likely to continue to be fuelled by the difference between office and residential values (BCO, 2017). Moreover, in terms of the timeframe between application and consent, PDR's pipeline is faster than in full planning applications (EGi, 2015). This means that a surge in prior notifications can have a sudden impact on the ground. Some factors could nevertheless lead to an overall decline in PD conversions. These include a reducing number of prior notifications currently being submitted, a growing number of Article 4 Directions and the current economic uncertainty that can delay starts (BCO, 2017).

5 BCO defines implementation rate as the 'percentage of notifications that actually got implemented', which means that this includes any potential duplicates on the denominator thus lowering results.

4.2 Affordable housing, other planning obligations and CIL

EGi (2015) offers the most comprehensive account on affordable housing losses resulting from the introduction of PD for office-to-residential conversions. The report argues that conservative estimates show that between May 2013 and May 2015 there has been a loss of affordable housing contributions of over £50 million in inner London (where in lieu payments are most common) and of 3,000 units in outer London (where unit provision is most common). Affordable housing losses are then calculated for the inner London boroughs considering a value per unit of £15,675.[6] Considering the 3,247 prior approvals in inner London between May 2013 and May 2015, the results show losses of just over £50 million. For the outer boroughs a figure of 29% reflects the average scheme contribution dating back to 2002, which, considering the 10,410 unit prior approvals results in 3,000 affordable units lost.

The alternative source for estimates on affordable housing losses is the London Councils briefing (2015). This report is, however, less clear on the assumptions and methodology behind the calculations and its modest results. Based on data supplied to the GLA by the London boroughs up to May 2015 the report suggests that, at least, 7,000 units have been approved in schemes of 10 units or more, which, had they been through full planning application, would have been expected to deliver 1,000 affordable units.

Losses from other forms of planning obligations have not yet seen a detailed account (for a detailed account of the impacts of PDR on CIL see Bibby et al, 2018).

The costs of new development for local public infrastructure are quite difficult to generalise, for example, one new housing unit might make little difference to local community facilities whilst one hundred would likely make a very real impact. The tipping points between needing new provision or not will vary according to the amount of new development delivered, the timeframe of delivery and the location. The costs of infrastructure development will also vary greatly according to what is needed and across the country.

A number of reports have, however, been commissioned by local authorities to try to consider the costs on public physical, social and green infrastructure (so excluding privatised utilities) for their projected housing growth and some of these give a per dwelling cost. These vary from £4,600 in West Suffolk (Nathaniel Lichfield and Partners, 2009) and £6,500 in Thurrock (Colin Buchanan and Partners, 2006) to £27,527 in Harlow (Roger Tym and Partners, 2010). With viability testing, the full costs of impact on public infrastructure are unlikely to be met through CIL and S106 for much housing development even where planning permission is required, but this certainly gives a sense of potential impacts under PDR.

4.3 Amenity and quality including space standards

The BCO (2015) report notes local planners' concerns with office-to-residential PDR, namely concerns over the loss of control over the quality of the dwellings being provided. The report nevertheless, seems to suggest something along the lines of bad housing is better than no housing, claiming that the concerns of local planners and losses of affordable housing contributions 'need to be offset against the benefits of providing housing at all' (2015: 7). The EGi (2015: 26) report seems to offer a similar argument when suggesting that 'on a capital value basis at least PDR schemes are affordable. The sizes are small but some would argue that owning a small flat is better than not owning one at all'. Alternatively, the London Councils briefing (2015) argues that a significant increase in housing supply,

'…should not be achieved at the cost of producing poor-quality residential accommodation. As residential conversions are no longer required to be plan-compliant, many unsustainable and poor quality schemes have been brought forward, with the local planning authority having no power to ensure they meet basic standards such as minimum space and adequate light and ventilations' (2015: 4).

These quality issues are a key feature of some of the limited academic research published on PD, however, with Remøy and Street (2017) discussing the poor quality housing that seems to be being developed, with small unit sizes and no access to amenity space. Muldoon-Smith and Greenhalgh (2016) discuss amenity in terms of location of conversions within neighbourhoods, and the way that PD undermines the ability to think about broader spatial objectives, thus making office-to-residential 'problematic'.

Other studies on space standards include a report from the House of Lords where it is stated that LPAs claim that with PD 'you could theoretically build rabbit hutches' (House of Lords, 2016: 37). It is worth noticing a granted appeal decision where a LPA had refused a PD scheme as it said 24m^2 units were too small to count as 'dwellinghouses'. The Inspector disagreed with the decision arguing that there is no minimum space standards set in law (Planning Inspectorate 2015). Parker (2017), however, sees the small sizes of PD units as evidence for the need for space standards. The author argues that in a housing market where supply is keeping up with demand space standards could be irrelevant, in the sense that sub-standard units would not sell in such a scenario, but given dwelling scarcity in the severe housing crisis people are forced to live anywhere and there is all the more need to protect basic standards.

6 This is a conservative figure that results from adding all S106 in lieu payments for office-to-residential conversions in inner London boroughs May 2013–May 2015 (£33,734,494) and dividing it by all units approved, and not just by the schemes with S106 for affordable housing.

4.4 Loss of office floor space

Evidence of significant loss of office space is abundant, and many sources suggest that some of this space was in use prior to the PD conversion. BCO (2017) estimates an annual loss of 966,000m^2 (10.4 million ft^2) across the country since the introduction of office-to-residential PD. Just in London, there has been a total of 797,000m^2 (7.5million ft^2) converted and there is a potential for another 5.7million ft^2 assuming an average of 807 ft^2 (75m^2) dwelling size 'matching the DCLG original assumption' (BCO, 2017: 5). Additionally, the TBR (2014) report for Camden, argues that, in the nine year period between April 2004 and October 2013, Camden lost about 60,000m^2 (645,000 ft^2) of office space contrasting with 23,000m^2 (248,000 ft^2) in less than 12 months since the introduction of office-to-residential PD. RICS economic data survey also suggests that PD conversions, particularly in London, significantly contribute to a reduction of much needed office space (e.g. RICS, 2015).

PD do not necessarily convert vacant premises, a concern that seems to be mostly voiced by London boroughs. As TBR (2014) notes, Camden's low vacancy rates suggests that the majority of the space being converted was occupied offices. There are accounts that firms are being served notice and leases are not being renewed, which results in firms having to relocate. TBR (2014) also argues that office-to-residential PD conversions are likely to have an impact on office rents more broadly, as a reduction in office floorspace increases pressure on the remaining space. The London Councils briefing (2015) supports these claims further arguing that the loss of employment space results in the loss of local jobs and of the economic vitality of the areas where spaces are being converted. According to this report, across London 39% of all office-to-residential prior approvals for which information on occupation was available were fully occupied spaces.

The BCO (2015) report suggests that LPAs are particularly concerned about the loss of small and cheaper offices. Even if older office space is being replaced with new stock, this new space is likely to charge higher rents, thus not constituting a real alternative to the users of the office space being converted. The report claims that, contrary to what has been argued, office-to-residential PD are not disproportionally affecting smaller office space, considering that national level data shows average scheme size ranging from 560 to 740m^2 (6,000 to 8,000 ft^2). The report nevertheless notes that the office market is, at least partially, responding to shortages in the cheaper or smaller segment of office space through 'hubs', 'incubators' and other shared facilities office space, which implies that there is a shortage of small office space.

A recent study commissioned by the GLA comments that:

'There is little doubt that PDR has helped clear much poor quality office stock, but it is equally clear that a planning tool which is blind to the role of property values in shaping private sector decisions can have unintended consequences. Good space is lost too – not necessarily Grade A, but serving the needs of cost-conscious SMEs… Across London, 55% of PDR schemes involve occupied buildings (40% fully occupied and 15% partially-occupied). It is also likely that these numbers underestimate the impact by excluding buildings where owners emptied building before a prior approval, or chose not to re-let vacant space that might have found a willing tenant. This research estimates that over 30,000 jobs have been disrupted, with the overwhelming majority of these being in SMEs occupying economically-priced space which might be hard to replace, and this represents a significant disruption to the small business community' (GLA 2017: x).

4.5 Property Market Trends: Value & Tenure

Property consultancies have readily responded to the changes in planning regulations and were ready to provide clients with advice on reviewing their office stock and assessing possible market opportunities (e.g. Knight Frank, 2013). There is only a limited supply of office buildings, which are both available and suitable for residential conversion across England – and these will also vary between cities. Indeed, Savills (2015: online) discuss how they expect the PDR trend to continue up until 2020, especially in regional cities such as Manchester, where the trend is 'driven by both the limited supply of developable land and rising differentials between the capital values per square foot that are achievable on the different uses.'

The TBR report for the London Borough of Camden expresses the economic case of office-to-residential conversions from the point of view of landowners arguing that 'office premises are likely to see an uplift of over 100% where conversion to residential is allowed' (Camden Council, 2014: 4). For the office building owner, a key factor is likely to be cost comparisons of different development options (e.g. office refurbishment versus residential conversions versus residential new build) (Nathaniel Lichfield and Partners et al. 2011). There is nevertheless limited data and analysis on the property prices and construction costs of the conversions.

It is the smaller occupier, or those with alternative office space requirements that the PD conversions may affect most and this poses a challenge for smaller businesses and companies to find suitable office locations if much of the older, but still lettable spaces disappear from the market through change of use. Indeed, 'critics suggest that the policy encourages the loss of office space, particularly for SMEs and the creative industries' (Young, 2015). These issues will not only play into the local real estate dynamics, but will potentially have wider reaching consequences relating to relocations and employment shifts. Conversions can obviously not provide like for like replacement. The structure and competitiveness of the local office markets are therefore inherently impacted. JLL reflect on this, and suggest that

'there is some discomfort that side-stepping the planning process through PD could become a permanent feature of planning, with knock-on impacts for employment space' (Young, 2014: online).

There is very limited information on tenure, one exception being the EGi (2015) report, which, based on a sample of over 3,000 PD units being marketed, suggested that most units were for sale, except in Croydon where most units were private rented sector (PRS). The report noted nevertheless that this was still early stage of implementation and that a few large PRS schemes could easily change this picture.

4.6 Knowledge gaps and contributions of this research

Existing studies of office-to-residential PD tend to have involved secondary data desk based and quantitative analysis approaches. This report expands this literature through more detailed case studies and original empirical work, giving a more granular understanding of what is happening through a case study focus on five English LPAs alongside comparative analysis from Glasgow and Rotterdam.

5.0 Case studies overview

For the case studies, the number of prior notifications was highest for Croydon and Camden but with significant numbers seen in the other authorities as well (Table 7). There were a much greater number of prior notifications than full planning applications for office-to-residential conversions, at least, for four of the five English cases. For instance, in Croydon there were 11 cases of full planning applications for office-to-residential conversions between 2013 and 2017 contrasting with 263 prior notifications and only four full planning applications between 2009 and 2013. There was also a much greater number of prior notifications than full planning applications for office-to-residential conversions between 2013-2017 than 2009-2013 in the other LPAs (Table 7 and Table 8). This suggests that PD for offices-to-residential conversions have stimulated the change of use market.

Several of the prior approvals relate to the same building. In some cases, prior notifications for the same building are complementary, that is, these different prior notifications refer to different floors or different areas in the same building. In other cases, prior notifications for the same building are duplicates, that is, these are prior notifications submitted simultaneously or some time apart for the same floorspace with differences between applications including number of units or the proposed design (configuration of units). In the case of duplicates, the research considers the latest prior notifications by date of submission and/or application number to use in calculations.

Table 7 **Contrasting office-to-residential conversions through prior notification in national cases with conversions through full planning permission in Glasgow**

	Prior approvals					Full planning applications
	Camden	Croydon	Leeds	Leicester	Reading	Glasgow
Notifications 2013-17 (schemes and units)[a]	249	263	139	100	153	77
	2354	5359	2170	1493[b]	1949	564
Refusals	35	39	10	2	24	5
Withdrawals	59	28	9	15	10	3
Other[c]	0	20	1	6	11	6
Granted	155	176	119	77	108	63
Duplicates (from granted)	42	57	17	15	24	0
Net approvals (schemes and units)	110	119	112	62	84	63
	832	3330	1565	1035	1295	282
Number of approvals for fewer than 10 units	107	96	70	36	74	66
Mean average size of approved schemes (units)	9	30	18	20	15	7
Median average size of approved schemes (units)	4	7.5	6	10	4	2
Implemented (schemes and units)	76	89	22/39[d]	42	58	32/50[d]
	605	2708	715/1198[d]	637	879	133/360[d]
Implemented schemes (% of net approvals)	69%	75%	56%[e]	68%	69%	64%[e]
Implemented schemes (% of notifications)	31%	34%	-	42%	38%	-

a The sum of refusals, withdrawals, others and granted unless noted
b Data provided by the LPA for units excludes refusals and withdrawals but includes duplicates
c Different LPAs register application status differently. In Croydon, categories other than 'refused' or 'withdrawn' include e.g. 'application invalid', 'application not determined', etc. In Camden it includes 'prior notifications not required'. In Reading it includes 'undetermined'. In Leicester it includes 'not valid'
d number of implemented schemes and units out of the sample visited
e implemented over the sample visited

Table 8 Full planning applications for office-to-residential conversions per case study

	Full planning applications					
	Camden	Croydon	Leeds	Leicester	Reading	Glasgow
2009-13 [schemes and units]	81	4	78	61	3	40
	446	214	182	329	113	155
Refusals	14	1	5	6	0	3
Withdrawals	-	0	9	7	1	1
Other	-	0	0	0	0	0
Granted	67	3	64	48	2	36
2013-17 [schemes and units]	83	11	80	16	9	77
	426	1379	3794	202	324	564
Refusals	-	1	-	-	1	5
Withdrawals	-	0	-	-	1	3
Other	-	4	-	-	0	6
Granted	-	6	-	-	7	63

Excluding any duplicates, the number of prior approvals ranged from 119 in Croydon to 62 in Leicester. Having done a site visit to all schemes, the number completed and under construction was 89 schemes in Croydon, 76 in Camden, 58 in Reading and 42 in Leicester (in Leeds, it was 22 schemes out of the sample of 39 schemes visited). This represents implementation rates, considering net approvals, ranging from 75% in Croydon to 68-69% in the other three LPAs where all sites were visited (Table 7). If for the implementation rates notifications were instead considered, as for instance the BCO (2017) report does, these figures then drop significantly (Table 7).

In terms of number of units, the schemes completed or under construction will deliver 2,708 units in Croydon, the case study with the highest figures, followed by Reading (879), Leeds (715 – from just a sample of 35% of schemes in the city), Leicester (637) and finally Camden (605) (Table 7). In terms of number of units per scheme, Croydon had the largest schemes including, for example, the Delta Point scheme with 404 units. Croydon also has the higher number of schemes over 100 units (five schemes delivering a total of 959 units). Reading, Leicester and Leeds saw only one scheme each over 100 units, and Camden's largest scheme was 86 units. Overall, across the five English LPAs, most schemes delivered less than 10 units (Table 7). Camden had a very large number of schemes with under four units: 43 out of its 76 total schemes implemented. Differences in number of units per scheme suggest differences in the urban morphology of the different LPAs. For instance, Croydon's large floorplate purpose built office spaces contrast with Camden's finer grain urban fabric.

In terms of target markets, schemes were classified into three distinct categories—high-end, mid-end and low-end market. Criteria for the classification included visual evidence on site and, in some instances, evidence found through subsequent desk research. For instance, Figure 37 would be classified as low-end and Figure 13 as high-end. Cases for which there was not enough information (for instance, refurbishment process still at early stage) were classified as unclear. The observations suggest that overall, averaging all five LPAs, schemes were predominantly mid-market, followed by low-end, except from Camden where high-end conversions were the second most prevalent category. This suggests that office-to-residential conversions through PD reflect local property market dynamics. It is worth noting that for the Glasgow case study, the comparative case study where the same methodology was applied in terms of site visits and the assessment of the quality of the schemes, the results in terms of conversion target market suggest that most schemes were targeting high- and mid-end markets. This is a potential indication of the average higher quality of schemes following a full planning application route when compared with PD route schemes.

In terms of location, most cases occurred in central locations, with some exceptions found, for instance, in Leeds where 14% of implemented schemes were in industrial estates (Table 9 and Figures 2, 3, 47, 48, 49). This was something planners in Leeds were concerned with, noting that it would only happen with schemes following a PD route due to amenity concerns.

Table 9 Office-to-residential conversions location type (number of schemes and units delivered)

Location type		Camden	Croydon	Leeds	Leicester	Reading	Glasgow
City centre mixed-uses	Schemes	39 (51%)	33 (37%)	9 (41%)	24 (57%)	26 (45%)	7 (22%)
	Units	385 (64%)	1254 (46%)	295 (41%)	464 (73%)	792 (90%)	48 (36%)
Local centre or high street	Schemes	19 (25%)	35 (39%)	5 (23%)	7 (17%)	19 (33%)	-
	Units	134 (22%)	1118 (41%)	183 (26%)	36 (6%)	55 (6%)	-
Mostly residential	Schemes	16 (21%)	15 (17%)	3 (14%)	4 (10%)	12 (21%)	23 (72%)
	Units	82 (14%)	152 (6%)	21 (3%)	20 (3%)	30 (3%)	83 (62%)
Industrial	Schemes	-	5 (6%)	3 (14%)	-	-	-
	Units	-	125 (5%)	126 (18%)	-	-	-
Other	Schemes	2 (3%)	1 (1%)	2 (9%)	7 (17%)	1 (2%)	2 (6%)
	Units	4 (1%)	59 (2%)	90 (13%)	107 (18%)	2 (0%)	2 (2%)
Total	Schemes	76 (100%)	89 (100%)	22 (100%)	42 (100%)	58 (100%)	32 (100%)
	Units	605 (100%)	2708 (100%)	715 (100%)	637 (100%)	879 (100%)	133 (100%)

Figure 2 Number of schemes per case study by location

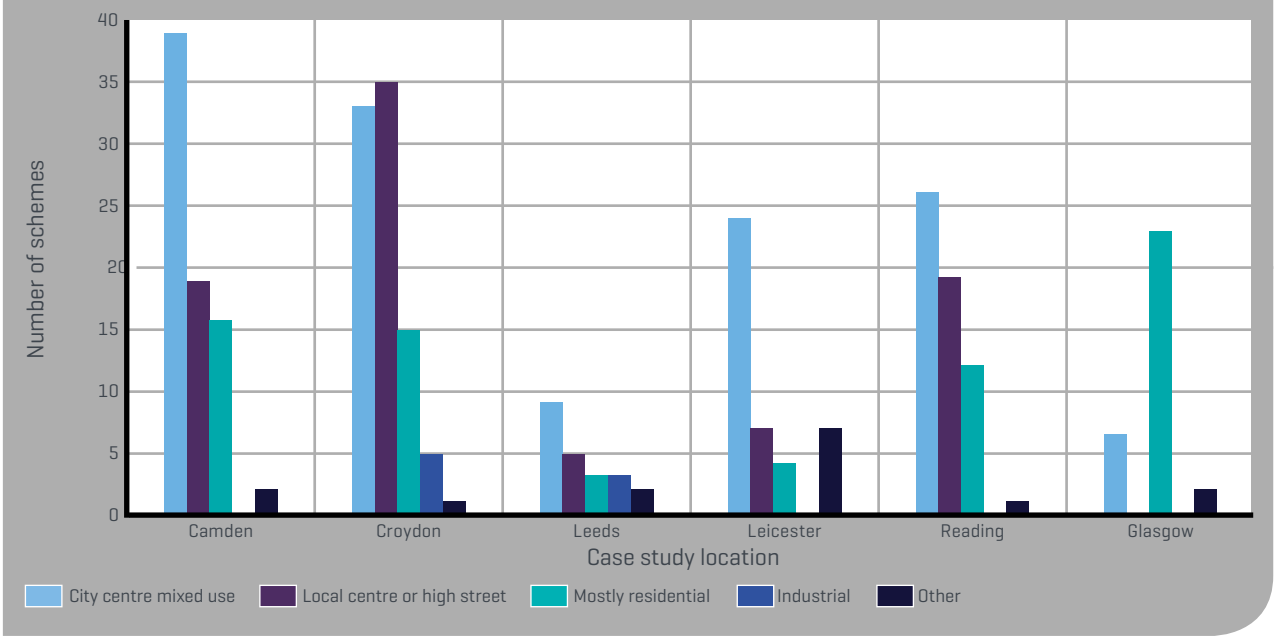
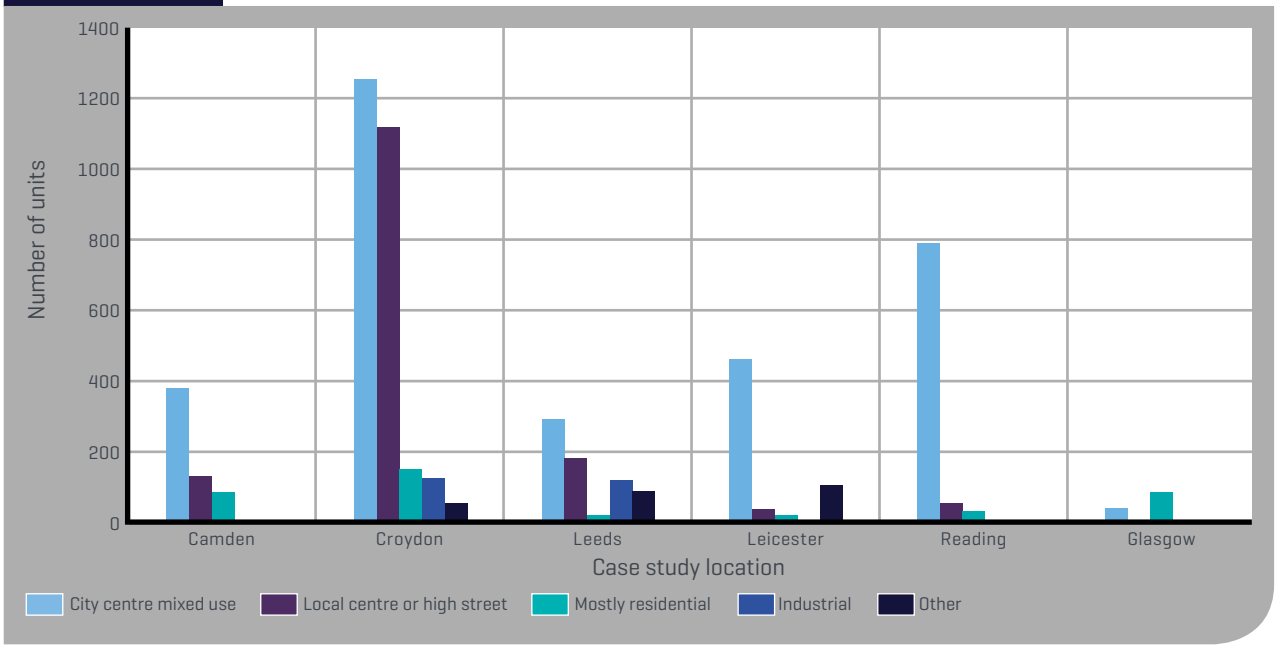


Figure 3 Number of units per case study by location



In terms of the original uses of the buildings converted, the results showed that most buildings were originally designed as office buildings (Table 10 and Figures 4-5), but there were also several originally designed as residential buildings, later converted into office buildings and now being converted back (e.g. Figure 57). Due to the larger scale of office buildings compared with residential buildings, change of use of originally designed office buildings usually delivered a greater number of units.

In terms of current use, most implemented units were serving a residential use, as expected. However, some schemes with approved office-to-residential conversion PD were being used as serviced apartment/ student accommodation. This was particularly evident in Leeds, where about 29% of units visited with prior approval were being used as serviced apartments/ student accommodation, illustrating some of the issues with the figures regarding the number of 'housing'

Table 10 Office-to-residential conversions buildings' original typology (number of schemes and units delivered)

Buildings' original typology		Camden	Croydon	Leeds	Leicester	Reading	Glasgow
Offices	Schemes	21 (28%)	37 (42%)	15 (68%)	10 (24%)	20 (34%)	4 (13%)
	Units	307 (51%)	2304 (85%)	605 (85%)	327 (51%)	742 (84%)	58 (44%)
Residential	Schemes	17 (22%)	34 (38%)	5 (23%)	20 (48%)	30 (52%)	28 (88%)
	Units	70 (12%)	202 (7%)	44 (6%)	261 (41%)	99 (11%)	75 (56%)
Industrial	Schemes	13 (17%)	2 (2%)	2 (9%)	7 (17%)	2 (3%)	-
	Units	150 (25%)	49 (2%)	66 (9%)	40 (6%)	4 (0%)	-
Mews	Schemes	9 (12%)	-	-	-	-	-
	Units	11 (2%)	-	-	-	-	-
Other	Schemes	16 (21%)	16 (18%)	-	5 (12%)	6 (11%)	-
	Units	67 (11%)	153 (6%)	-	9 (1%)	34 (4%)	-
Total	Schemes	76 (100%)	89 (100%)	22 (100%)	42 (100%)	58 (100%)	32 (100%)
	Units	605 (100%)	2708 (100%)	715 (100%)	637 (100%)	879 (100%)	133 (100%)

Figure 4 Number of schemes per case study by building's original typology

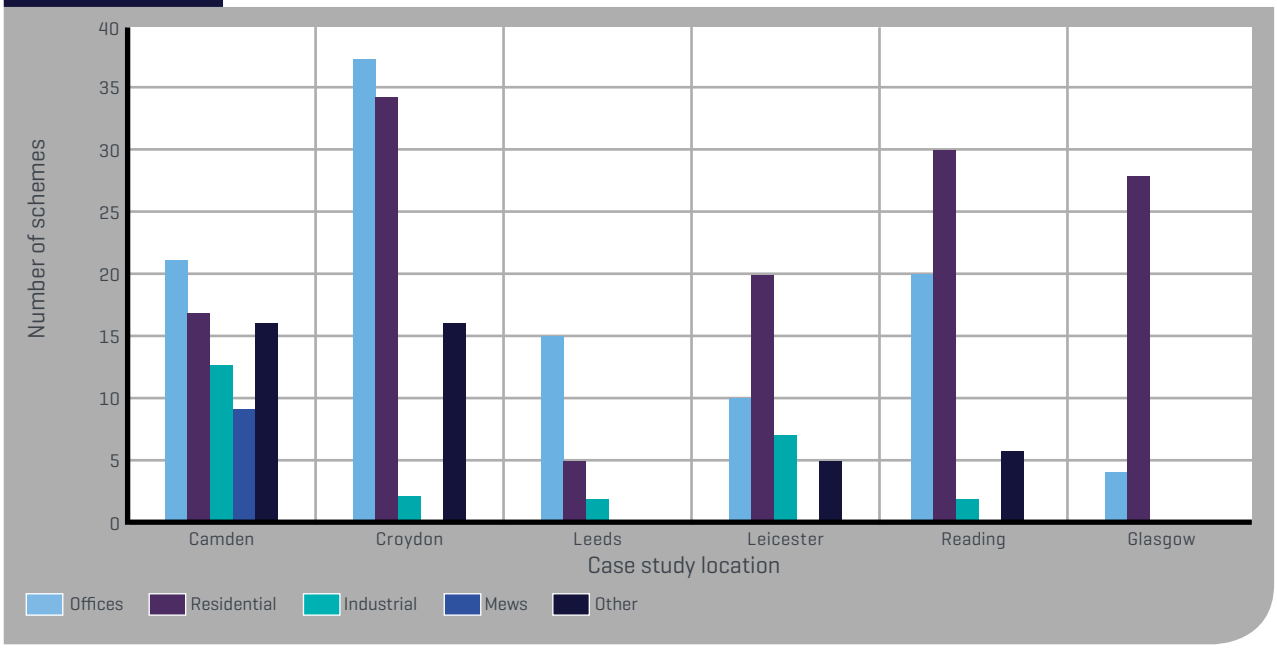
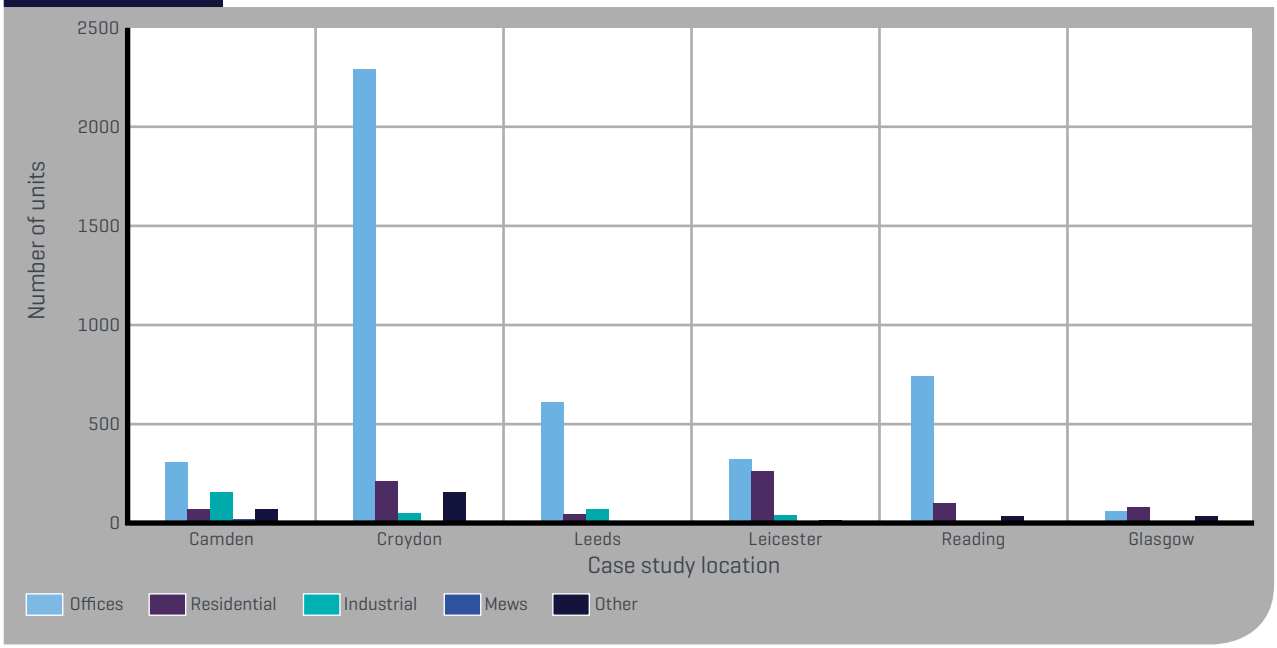


Figure 5 Number of units per case study by building's original typology



units delivered through PD. Sometimes an associated planning application established a lawful use as student accommodation, but more usually these units technically fall into a C3 use, as they provide independent rather than shared living facilities amenities (i.e. kitchen and bathroom), but their use now is for more temporary accommodation. Ultimately, these are not the family homes that policy intended.

Having considered this comparative overview of the data on office-to-residential PD schemes in the five case study LPAs, this report now turn to consider stakeholder views and exemplar conversion schemes in each authority in more detail.

6.0 Office-to-residential conversion case studies in five English authorities

6.1 Camden

Camden is an inner north London borough, which includes both part of the London Central Activities Zone (CAZ) where there is exemption from PD but also significant concentrations of commerce outside the CAZ. The 2011 census recorded a population of 220,338 (NOMIS, 2017). Office vacancy rates are low (estimated at 2.7% in April 2014) and residential land values are some of the highest in the UK, up to 4.5 times the value of offices. Market pressure to convert office floorspace to housing predated PD. There has been opposition to PD due to the ongoing pressures on the borough's businesses and creative industries and because of the difficulty the borough has faced securing affordable housing. A report by consultants (TBR, 2014), was commissioned to examine the impact of PD in the borough. The report found that in the 12 months since the change to permitted development rights in 2013, the borough lost approximately 24,000m^2 further office space, equating to some 2,570 jobs.

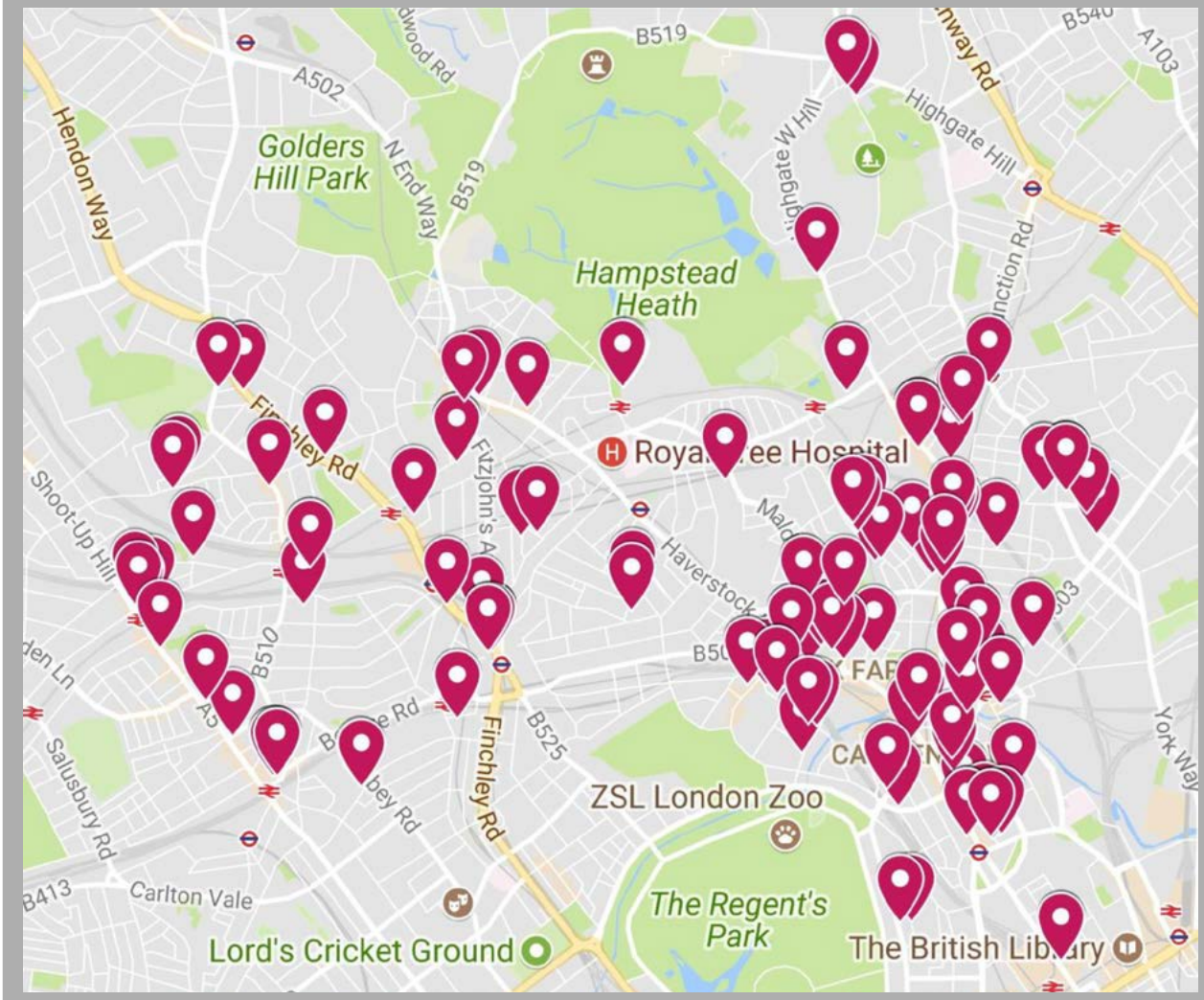
The London Plan, which applies in Camden and Croydon, is generally supportive of reusing surplus office space for other uses and also introduces residential space standards (GLA, 2016a). The GLA have also published a Supplementary Planning Guidance document on housing, which argues that new residential development likely to house 10 or more children should provide play space, and that a minimum of 5m^2 of private outdoor space should be provided for 1-2 person dwellings (GLA, 2016b).

The statistics for the number of prior notifications in Camden and the results of the research on implementation rates are in Section 3.4 and Chapter 5. Figure 6 shows a map of all prior notifications received between April 2013 – March 2017.

Camden council's approach to office-to-residential PD

In August 2015, an Article 4 for office-to-residential conversions came into force with cross-party support but following a direction by DCLG, this covers clusters of commercial buildings rather than the whole borough, leaving the small, standalone commercial units vulnerable to conversion. In the Council's cabinet reports on the proposed Article 4 Direction, it was emphasised that it could cost £20,000 per annum in officer time in processing the applications without payment and that preparing and consulting on the Article 4 had cost nearly £35,000 (Camden Council 2014 and 2015a).

Figure 6 **Map showing all prior notifications for office-to-residential change of use approved in Camden local authority area April 2013 – March 2017**



Source: Ben Clifford, using Google maps

Camden enters into S106 agreements on prior approvals if relevant to the limited issues they can take into account. Usually these are non-financial, for example over restricting parking, but in one of the case studies there was a payment for highways improvements. Camden Council adopted a CIL charging schedule in 2015, in addition to the Mayoral CIL, which had applied since 2012.

Stakeholder views

In Camden, the view is overwhelmingly that permitted development rights are not facilitating the redevelopment of 'vacant' office buildings but instead fuelling the conversion of occupied offices, due to the profitability of this. There is also concern that the increase in rents due to the constrained supply of remaining office space will further drive out small creative businesses and that the resultant loss of employees will undermine the viability of shops and services in local high streets:

'We have lots of employment space mixed in with residential areas and the feedback we get from residential communities is that it creates a diversity of use, it creates buzz and life and having a place where only people live and nobody works is not what people want' (Interview 1).

There is anecdotal evidence from the Camden BID that occupiers have been approached by the owners to pay them off to leave early.

Maximizing housing supply is also high on the agenda, but there is a concern that the housing that is being delivered is not of the right type or affordable to the borough's residents: 'I think you don't have to look very far to see that what it's produced is investment housing, not for living' (Interview 14). Furthermore there is a concern over quality.

Table 11 Analysis of case study office-to-residential PD schemes in Camden

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
116 Boundary Road St Johns Wood	1	Ground floor unit in terrace	1 one bed	1/1 units meet these	None provided (private or communal)
2 & 4 Kings Terrace Mornington Crescent	0	Mews houses	Extension to existing 2 adjoining flats above	The 2 extended units will meet these	Private courtyard space provided
68A Delancey Street Camden Town	1	Courtyard behind residential terrace	1 five bedroom house	Yes. The house is 850m²	Private courtyard space provided
48-56 Bayham Place Mornington Crescent	13	Late 19th C light industrial	13 studio	11/13 appear to meet these. Smallest studio 29m² but up to 51m²	None provided (private or communal)
5-8 Anglers Lane Primrose Hill	27	Late 19th C light industrial	9 studio 3 one bed 13 two bed 2 three bed	26/27 units meet these. One studio is 34m² but generally all well sized	None provided (private or communal)
Merlin House Kilburn	12	Commercial premises above retail, high street	12 one bed	0/12 units meet these. Smallest flat 33m², up to 48m²	None provided (private or communal)
Asher House West Hampstead	29	Late 20th C commercial	15 studio 13 one bed 1 two bed	21/29 units meet these. Smallest studio 34m², up to 41m². 1 bed and 2 bed all well sized	No private space. Possibly a small courtyard area to rear

Scheme	Financial impact					
	Local infrastructure/services (one off)		Planning fees (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
116 Boundary Road St Johns Wood	-£4,600	S106 = £0 CIL = £0	-£385	£80	-£2,415.70	£1,259.97 (1 x Band C)
	Net: -£4,600		Net: -£305		Net: -£1,155.73	
2 & 4 Kings Terrace Mornington Crescent	-£0	S106 = £0 CIL = £0	-£770	£80	-£18,610.75	£4,094.88 (1 x Band E + 1 x Band G)
	Net: £0		Net: -£690		Net: -£14,515.87	
68A Delancey Street Camden Town	-£4,600	S106 = £0 CIL = £0	-£385	£80	-£101,430	£2,834.92 (1 x Band H)
	Net: -£4,600		Net: -£305		Net: -£98,595.08	
48-56 Bayham Place Mornington Crescent	£59,800	S106 = £0 CIL (Mayoral) = £26,000 CIL (Borough) = £130,000	-£5,005	£80	Not readily available	Not readily available
	Net: £96,200		Net: -£4,925		Net: N/A	
5-8 Anglers Lane Primrose Hill	-£124,200	S106 = £0 CIL = £0	-£10,395	£80	Not readily available	Not readily available
	Net: -£124,200		Net: -£10,315		Net: N/A	
Merlin House Kilburn	-£55,200	S106 = £0 CIL (Mayoral) = £31,700 CIL (Borough) = £0	-£4,620	£80	Not readily available	Not readily available
	Net: -£23,500		Net: -£4,540		Net: N/A	
Asher House West Hampstead	-£133,400	S106 =£13,600 (for highways) CIL (Mayoral) = £65,250	-£11,165	£80	-£102,900	£45,819.19 (15 x Band D + 13 x Band E + 1 x Band F)
	Net: -£68,150		Net: -£11,085		Net: -£57,068.81	

In general, there was frustration that PD rights were not in the spirit of localism and not supporting public engagement:

'They talk about localism, but when it comes to something very important like this, they want to impose a very rigid, prescriptive policy… This is not fair on the local communities who don't get to participate in the planning process to discuss changes to their area' (Interview 7).

Case study developments

Given the range in types of conversions under prior approval in Camden, seven prior approval case studies were examined and Table 11 summarises the findings. 116 Boundary Road (Figures 7-8) and 2&4 King's Terrace (Figure 9) (a mews where residential properties sell for £1.25m) is typical of the smaller conversions of employment space seen under PD in Camden: it is not just large, vacant office buildings that are impacted. 68A Delancy Street represents the luxury end of the market seen in Camden, where a film production office was converted into a single five-bedroom house which was on the market in 2013 for £12m (Figure 10).

There are also larger conversions in Camden. 48-56 Bayham Place (Figure 11 and 12) is an example of historic building converted into 13 high quality residential units now marketed as serviced apartments for £650 per week. 5-8 Anglers Lane (Figure 13) is another Victorian building, and one where a planning permission for conversion to residential was refused in 1999 and 2000. Merlin House (Figure 14) and Asher House (Figure 15) are more typical of office-to-residential conversions seen around the country.

As indicated by Table 11, for 83 new units being created through PD conversions in Camden, 72% met national space standards but just 1% had access to amenity space. 80% of the units were studios or one bedroom apartments, suggesting some issues over residential quality and mix.

This research also looked at a range of office-to-residential schemes which required planning permission in Camden as comparators and Table 12 summarises the detailed findings for two of these. For the 75 units being created through conversions governed through full planning permission, 100% met national space standards and the majority had access to amenity space. 44% of the units were studios or one bedroom apartments. This suggests a higher residential quality and better mix compared to demand. Furthermore, the financial data demonstrate the level of planning obligations Camden has been able to secure on such conversions through full planning permission, as opposed to the PD.

Figure 7 **Historic view of 116 Boundary Road from 2009**

Image source: Google Streetview

Figure 8 **The appearance of 116 Boundary Road on the site visit**

Image source: Ben Clifford

Figure 9 The appearance of 2&4 King's Terrace on the site visit

Image source: Ben Clifford

Figure 10 The appearance of 68A Delancey Street on the site visit

Image source: Jessica Ferm

Figure 11 Historic view of 48-56 Bayham Place from 2014

Image source: Google Streetview

Table 12 **Analysis of case study office-to-residential planning permission schemes in Camden**

Scheme	Building details and quality				
	No. units	**Building typology**	**Mix of units**	**National space standards?**	**Amenity space? Play space?**
Parker Tower Parker Street Holborn	53	1960s office	6 studio 12 one bed 21 two bed 11 three bed 3 four bed	53/53 units meet these	Majority of units have an inset terrace
22 Tower Street Covent Garden	**22**	19th C commercial / residential above ground floor retail	3 studio 12 one bed 5 two bed 2 three bed	22/22 units meet these. Studios about 45m², 1 beds 64-93m², 2 beds 78-114m²	2 units have terraces & communal courtyard space

Scheme	Financial impact			
	Local infrastructure / services (one off)		**Taxes** (per annum)	
	Potential loss (£4,600 per unit)	**Potential gain**	**Potential loss** (2010 business rates)	**Potential gain** (current council tax)
Parker Tower Parker Street Holborn	-£243,800	S106 = £844,885 (For community facilities, education, employment, healthcare, highways, open space, pedestrian / cycling / environment, travel plan, apprentices, legal and monitoring) CIL (Mayoral) = approx. £250,000 + 13 on-site affordable units (7 social rent, 6 intermediate)	Not straight-forward as proposed scheme is mixed use	Not readily available (still under construction)
	Net: £851,085 + affordable housing		Net: N/A	
22 Tower Street Covent Garden	-£101,200	S106 = £626,297 (For community facilities, education, employment, highways, open space, off-site affordable housing) CIL (Mayoral)= £91,615	Not readily available	Not readily available
	Net: £616,712		Net: N/A	

Borough wide financial implications

Looking at all prior approvals received over the first four years of PD, Camden is calculated to have lost £665,853 in planning application fees. In the area outside the CAZ the research indicates there has been a potential loss of 333 affordable housing units from PD approved schemes. For S106 contributions, there has been a minimum loss of £9,012,825 (this is just for the loss of employment land and open space provision related contributions which would have been sought had these PD schemes required planning permission and where a suggested charging calculator is published (Camden Council, 2015b)).

Finally, based on the low figure of £4,600 per new dwelling for infrastructure costs (and this probably is too low for Greater London), the additional cost locally on services from the 832 units approved via PD is £3.827m and for the 605 units are started or under construction is £2.783m.

Conclusions

Due to the extraordinarily high residential values in Camden, the introduction of office-to-residential PD has undoubtedly caused substantial loss to public and community benefit – both financial and tangible. Given low office vacancy rates, conversions under prior approval are effectively displacing business resulting in substantial losses of business rates, substantial implications for the economy more widely as well as a sense of lost 'vitality'. The small spaces needed for the creative industries are particularly at risk: the cumulative impact of spaces converted to just one or two units is considerable. Given the high residential values, the quality of the average conversion in Camden has generally (but not always) been high (for example, generous space standards), but with no supporting contribution to social infrastructure.

Figure 12 The appearance of 48-56 Bayham Place on the site visit

Image source: Ben Clifford

Figure 13 The appearance of 5-8 Anglers Lane on the site visit

Image source: Patricia Canelas

Figure 14 The appearance of Merlin House on the site visit

Image source: Ben Clifford

Figure 15 The appearance of Asher House on the site visit

Image source: Ben Clifford

Image source: Victor Moussa-shutterstock.com

6.2 Croydon

Croydon is a borough in the south of Greater London, with a long history as a significant town in its own right. The 2011 census showed a population of 363,378 in the borough (NOMIS, 2017). The town centre ('metropolitan centre') was extensively redeveloped in the 1950s and 1960s: almost 500,000m^2 of office space was either built or approved between 1957 and 1964 (Croydon Council, 2014a). Changing organisational requirements away from the extremely large office space requirements popular in the 1960s and 1970s, as well as an increasingly dated stock, has led to a high rate of office vacancy. This supply of office stock coupled with the pressures of housing demand in London and increasing house prices, have led to a very high amount of proposals for office to residential conversion in the borough.

The statistics for the number of prior approvals in Croydon and the results of the research on implementation rates are in Section 3.4 and Chapter 5. Figure 16 and Figure 17 show maps of all prior notifications received between April 2013 – April 2017.

Context

The GLA and Croydon Council have worked together to produce an 'Opportunity Area Planning Framework' (OAPF) for the 'Croydon Opportunity Area' (COA). This document proposes rejuvenating at least 25% of the office stock through refurbishment, redevelopment and conversion to other uses (especially residential) but calls for this to be done in a way that promotes good design quality (GLA, 2013).

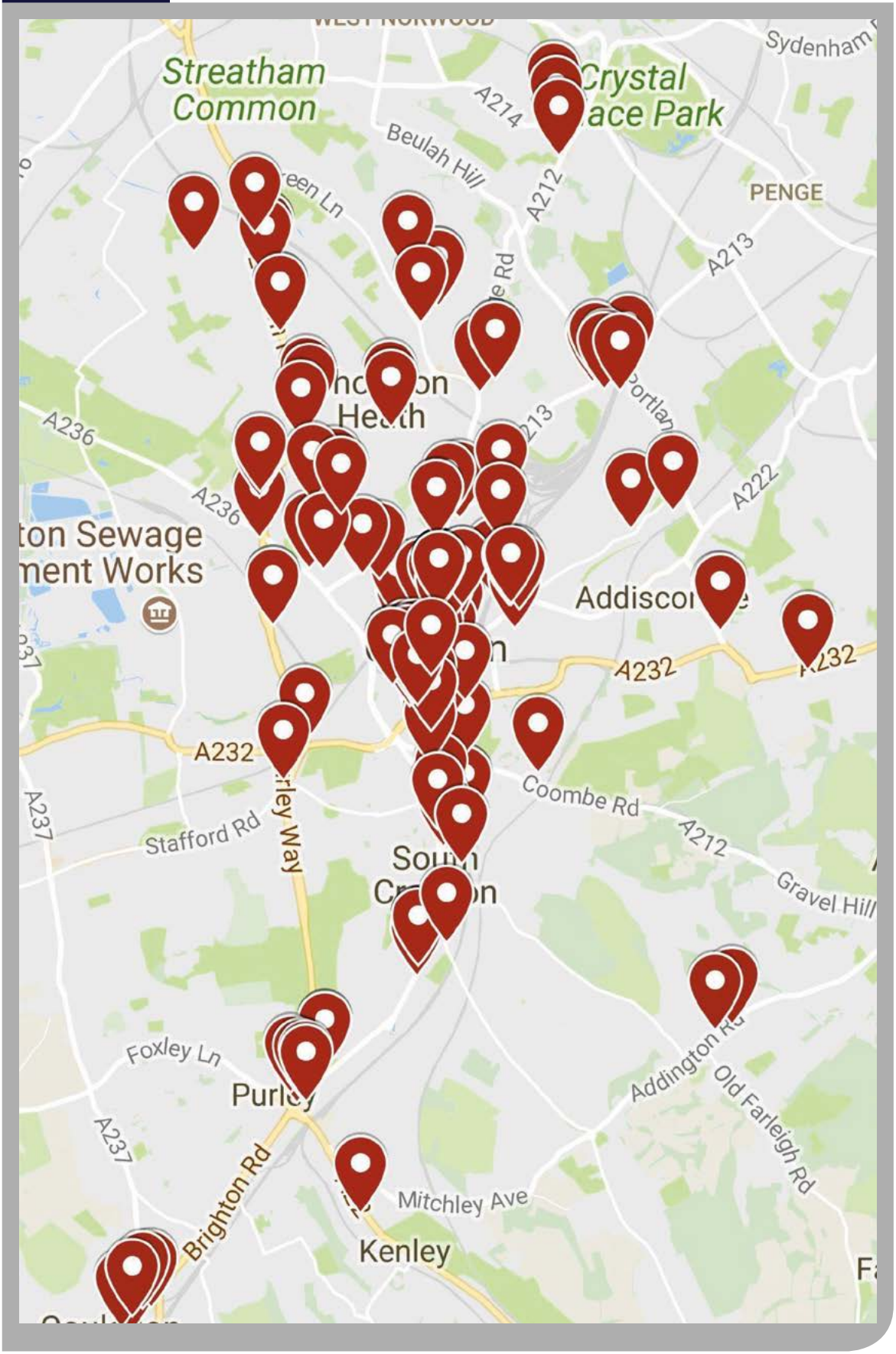
Croydon Council's Local Plan presents a 'vision for 2031' whereby:

'Many existing office blocks have been refurbished, converted or redeveloped into homes and a new residential community now resides in the centre which boasts an environment that is family friendly. The council will continue to take a flexible approach to offices … becoming residential, whilst not undermining the opportunity for economic growth' (Croydon Council, 2013: 10).

The Council publishes an 'Annual Monitoring Report' (AMR) to note progress against its planning strategy (Croydon Council, 2017a). This notes that currently 35% of office floorspace in the COA is vacant, including 47 office premises completely vacant (Figure 18).

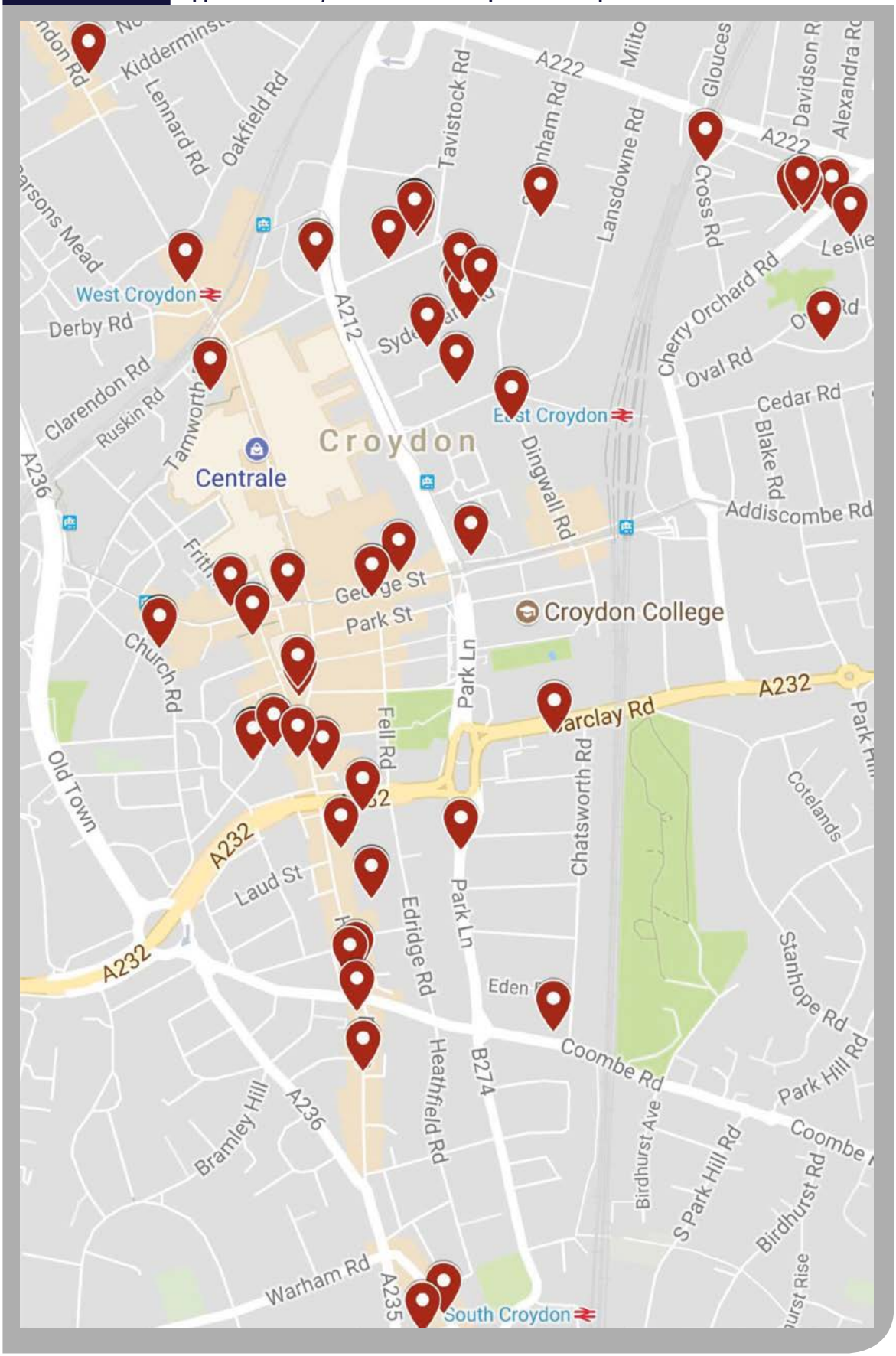
Given the high rates of conversion seen and proposed, there has been considerable coverage of office-to-residential PD in Croydon in the media. Locally, these have included both more and less negative perspectives on PD developments in the town (Inside Croydon, 2014; Naylor, 2015; Inside Croydon, 2017; Croydon Advertiser, 2017).

Figure 16 **Map showing all prior notification for office-to-residential change of use approved in Croydon local authority area April 2013 – April 2017**



Source: Ben Clifford, using Google maps

Figure 17 Map showing all prior notification for office-to-residential change of use approved in Croydon town centre April 2013 – April 2017



Source: Ben Clifford, using Google maps

Figure 18 **Vacancy amongst office buildings in the Croydon Opportunity Area**

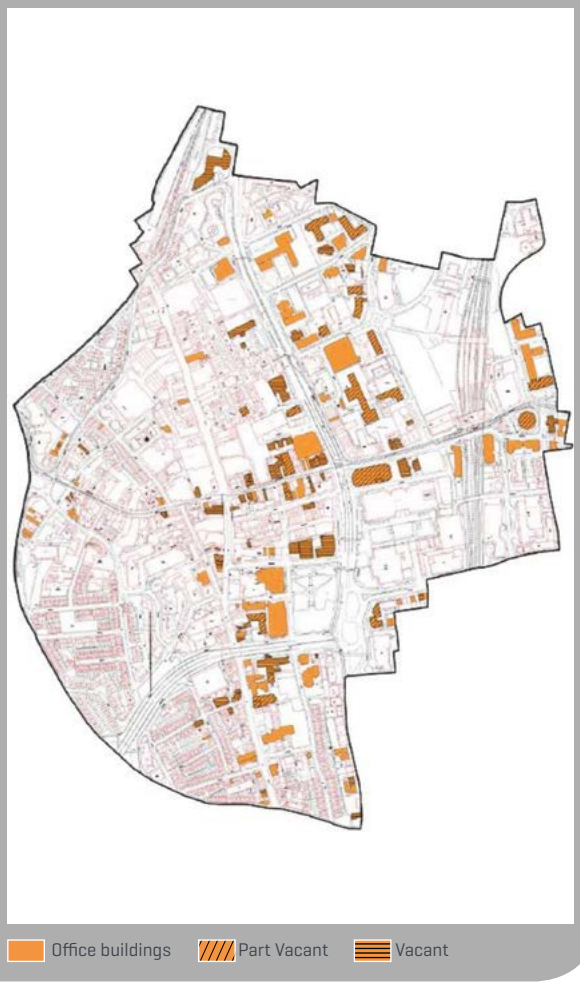


Image source: Croydon Council, 2017a

There has also been national media coverage. One article describes PD developments in Croydon as 'mere boxes for people to exist in' (in Johnstone, 2017).

Croydon council's approach to office-to-residential PD

The Council's approach has developed over time. At first, they were not sure they could permit the prior approvals with conditions attached, but now do. They have also entered into S106 agreements with a number of developers over parking issues.

The Council has adopted an Article 4 direction for the COA, having spent some time monitoring the impacts of PD when first introduced (preparing data which Remøy and Street (2017) use for their article). Reports to the Cabinet (Croydon Council, 2014b) and Planning Committee (Croydon Council, 2014c), explain the concerns about PD as undermining sustainable place-making and justify the Article 4 direction.

The interviewees stated that the BID supported the Article 4 Direction 'one hundred percent' and remained concerned about lower quality schemes being delivered through PD. Interviewee 8 explained to us how when it was being considered at the Council's cabinet meeting:

'We had a single bedsit and it was something like 13.5m^2, so we taped that out in the Council Chamber and I got people to stand in the corners and I said "this is what we're talking about. This isn't a room where somebody sleeps, this is a room that's going to have whatever they cook in, their shower, their toilet, and their bed"'.

A CIL charging schedule has been adopted in Croydon since 2013.

Stakeholder views

A range of views were present in the stakeholders interviewed in Croydon about PD. In terms of the positives, it was acknowledged PD was delivering housing in the town centre where it was wanted. There was some suggestion that by not being subject to minimum space standards, the PD units could be more affordable for buyers. Reusing older, vacant office buildings was seen as a good thing and there was some suggestion that PD had enabled faster delivery, for example because there were fewer conditions.

There was, however, some concern as to how many of the residential units were just being sold to foreign investors and not actually being lived-in and some speculation that investment capital might have been diverted from other residential schemes to PD, so fewer new build residential schemes might be coming forward. More importantly, there were widespread concerns about residential quality. Some developments were of such poor quality there were health and safety issues and people were being put off from coming into neighbouring properties. There was concern that some of the schemes were creating the 'slums of the future' (Interview 8). There was some contestation of this from the developer interviewed, who said that his units complied with building regulations and that because their margins have been higher, they had been able to deliver higher spec units (Interview 20). However, an agent did say there are 'some good developers and there are some bad developers and ... the quality of some of this space is shocking' (Interview 13).

A particular concern about the quality of the accommodation was related to its size. Local planners had seen examples of 'studio flats' which were 12m^2 and 14m^2: 'they are units, not homes' (Interview 2). The interviewees stated that whilst developers were saying these units were not intended for families, housing demand meant families would end up there. Space standard requirements were

contested, with one planning consultant felt that those trying to push larger space standards were 'projecting their own lifestyles onto what other people want' (Interview 24) although another described one PD project they were aware of as 'this type of hovel' (Interview 12).

Another issue was the lack of contributions for local infrastructure. This was an issue not just discussed by local planners and politicians, however, but also by a private sector planning lawyer who expressed concern as to 'whether those conversions actually then wash their own face in terms of infrastructure funding … or are they just a cheap thrill for developers' and explained that whilst PD schemes could be CIL liable, this was usually easily avoided (Interview 25). Similarly, a private sector planning consultant thought that the biggest issue about PD was the lack of requirement to provide affordable housing, commenting:

'From my client's perspective it's fantastic … The one that I've just mentioned, that Christmas, I got a big hamper from him from Fortnum and Mason because he had saved himself millions .. on the affordable housing, really, you're getting away with murder as far as this is concerned, but they're playing to the rules' (Interview 13).

There was some contestation over the profitability for SME developers, who had apparently particularly benefitted from PD. One interviewee stated, however, that developers could make about 70% more on office-to-residential conversion in Croydon than a new build due to the 'more efficient distribution of units'. Apparently initially investors had been sceptical, however, as it was a new thing but now many now want a second project to invest in and 'we can't recycle their cash fast enough' with prices on one scheme going up 5% for every 10 units sold (Interview 20).

Planners were aware of examples of better quality office buildings having been converted and office tenants forced out of buildings, but the concern was more that the cumulative effect might lead to a lack of balance so that the town centre has too much residential and not enough office space and becomes a 'huge residential complex with nothing else going for it' (Interview 8). It was suggested that 'PD rights are not planning, they are not long term thinking for other people's futures' (Interview 25).

Resident views

The results of the small survey of residents of office-to-residential conversions are not representative, but are at least indicative of residential experience. In terms of an overview of these respondents: 60% of the residents who completed the survey rent their apartment; 75% are 18-40 and 14% have children living with them; 80% are full-time employed, 9% are students. The most common household size was 2 people (Figure 19), and most people intended to only live in their apartments for a shorter term period (Figure 20).

Figure 19 **Household size of office-to-residential conversion survey respondents (number of residents in addition to the survey respondent)**

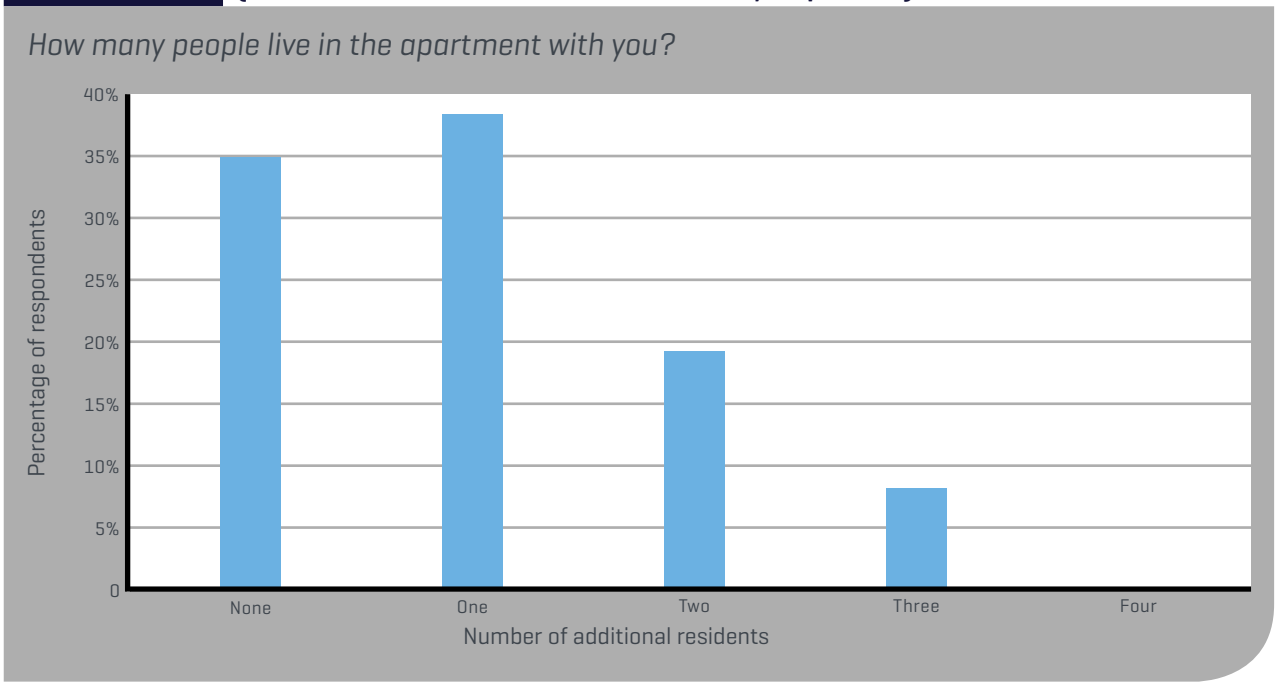


Figure 20 **Living aspirations of office to residential conversion survey respondents**

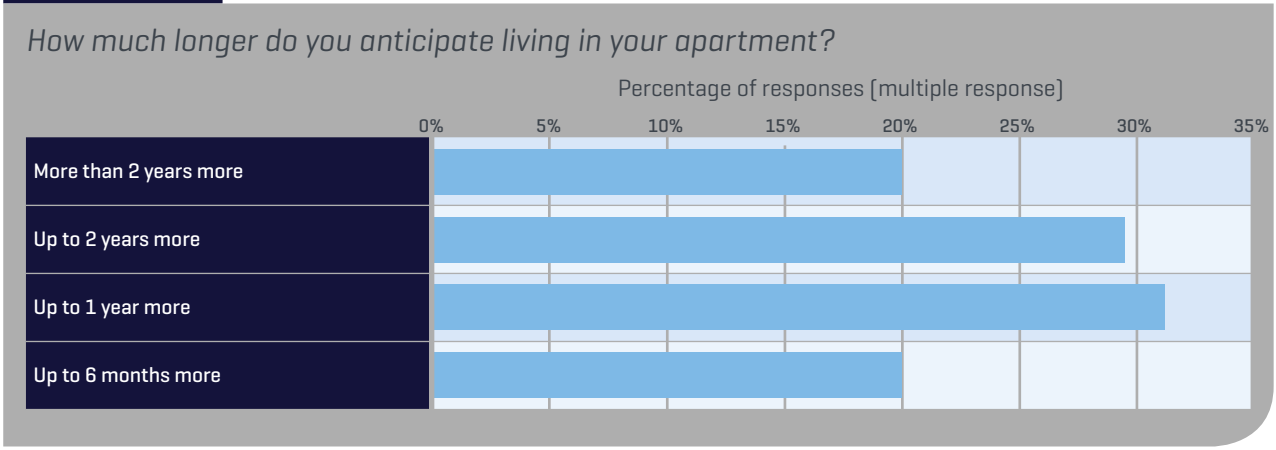
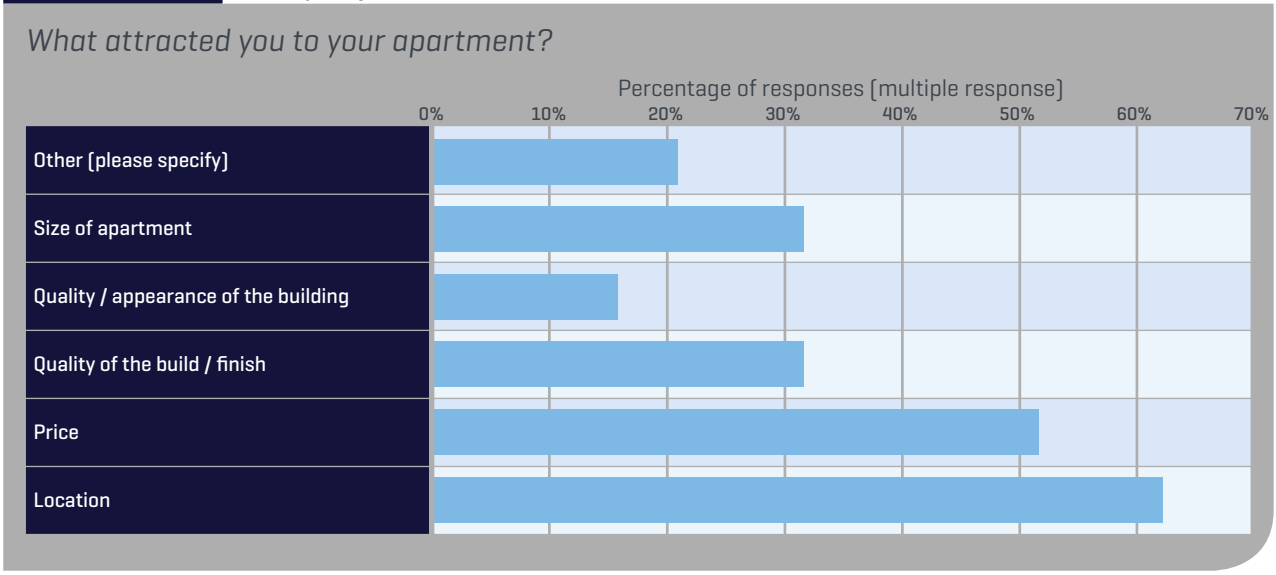


Figure 21 **Factors selecting choice of where to live for office to residential conversion survey respondents**



In terms of views on the apartments themselves, 54% of those living in a scheme delivered through PD were 'happy overall' with their apartment and 62% felt their apartment represented 'value for money'. Eighty-nine per cent are aware their apartment was in a former office building, but this mattered to only 13%. The survey respondents generally valued location as the most important factor in deciding where to live, along with price and what they liked best about their apartments (Figure 21). There were, however, some very negative comments from some living in clearly low quality conversions, with testimony about living in small, noisy spaces which were overcrowded.

Following the survey, telephone interviews were conducted with two residents of office-to-residential conversions in Croydon delivered through PD. Both gave very negative accounts, one because of the poor maintenance of the building and attitude of the landlord (as well as commenting on the large number of children living in the block and lack of play space). The other commented on the lack of noise insulation from the pub below and the poor accommodation attracting unwanted neighbours including, apparently, a brothel. The conclusion of this resident was pretty damning: 'I'm speechless. How can this be allowed in a civilized country? It's so wrong. The politicians who allowed this [PD] need to come and live here. It's a total nightmare'.

Figures 22+23 The appearance of 5 Sydenham Road on the site visit

Image source: Ben Clifford

Figure 24+25 Green Dragon House in 2012 and on the site visit in 2017

Image source: 1: Google Streetview 2 and 3: Ben Clifford

Table 13A **Analysis of case study office-to-residential PD schemes in Croydon**

Scheme	Building details and quality				
	No. units	**Building typology**	**Mix of units**	**National space standards?**	**Amenity space? Play space?**
Concord House London Road, Inner city, North of town centre	**126**	1960s or 70s office	93 studio 33 one bed	33/126 units meet these. Studios all about 28m², 1 beds 52m²	None provided (private or communal)
Green Dragon House High Street, Town centre	**111**	1970s office	75 one bed 36 two bed	0/111 units meet these. 1 beds 26-35m², 2 beds 37-47m²	Communal residents lounge and roof terrace
5 Sydenham Road Town centre	**54**	Late 20th C office	54 studios	14/54 meet these. Studios are 23-42m² each	None provided (private or communal)
3 Church Road Town centre	**32**	Late 20th C office	32 studio	0/32 appear to meet these. Studios 16-22m²	None provided (private or communal)
St Annes House Wellesley Road, Town centre	**197**	1960s office	151 studio 10 one bed 36 two bed	46/197 units meet these. Studios 18-27m², 1 beds about 58m², 2 beds 66-79m²	22 units have a balcony (added via permission). No communal space at all)

Scheme	Financial impact					
	Local infrastructure / services (one off)		**Planning fees** (one off)		**Taxes** (per annum)	
	Potential loss (£4,600 per unit)	**Potential gain**	**Potential loss**	**Potential gain**	**Potential loss** (2010 business rates)	**Potential gain** (current council tax)
Concord House London Road, Inner city, North of town centre	-£579,600	S106 = £0 CIL = £0	-£27,214	£80	-£144,795	£136,666.14 (93 x Band A + 33 x Band B)
	Net: -£579,600		Net: -£27,134		Net: -£11,128.86	
Green Dragon House High Street, Town centre	-£510,600	S106 = £0 CIL = £0	-£26,064	£80 (For PD. There were planning permissions for extra floors etc.)	-£62,181	£153,814.92 (111 x Band C)
	Net: -£510,600		Net: -£25,984		Net: £91,633.92	
5 Sydenham Road Town centre	-£248,400	S106 = £0 CIL = £47,303.50	-£24,514	£320 (4 prior notifications submitted)	-£100,738	£74,828.88 (54 x Band C)
	Net: -£201,096.50		Net: -£24,194		Net: -£25,909.12	
3 Church Road Town centre	-£147,200	S106 = £0 CIL = £0	-£30,030	£320 (4 prior notifications submitted)	Not readily available	Not readily available (But if 32 x Band A would be £33,257.28)
	Net: -£147,200		Net: -£27,010		Net: N/A (Potentially £33,257.28)	
St Annes House Wellesley Road, Town centre	-£906,200	S106 = £0 CIL = £0	-£35,954	£80 (For PD. There was a permission for façade + balconies)	£108,290	£133,374.58 (24 x Band A + 67 x Band B + 4 x Band D + 11 x Band E)
	Net: -£906,200		Net: -£35,874		Net: £25,084.58	

Case study examples

Given the scale of PD activity in Croydon, ten case study developments were examined in more detail. Table 13 summarises the findings. In the COA, 5 Sydenham Road (Figures 22-23) was a large conversion scheme. As well as the prior notification to convert the main building, others have been submitted to convert the rooftop utility room and basement spaces to residential. A resident invited us inside the building. The quality of the interior finish was extremely poor, as show by Figure 23. It was understood that Croydon Council Building Control and the London Fire Brigade then visited the building and had 'serious concerns', leading to enforcement action.

A quite different scheme is Green Dragon House (Figures 24-25), which has had both a prior notification but also a planning application to add storeys and a roof terrace for residents. Silver and Co Architects (2017) note that it won 'Bronze Award for Best Large Development at the National Housing Awards 2016' and the TLE (2015) website notes that it recently received the 'First Time Buyer Award 2015 for Most Innovative Development of an Existing Property'. Some residents responded to the survey and were generally positive about the quality of the finish, the energy efficiency, and the convenient location. Estates agents had two bedroom units advertised online from £319,950. An article in the local

Table 13B Analysis of case study office-to-residential PDR schemes in Croydon

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
Delta Point Wellesley Road, Town centre	404	Late 20th C office	5 studio 261 one bed 138 two bed	About 100/404 units meet these. One beds generally 42-45m², 2 beds 54-58m² but vary up to 72m²	None provided (private or communal)
Beech House Brighton Road, Purley	24	Late 20th C office	13 one bed 11 two bed	24/24 units meet these. One beds about 52m² and two beds 64m²	Private terraces for 3 units. Communal residents lounge
Emerald House Lansdowne Road, Town centre	121	1970s office	70 one bed 51 two bed	121/121 units meet these. 1 beds about 50m², 2 beds 60m²	None provided (private or communal)
410 Brighton Road South Croydon	6	Early 20th C commercial and residential above retail	4 studio 2 one bed	0/6 units meet these. Studios are about 15–24m², 1 beds 40-42m²	None provided (private or communal)
35A Brighton Road South Croydon	10	Late 20th C office	10 studios	0/10 units meet these. Studios 16-22m² each	None provided (private or communal)

Scheme	Financial impact					
	Local infrastructure / services (one off)		Planning fees (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
Delta Point Wellesley Road, Town centre	-£1,858,400	S106 = £0 CIL = £0	£113,308	£160 (For PD. There was a planning permission for façade)	Not readily available	Not readily available
	Net: -£1,858,400		Net: -£4,540		Net: N/A	
Beech House Brighton Road, Purley	-£110,400	S106 = £0 CIL = £0	-£23,100	£160 (2 prior notifications submitted)	-£85,627.50	£46,075.26 (14 x Band C + 14 x Band E, including 4 units added via permission)
	Net: -£68,150		Net: -£22,940		Net: -£39,552.25	
Emerald House Lansdowne Road Town centre	-£556,600	S106 = £0 CIL = £0	-£27,214	£80 (For PD. There was a planning permission after for an extra floor)	-£229,565	£206,298.97 (70 x Band D + 51 x Band E)
	Net: -£556,600		Net: -£27,134		Net: -£23,266.03	
410 Brighton Road South Croydon	-£27,600	S106 = £0 (Potentially none would have been requested on a scheme of this scale even under planning permission) CIL = £0	-£3,080	£160 (2 prior notifications submitted)	£3,675	£6,582.14 (4 x Band A + 2 x Band B)
	Net: -£27,600		Net: -£2,920		Net: £2,907.14	
35A Brighton Road South Croydon	-£46,000	S106 = £0 CIL = £0	-£3,850	£80	-£14,700	£10,392.90 (10 x Band A)
	Net: -£46,000		Net: -£3,770		Net: -£4,307.10	

'Croydon Guardian' (Fisk, 2014) newspaper noted that a crowd-sourced loan from 300 investors of £4.15m had helped finance the conversion.

3 Church Road (Figure 26) is a scheme where there were four prior approvals submitted, and these varied from an original proposal for 9 units to a final one (implemented) for 32 units. The small scale of units was seen on a much larger scale at St Anne House (Figures 27-28), which had planning permission in 2012 to convert to a hotel (which seems to have been close to implementation, given the subsequent consents for signage for an Ibis hotel) but then went to residential use via PD. The interviewees advised that the units 'look more akin to hotel rooms, but good quality hotel rooms'. The two external rear fire escapes have been replaced with balconies (which is compliant with fire regulations for residential accommodation, but means only one staircase to the upper floors compared to the three when it was a office).

Online marketing by Bravo Investment House (2017: online) comments that 'by converting the building to C3

residential use, we anticipate a gross development value for the project more than 20% higher than the original consented scheme'. Land Registry data shows the building was sold for £10.08m in February 2015. It also shows some data on sales of flats, for example 1103 sold in September 2016 for £430,000.

The largest scheme in COA has been Delta Point (Figures 29-30). A prior notification to change to residential was followed by a planning application to improve the façade. There is no proposed amenity space or play space for children, despite this being the largest scheme seen anywhere. UK Business Property commented in 2013 (online) that 'Delta Point has suffered one of the most spectacular destructions of value of the recent crash, having lost 79% of it's value… When finished the redevelopment could be worth around £125 million'.

Lastly, in the COA, Emerald House (Figure 31) seems to have been fairly recently refurbished as an office building before its conversion, and Valuation Office data also suggest the building was at least partially occupied with office tenants until its conversion to residential. The PDR scheme has involved reasonably sized units, but there were some issues about what seemed to have been a 'rushed' conversion, for example survey respondents told us there was no telecommunications cables installed to flats,

Figure 26 **The appearance of 3 Church Street on the site visit**

Image source: Ben Clifford

access for a disabled resident was made harder by the lifts not being maintained properly and rental tenants were apparently given notice after living there just four months.

Henry Wiltshire International (2017) have a brochure seemingly aimed at the international investor and buy-to-let market highlighting the benefits of investing in property in Croydon and IP Global (2017) have a web page aimed at the international investor market. The Land Registry shows the building sold in February 2014 for £10m (before prior approval) and then again in December 2015 (after prior approval was received) for £19m.

Outside the COA, Concord House (Figure 32) was refused planning permission to convert to an HMO in 2013, but was then converted to residential use via PD with minimal changes made to the building's exterior. Land Registry data show the building was sold for £22,501,102 in December 2016.

Beech House (Figures 33-34) is a more unusual example of a scheme where a second prior notification was submitted to reduce the number of units proposed, to lead to higher quality residential desired by a new owner who was looking to develop housing for the over 60s. It was possible to see inside the property and it was noted that it had been converted to a very high quality (Figure 35). There was evidence that the building was at least partially occupied as an office until close to the conversion to residential (Andrew Dixon and Company, no date). Residential units are being sold via estate agents listed online for up to £558,950 for a two bedroom flat. The Land Registry shows the building sold in April 2014 for £2.1m and then again in June 2015 for £3.3m.

A different experience is provided at 410 Brighton Road (Figures 36-37). A planning application for conversion to residential use was refused in 2013 due to inadequate floor areas and unsatisfactory layout but conversion to residential was then allowed through PD. The studio units are very small and one of the smaller units is directly against the 'shop window' at the front which personal property was clearly piled-up against on the site visit. There was not even satisfactory arrangements in place for the delivery of the mail.

Finally, 35a Brighton Road (Figure 38) is another unit that appears to have been occupied as an office until its conversion to residential, and is located in a small business park where other units remain in office use. A resident responded to the online survey commenting that their flat in this building was 'much too small' but they 'just needed somewhere to live'.

As indicated by Table 13, just 31% of the 1,085 units being created through the PD schemes examined in Croydon would meet national space standards. Just 14% of the units had access to private or communal amenity space. 75% of the units were studio or one bedroom apartments. This may explain some of the overcrowding and quality of life issues which the residents interviewed told us about so powerfully.

Table 14 Analysis of a case study office-to-residential planning permission scheme in Croydon

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
Centrillion Point Mason's Avenue, South edge of town centre (Originally Lennig House, converted in 2008 as 'Bauhaus')	184	1970s office	78 one bed 100 two bed 6 three bed	Plans not available but office report notes units vary from 47-104m², suggesting most comply	No private amenity space. Communal gym was provided

Scheme	Financial impact			
	Local infrastructure / services (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
Centrillion Point Mason's Avenue, South edge of town centre (Originally Lennig House, converted in 2008 as 'Bauhaus')	-£846,400	S106 = £241,000 (For open space, environment, transport) CIL = N/A at time + 64 on-site affordable units (48 social rent, 16 shared ownership)	Not readily available	£136,666.14 (78 x Band C + 100 x Band D + 6 x Band E)
	Net: -£605,400 + affordable housing		Net: N/A	

There have been surprisingly few planning applications to convert office buildings to residential use in Croydon over the years, given the scale of vacant stock. Centrillion Point (Table 14; Figure 39) is an older conversion permitted in 2005. The conversion was commented upon positively as 'architecturally striking' (Brophy, 2008) and as a 'great example of how design-led development can achieve the most efficient use of a brownfield site' (Architects Journal, 2005: online). A number of residents of the block responded to the survey and were generally very positive. One commented 'The conversion of this building was so good that it is hard to see how it would differ from a purpose built flat'.

Borough wide financial implications

There was evidence of the profitability of conversions, but the office to residential conversions in Croydon are not making a contribution to local infrastructure despite the huge cumulative impact likely from the number of units being delivered. Using just the low figure of £4,600 per unit, then for the 2708 units completed or under construction at the time of the study, the cost is £12.456m and for all 3,300 units with prior approval in Croydon the cost for supportive local infrastructure is £15.18m.

Where it was possible to tell with the case studies, the comparison of Business Rates being paid before conversion and Council Tax after conversion (assuming full Council Tax due is being paid and no student discounts) showed a net increase of £37,719.56 compared to a net infrastructure impact cost of £3.134m for those same case studies (1.2%). This does not, however, include any indirect multiplier effects, for example, residents using local shops and services and so potentially increasing their vitality, or the New Homes Bonus.

The S106 payable would vary between schemes, dependent on negotiation and viability testing, but even just looking at the modest £100 per unit that Croydon Council seeks for air quality contributions from developments over 10 units, suggests that the Council has lost out on £159,000 of contributions. This excludes the other things the Council would have sought, including contributions towards employment and training (£2,500 per £1m of capital construction costs), carbon off-setting (£60/tonne CO_2 calculated over 30 years for projects which are not carbon neutral), car clubs and travel plans (Croydon Council, 2017b). Even allowing for viability testing, given the scale of proposed schemes this would clearly amount to several millions of pounds. An older large office-to-residential scheme in Croydon predating PD had paid over £241,000 in planning gain.

There is also an affordable housing requirement. Croydon Council looks for 50% affordable housing (60% affordable rent to 40% intermediate rent within that) on schemes over 10 units. This means that schemes with prior approval in Croydon should deliver 795 affordable housing units (477 affordable rent and 318 intermediate rent). Looking at recent planning application cases, this would have been unlikely to have completely survived viability testing, but do believe that 30% might have been achieved overall, or 477 units.

Finally, had all the prior approvals been full planning applications, the fee income to the Council would have been £1,701,810 higher.

Figure 27 **Historic view of St Anne House from 2014**

Image source: Google Streetview

Figure 28 **The appearance of St Anne House on the site visit**

Image source: Ben Clifford

Figure 29 Historic view of Delta Point from 2012

Image source: Google Streetview

Figure 30 The appearance of Delta Point on the site visit

Image source: Nicola Livingstone

Figure 31 The appearance of Emerald House on the site visit

Image source: Nicola Livingstone

Figure 32 The appearance of Concord House on the site visit

Image source: Nicola Livingstone

Figure 33 Historic view of Beech House from 2012

Image source: Google Streetview

Figure 34 The exterior of Beech House on the site visit

Image source: Ben Clifford

Figure 35 The inside of Beech House on the site visit

Image source: Ben Clifford

Figure 36 Historic view of 410 Brighton Road from 2012

Image source: Google Streetview

Figure 37 The appearance of 410 Brighton Road on the site visit

Image source: Ben Clifford

Figure 38 The appearance of 35a Brighton Road on the site visit

Image source: Ben Clifford

Figure 39 The appearance of Centrillion Point on the site visit

Image source: Ben Clifford

Conclusions

In terms of the number of units applied for, Croydon has the highest number of prior approvals of any local authority in England. The research has found quite a high implementation rate (see Chapter 5). The response to PD from stakeholders interviewed was, however, very mixed. Developers and their agents highlighted the better profitability and so viability of PD schemes and felt it really had helped deliver additional housing and had regenerated Croydon through sustainably reusing redundant office space.

Local planners, councillors and business interests were concerned about the quality of many of the residential schemes being delivered and the impacts on local infrastructure. There was also concern about threatening the viability of future office supply and the planned regenerated office quarter around East Croydon, as part of a strategy of ensuring a vibrant and mixed-use town centre rather than a purely residential dormitory.

The research shows that concerns about residential quality are well grounded. There were clearly some high quality conversions, where residents were very happy, but serious concerns about issues like overcrowding, noise, health and safety (particularly fire safety) and social infrastructure were raised by others in lower quality accommodation. A large number of clearly sub-standard 'studio' units below 20m^2 have been created in Croydon and there are clearly issues for both occupiers and neighbours of some schemes.

6.3 Leeds

As well as being a University City, Leeds is a commercial hub for the wider region and known as one of the 'Big 6' cities with the largest office markets outside London (JLL, 2015). The population recorded in the 2011 census was 751,485 (NOMIS, 2017). The emergence of the Private Rented Sector (PRS) is strong in Leeds, mirroring the national picture. Within the Council, there seems to be a perception that the numbers of PDR conversions overall do not (yet) warrant special attention to the matter and the higher quality of the more visible city centre conversions tells a positive story.

The statistics for the number of prior notifications in Leeds and the results of the research on implementation rates are in Section 3.4 and Chapter 5. Figures 40 and 41 show maps of all prior notifications received between April 2013 – April 2017.

Leeds council's approach to office-to-residential PD

There has been little appetite in Leeds for an Article 4 Direction, with a feeling that city centre residential is to be welcomed and that office space is still in ready supply in the city. The City Council does not routinely secure S106 agreements on prior approvals but regularly places conditions on the decision notice in relation to cycle storage and waste storage within developments. A CIL charging schedule was adopted in Leeds in 2015.

Stakeholder views

There was some discussion about the contribution of PDR to housing delivery, with planners believing the number of units delivered were not significant compared to overall need locally but an agent who worked extensively for developers believed there was faster implementation of PD schemes due to the lack of 'onerous, pre-commencement conditions on the prior approval…you can crack on pretty quickly usually' (Interview 9). The mix was acknowledged to be skewed towards studios, not family housing and often ended-up housing students. Another argument made by the planning consultant was that permitted development was facilitating housing delivery on brownfield sites, which might not otherwise be considered by developers to be viable.

Although there is a need for affordable housing, viability concerns mean the Council does not usually secure much of this through planning permission so there is less concern about PD leading to a loss of this than seen elsewhere. There were still some residential quality issues apparently:

Figure 40 **Map showing all prior notifications for office-to-residential change of use approved in Leeds local authority area April 2013 – March 2017**

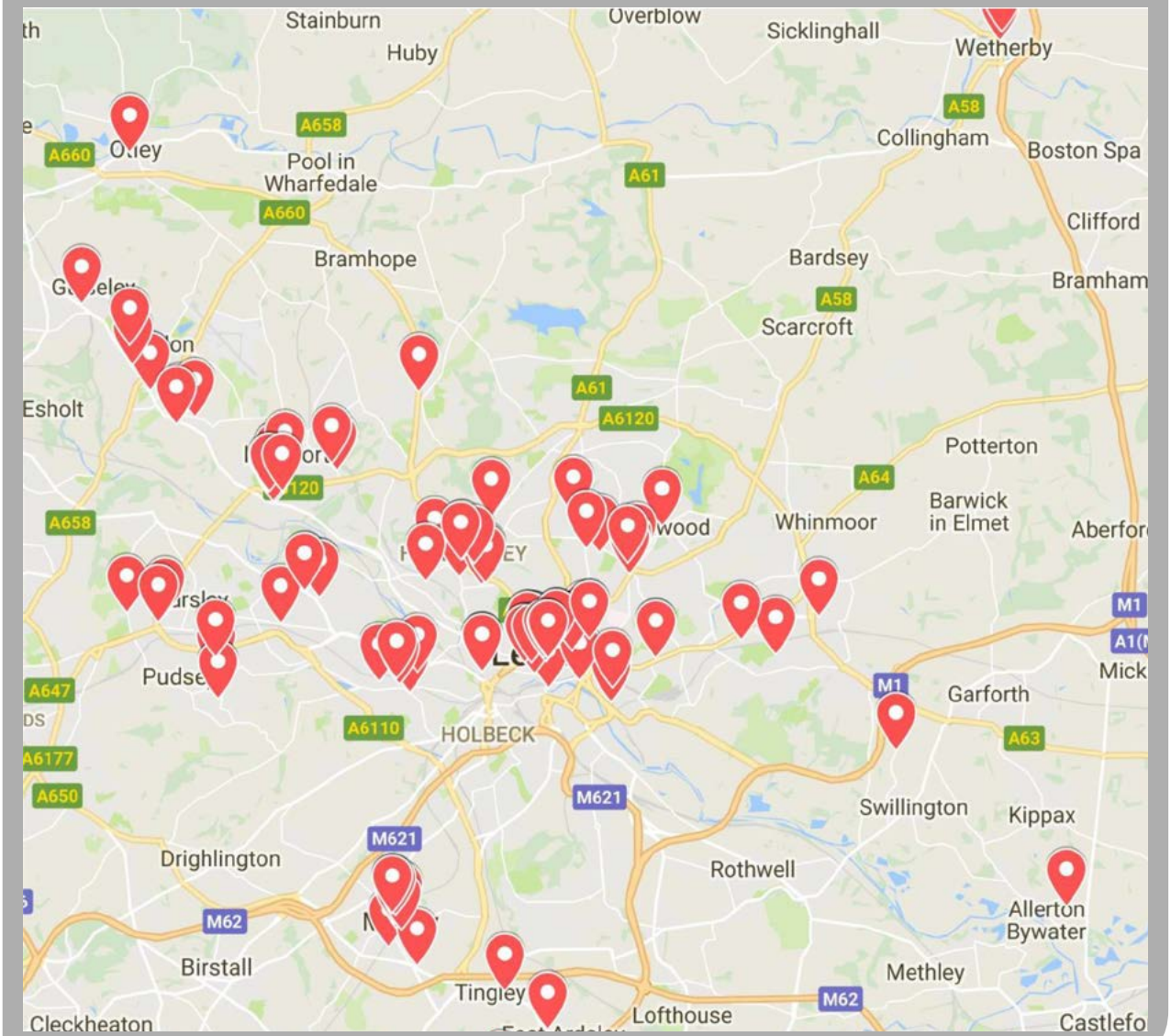


Image source: Ben Clifford, using Google maps

'PD rights have taken away the ability to provide good quality accommodation internally. We can look at the quality of the internal conversion, how much space you've got, daylight, outlook, all those things… some of the accommodation layouts that I've seen are really, really poor' (Interview 3).

Progress on adopting national housing standards was seen by planners as undermined. There were strong concerns about the amenity and sustainability of some conversions of office space located on industrial estates on the periphery of the city. The Civic Society was concerned about the lack of local engagement and ability to secure green space and public realm improvements necessary to support a greater residential population in the city centre.

However, it is exactly the limited influence available to planners that developers who have engaged in office-to-residential PD schemes reportedly value:

'They have found it really beneficial because it obviously avoids affordable housing, you don't have to tackle space standards, which was a real issue in Leeds… you've got your three or (now) four considerations, so it just narrowed it down and simplified everything' (Interview 9).

Figure 41 **Map showing all prior notifications for office-to-residential change of use approved in Leeds city centre April 2013 – March 2017**

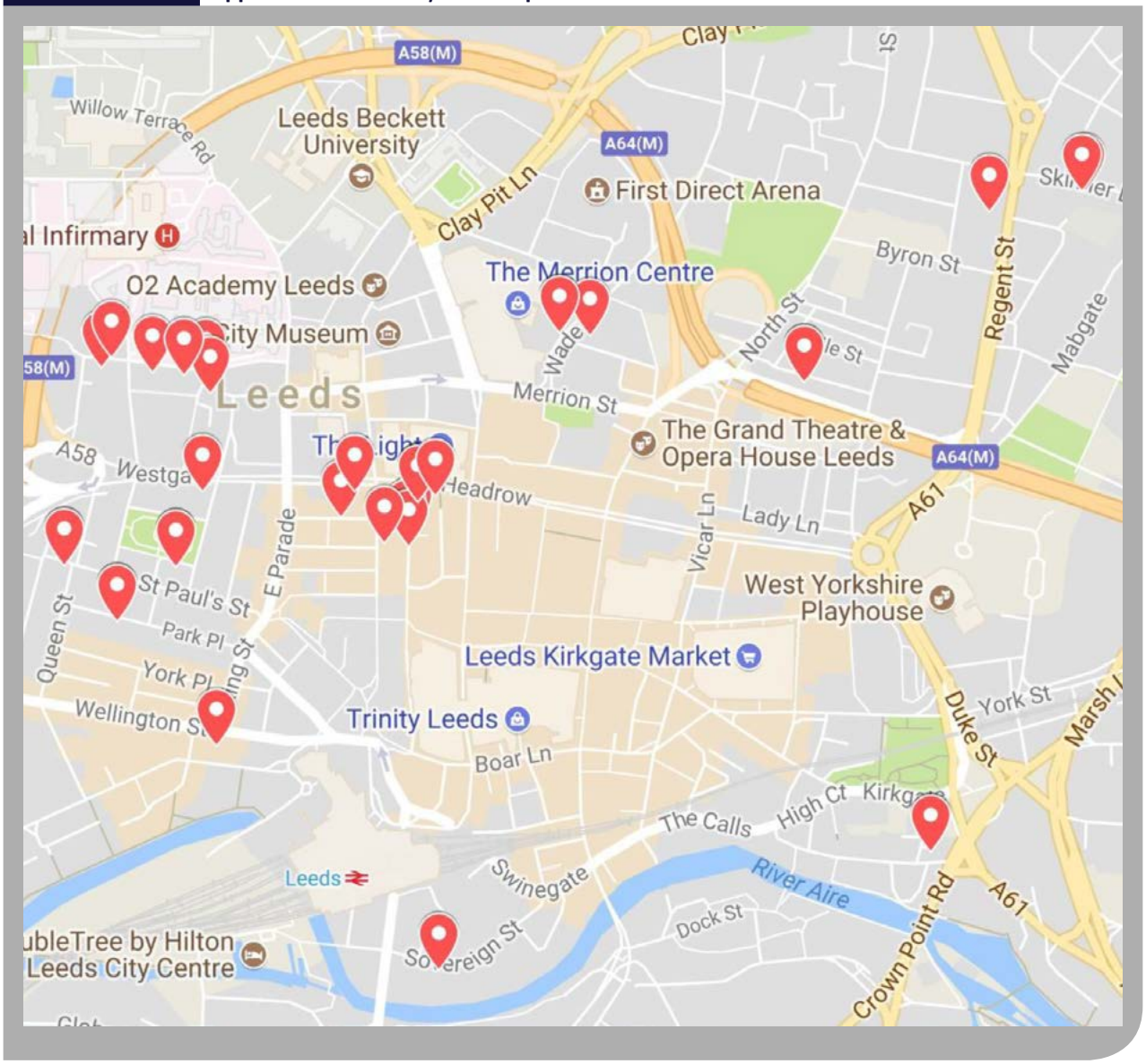


Image source: Ben Clifford, using Google maps

Case study developments

A range of schemes in Leeds were examined in greater detail and Table 15 summarises the findings. These included city centre buildings now in residential, student and serviced apartment use (Figures 42-46). Land Registry data shows that one of these, 60 Upper Basinghall Street (Figure 42), sold in February 2016 for £324,000 and just 6 months later (after the prior approval), it sold for £510,000. Looking at rental prices advertised online, it is possible that the annual residential rental income for the building would be up to £63,600. This compares to £6,100 p.a rateable value when the building was occupied by businesses.

117 The Headrow (Figures 43-44) is now 'luxury serviced apartments' from Mansio Suites, the 26 apartments being rented from £149 per night for studios and £169-189 per night for 'suites'. It was possible to see inside the studios, which were finished to a high quality. Residents advised that the suites were often fully booked. The building was offered for sale through Lambert Smith Hampton before conversion with a price of £1.25m and a rental income of £100,000 p.a. reflecting a net initial yield of 7.56%. In 2016, according to Land Registry data, the building sold for £5m (after the change of use was established).

Table 15 Analysis of case study office-to-residential PD schemes in Leeds

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
60 Upper Basinghall Street City Centre	5	19th Century commercial building	2 one bed 3 two bed	2/5 units meet these. All units about 55m² – 1 and 2 bed	None provided (private or communal)
Meridian House Armley	29	19th C former mill, industrial estate	4 studio 12 one bed 13 two bed	12/29 units meet these. Smallest studio 31m², 1 bed 40m², 2 bed 55m²	Small balconies for 3 units. Nothing for other units (private or communal)
117 The Headrow City Centre	27	Late 20th C office	10 studio 8 one bed 9 two bed	12/27 units meet these. Smallest studio 27m², 1 bed 39m², 2 bed 62m²	None provided (private or communal)
25 Queen Street City Centre	71	Late 20th C office	39 studio 10 1 bed 22 2 bed	24/71 appear to meet these. Smallest studio 18.5m², most 23m². 1 + 2 beds generally comply	None provided (private or communal)
Sunshine House Whingate Mill, Armley	39	19th C former mill, industrial estate	39 studio	20/39 units meet these. Smallest studio 17m², largest 70m², most 30-40m²	None provided (private or communal)
Green Flag House Pudsey	139	Late 20th C standalone suburban office	21 studio 72 1 bed 46 2 bed	46/100 units meet these (cannot tell for 39). Smallest studio 34m², 1 bed 40m²	None provided (private or communal)

Scheme	Financial Impact					
	Local infrastructure / services (one off)		Planning fees (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
60 Upper Basinghall Street City Centre	-£23,000	S106 = £0 (Unlikely to levy on a scheme this scale) CIL = £0	-£1,925	£80	-£3,007.30	£8,1001.58 (2 x Band C + 3 x Band E)
	Net: -£23,000		Net: -£1,845		Net: £5,094.28	
Meridian House Armley	-£133,400	S106 = £0 CIL = £0	-£11,165	£80	-£87,840	£28,768.87 (29 x Band A)
	Net: -£133,400		Net: -£11,085		Net: -£49,711.13	
117 The Headrow City Centre	-£124,200	S106 = £0 CIL = £0	-£10,395	£80	-£30,073	Not readily available
	Net: -£124,200		Net: -£10,315		Net: N/A	
25 Queen Street City Centre	£326,600	S106 = £0 CIL = £0 (Predated Leeds CIL schedule adoption)	-£27,214	£80	Not readily available	£97,053.69 (39 x Band B + 10 x Band C + 4 x Band D + 18 x Band E)
	Net: -£326,000		Net: -£27,134		Net: N/A	
Sunshine House Whingate Mill, Armley	-£147,200 (Based on 32 units implemented)	S106 = £0 CIL = £0	-£15,015 (Based on 39 units applied for)	£80	-£1,848.75	£33,398.36 (22 x Band A + 10 x Band B)
	Net: -£147,200		Net: -£14,935		Net: N/A	
Green Flag House Pudsey	-£639,400	S106 = £0 CIL = £0	-£35,034	£80	537,370	Not available (under construction) but if 139 x Band C would be £183,758
	Net: -£4,600		Net: -£34,954		Net: N/ A (potentially -£353,612)	

Figure 42 **The appearance of 60 Upper Basinghall Street on the site visit**

Image source: Ben Clifford

25 Queen Street (Figures 45-46) is operated by YPP (responsible for four of the PD schemes in Leeds that were visited), a relatively new business that acts as an investment agent for Middle East investors, with PD a major contributor to the rapid growth of their business. The building formerly housed a range of public sector organisations. It is now explicitly marketed at students and young professionals. Land Registry data shows it sold in 2015 for £10.3m after the change of use had been implemented. A studio is rented by YPP for £649 pcm.

Meridian House and Sunshine House (Whingate Mill) illustrate a different type of PD scheme seen in Leeds (Figures 47-50). Both are outside the city centre, surrounded by buildings in industrial use in the Armley area. There was a clear discrepancy between the developer's artist impression and marketing materials and the actual photos of the interiors of Meridian House. Land Registry data shows units sold for as little as £74,995 per flat in 2017. In both locations, active industrial use in neighbouring properties provides very poor residential amenity. Finally, Green Flag House (Figure 51) is an example of a large suburban office development originally built for a single occupier, who subsequently relocated to another site in Leeds.

Figure 43+44 **The exterior and interior appearance of 117 The Headrow on the site visit**

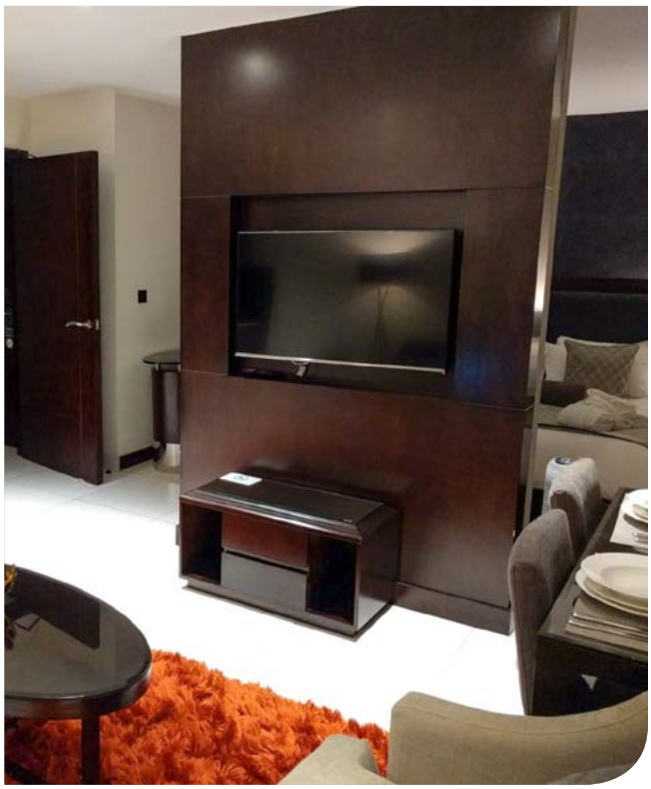


Image source: Ben Clifford

Table 16 Analysis of a case study office-to-residential planning permission scheme in Leeds

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
14-28 The Calls City centre	77	19th C industrial (to be demolished and replaced)	23 one bed 53 two bed 1 three bed	No scale on plans, but appears many are just below these (e.g. one beds about 35m²)	Most units have a private balcony. Development around a communal courtyard

Scheme	Financial impact			
	Local infrastructure / services (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
14-28 The Calls City centre	-£354,200	S106 = £43,260 (For open space, environment, transport) CIL = N/A at time + 4 on-site affordable units (2 social rent, 2 intermediate)	Not readily available	Not readily available (Still under construction)
	Net: -£310,940 + affordable housing		Net: N/A	

Overall, as illustrated by Table 15, just 1% of the 310 new units being created by office-to-residential conversion under PD in Leeds which was examined had access to private or communal amenity space. Where it was possible to tell, only 43% complied with national space standards. 70% of the units were studio or one bedroom apartments.

A comparator planning application was also examined, which (although a demolition and rebuild, rather than conversion scheme) illustrates the ability of the council to secure developer contributions in Leeds (Table 16).

City wide financial implications

Calculations were made to assess the financial loss across the whole of the City Council over the first four years of this PD (2013-2017), comparing what would have been secured through prior approvals and planning applications. The loss of fees, had all the prior approvals submitted required planning permission, is calculated to be £745,127.

From the approved prior notification schemes, the potential loss of affordable housing could be 31 units and of S106 contributions at least £353,498 (based on the £562 per unit from the comparator planning application case).

Based on the low figure of £4,600 per new dwelling for infrastructure costs, the cost locally on services from the 2170 units approved via PD is £9,982,000 and for the 715 units are started or under construction is £3.289m.

Conclusions

The introduction of office-to-residential permitted development in Leeds has not been overly contentious. The availability of office floorspace coupled with a healthy office development market means that there is no real concern about the loss of office floorspace. Buildings were either vacant upon the prior approval, or businesses appear to have been easily relocated. There is a view that residential use (and even student accommodation) in the city centre is a positive thing.

In the city centre there have been two main players in conversions: YPP (providers of student accommodation, albeit technically each unit is a dwelling) and Mansio Suites (providers of short term rental apartments). Little to no family housing is being provided. But this is almost a tale of two cities. Outside the city centre, the quality of conversions is more of a concern, most notably on peripheral industrial estates, where conversions have resulted in some apartments with very low space standards and in locations providing poor residential amenity.

Looking at the city-wide financial picture, the loss to the Council as a result of the prior approval regime is not nearly as significant as it is in London. It appears that the City Council in Leeds is struggling anyway to recoup the cost of new infrastructure through new housing development, but the prior approval regime is certainly further undermining this.

Figure 45+46 **The appearance of 25 Queen Street on the site visit and signage at entrance**

Image source: Ben Clifford

Figure 47 **The location of Meridian House**

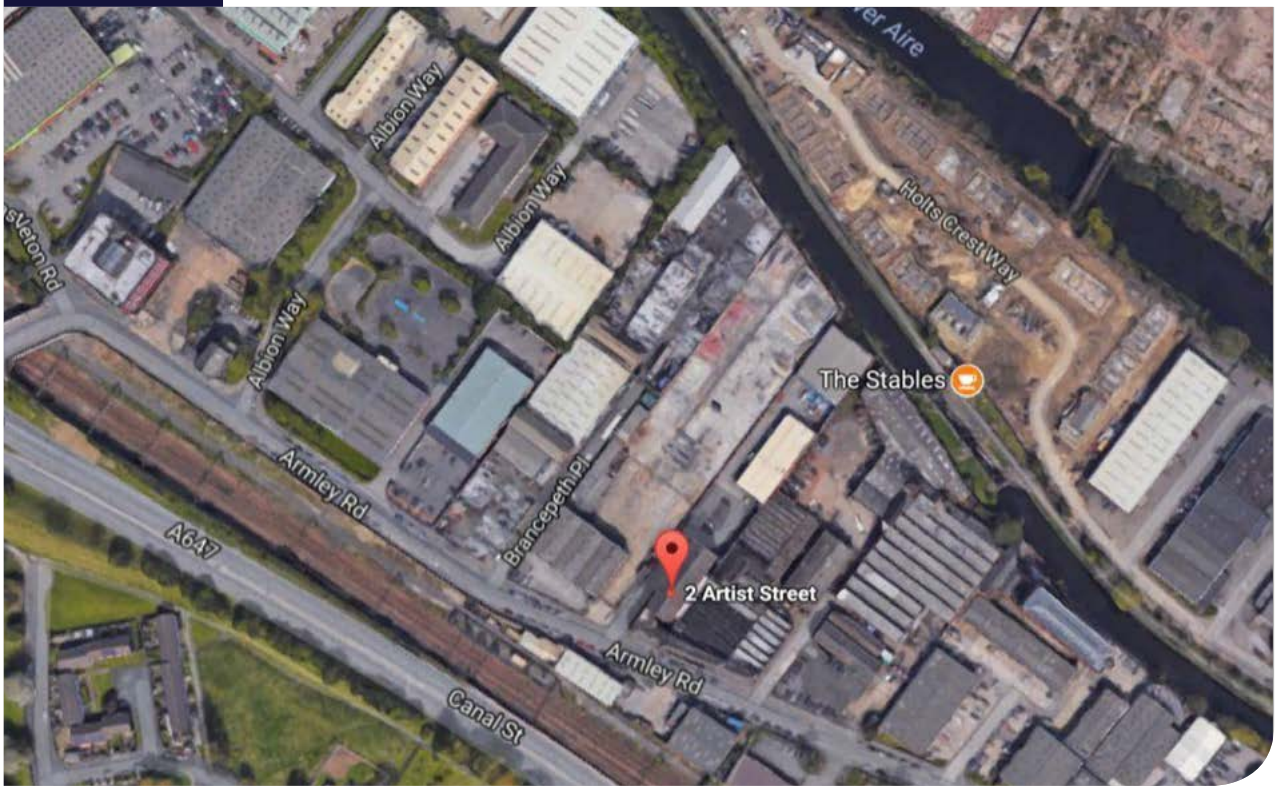


Image source: Google Earth

Figure 48 The appearance of Meridian House on the site visit

Image source: Google Earth

Figure 49 Land adjacent to Meridian House on the site visit

Image source: Ben Clifford

Figure 50 The appearance of Whingate House on the site visit

Image source: Ben Clifford

Figure 51 The appearance of Green Flag House on the site visit

Image source: Ben Clifford

6.4 Leicester

The 2011 census showed Leicester had a population of 329,839 in the city boundaries (NOMIS, 2017). A combination of speculative office redevelopment around a newly built ring road in the 1960s and 1970s and decline in the textiles industry in the 1980s and 1990s has led to a reasonably high rate of office vacancy. Overall, Leicester is not presently seen as such a competitive a market for commercial or residential real estate as the other case study locations due to its economic position: JLL (2015) ranks Leicester at 34/37 in terms of economic strength for secondary cities in the UK. The presence of growing universities and impact of housing pressure from London (an hour away by train) has, however, led to increased housing demand. These conditions have led to a significant amount of proposals for office-to-residential conversion.

The statistics for the number of prior approvals in Leicester and the results of the research on implementation rates are in Section 3.4 and Chapter 5. Figure 52 and Figure 53 show maps of all prior notifications received between April 2013 – April 2017.

Context

Work is currently underway on a new Local Plan for Leicester, however, the Core Strategy adopted in 2014 designates the city centre as a 'Strategic Regeneration Area', with some discussion of 'high quality housing' as part of that (Leicester City Council, 2014). The Council has also adopted a 'Residential Amenity' SPD, including a requirement for private amenity space of 1.5m^2 per flat for 1 bed flat (Leicester City Council, 2008). The Council has also adopted a 'Green Space' SPD which proposes developer contributions for open space (Leicester City Council, 2011). Leicester does not have an adopted CIL schedule.

In a public report, Lambert Smith Hampton (2015) note a vacancy rate of 11% and that 'Grade A supply remains extremely tight' (2015: 27). The City Council commissioned an 'Office Market Review' in 2012 (Lambert Smith Hampton, 2012) and another in 2017 which commented positively on PD that it will 'remove older stock from the market, reduce supply and add to upward pressure on rents and hence viability of new development' and noted it was mainly older, vacant stock that had been converted (Lambert Smith Hampton, 2017: 95). Local media coverage has been less positive, with coverage in the Leicester Mercury newspaper about 'rabbit hutch' development with no space standard or local ability for control (Martin, 2016).

Figure 52 **Map showing all prior notifications for office-to-residential change of use approved in Leicester local authority area April 2013 – March 2017**

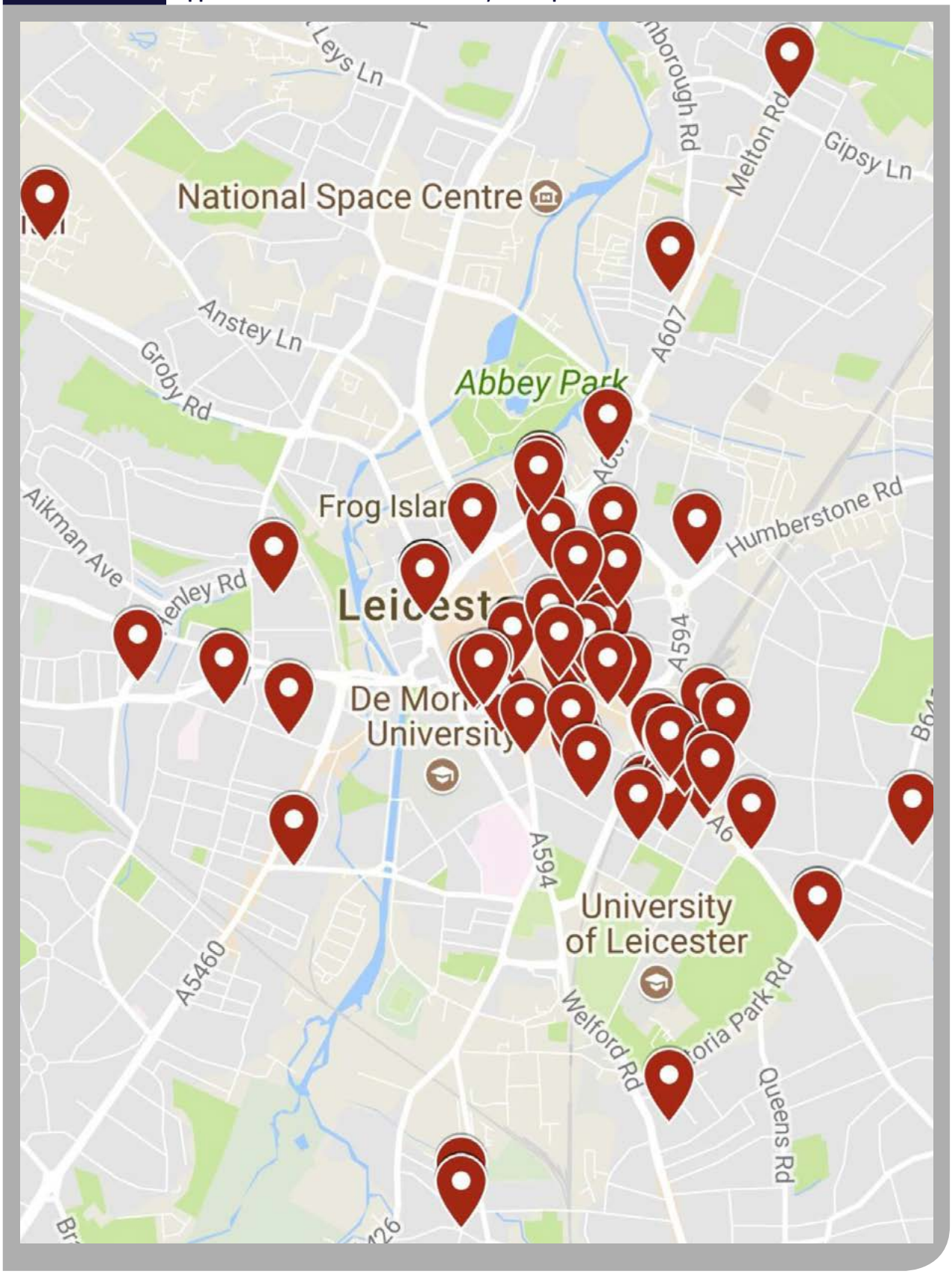


Image source: Ben Clifford, using Google maps

Figure 53 **Map showing all prior notifications for office-to-residential change of use approved in Leicester city centre April 2013 – March 2017**

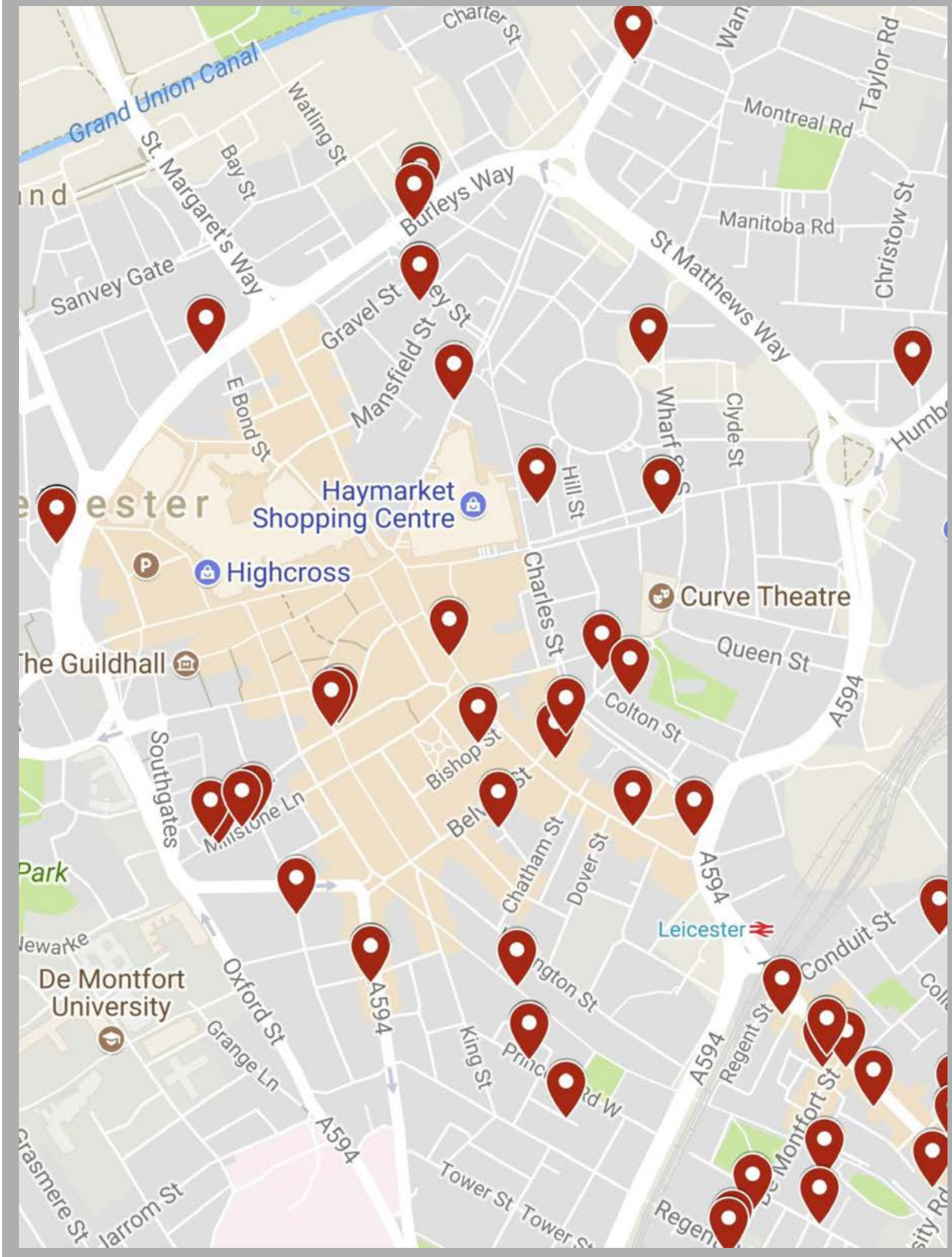


Image source: Ben Clifford, using Google maps

Leicester council's approach to office-to-residential PD

There is no Article 4 direction in place in relation to office-to-residential PD within the city, and no plans to adopt one. Local planners told us there is no particular core of high quality Grade A offices to protect, with offices spread all across the city centre, and they were concerned there could be lots of work preparing one that might not get past the Secretary of State anyway. The Council has, however, compiled their own list and map of the conversions and monitored the commencement and completion of works, primarily through Building Regulations (with a particular view to housing numbers).

In processing the prior notifications, the city council has not utilised any S106 agreements, but has utilised conditions. There is usually a condition that 'this consent shall relate solely to the submitted plans received by the City Council' with plans showing the internal configuration of space requested. There have also been conditions for cycle parking and agreement over parking issues. There have been two prior notifications refused in four years, both because the sites were not in use as Class B1(a) offices.

Stakeholder views

The view of the stakeholders interviewed seemed to generally be a concern over issues of the ability to proactively control and manage PD conversions and about the quality of some of them. There was, however, general support for the idea of using some of the redundant older officer stock present in the city centre as housing, which it was believed could help both regenerate the city centre through a new residential population and also help revitalise the office market.

The pressure to meet demands for student accommodation was something the Council were aware of and thought in many developments:

'it's not a named student provision, but it is aimed at students; the units are very small, the units are not well designed, so actually we've got an emerging part of the stock that is worrying in terms of the nature of provision' (Interview 6).

It was also felt some people submitting prior approvals were just 'land trading' than seriously wanting to implement schemes.

Figure 54 **The appearance of MPK House on the site visit, with apparently stalled conversion**

Image source: Ben Clifford

Figure 55 **The appearance of Lionel House on the site visit**

Image source: Patricia Canelas

Table 17 Analysis of case study office-to-residential PDR schemes in Leicester

Scheme	Building details and quality				
	No. units	**Building typology**	**Mix of units**	**National space standards?**	**Amenity space? Play space?**
MPK House 233 Belgrave Gate Inner city, just north of the centre	**20**	1970s office	20 studio	4/20 units meet these. Smallest is 20m², largest 46m², most about 30m²	None provided (private or communal)
Lionel House 35 Millstone Lane City Centre	**15**	19th C former industrial or warehouse	12 studio 3 one bed	0/15 units meet these. Studios are 29-32m² and 1 beds 39-44m²	None provided (private or communal)
53a London Road Inner city, just south of the centre	**4**	Early 20th C commercial / residential over ground floor retail	3 studio 1 one bed	0/4 units meet these. Studios are 23-32m² and 1 bed 35m²	None provided (private or communal)
75 London Road Inner city, just south of the centre	**2**	Early 20th C residential	1 studio 1 six bed	1/2 appear to meet these. Studio is 25m², 6 bed 135m²	None provided (private or communal)
Allied Place 44 Abbey Street City centre	**31**	1960s or 70s office	14 studio 11 one bed 6 two bed	5/31 units meet these. Studios are 24-27m², 1 beds 36-41m², 2 beds 58-61m²	None provided (private or communal)
Kimberley House 47 Vaughan Way Edge of city centre	**33***	1960s office	18 one bed 15 two bed	12/33 units meet these). 1 beds are 35-56m², 2 beds 56-90m²	None provided (private or communal)

Scheme	Financial impact					
	Local infrastructure / services (one off)		**Planning fees** (one off)		**Taxes** (per annum)	
	Potential loss (£4,600 per unit)	**Potential gain**	**Potential loss**	**Potential gain**	**Potential loss** (2010 business rates)	**Potential gain** (current council tax)
MPK House 233 Belgrave Gate Inner city, just north of the centre	-£92,000	S106 = £0 (Leicester does not have an adopted CIL schedule) CIL = £0	-£7,700	£80	-£9,490.25	Not available (under construction) but if 20 x Band A would be £22,290.20)
	Net: -£92,000		Net: -£7,620		Net: N/ A (potentially £12,799.95)	
Lionel House 35 Millstone Lane City Centre	-£69,000	S106 = £0	-£5,775	£80	Not readily available	Not readily available
	Net: -£69,000		Net: -£5,695		Net: N/A	
53a London Road Inner city, just south of the centre	-£18,400	S106 = £0 (Unlikely to levy as small scheme)	-£1,540	£80	-£2,169.20	£4,458.04 (4 x Band A)
	Net: -£18,400		Net: -£1,460		Net: £2,288.84	
75 London Road Inner city, just south of the centre	-£9,200	S106 = £0 (Unlikely to levy as small scheme)	-£770	£80	-£5,335.48	£1,300.26 (1 x Band B listed)
	Net: -£9,200		Net: -£690		Net: N/A	
Allied Place 44 Abbey Street City centre	-£142,600	S106 = £0 From 31 PD units. 15 extra units needing full permission did pay £13,735 for open space)	-£16,170	£160 (Two prior notifications submitted)	-£29,358.15	£52,939.21 (37 Band A + 9 Band B in building as whole)
	Net: -£147,200		Net: -£16,090		Net: £23,581.06	
Kimberley House 47 Vaughan Way Edge of city centre	-£151,800	S106 = £0 CIL = £0	-£76,230	£480 (Six prior notifications submitted)	£43,285.40	£37,893.32 (20 x Band A + 12 x Band B listed)
	Net: -£151,800		Net: -£75,750		Net: -£5,392.08	

* - This building has six different prior notifications, varying up to 54 units proposed; the 33 unit version is understood to have been implemented.

The concern about space standards seemed to revolve around both the quality of life for those inhabiting these units, but also about the type of accommodation this was giving rise to and the implications this had for the regeneration of the city an the development of a high quality PRS sector, for example through anti-social behaviour:

'The ultimate thing about space standards is not just the effect on the individual, it's the effect on the whole … environment as people are looking to move out, it's higher turnover, it's harder to establish communities' (Interview 19).

Issues were raised about the way the schemes were not liable for S106 and so made no contribution to local infrastructure or affordable housing, albeit this was challenging even though planning permissions. Furthermore, this was felt by some to skew the market so that those developers wanting to do high quality conversions were getting outbid; Interviewee 19 relayed a discussion he had with a local developer who called it 'a race to the bottom'. There was also concern there was a 'lost opportunity' for some sites where demolish and rebuild might have been a better option.

The concern that not all the offices converted to residential had been vacant was much less common in Leicester than some other places, although there was a little concern about the availability of certain types of office space, for example, the smaller buildings in the New Walk area favoured by professional service businesses.

Case study examples

Six case study office-to-residential PD schemes in Leicester were examined and Table 17 summarises the findings. MPK House, 233 Belgrave Gate (Figure 54), was an example of a building that had been vacant as an office for a number of years before the proposal for residential conversion. As this was a post-2016 prior notification, the council was able to require noise insulation due to surrounding industrial uses. Land Registry data show the building was sold for £295,000 in May 2016, before the prior approval was agreed.

Table 18 **Analysis of case study office-to-residential planning permission schemes in Leicester**

Scheme	Building details and quality				
	No. units	**Building typology**	**Mix of units**	**National space standards?**	**Amenity space? Play space?**
8 Buckminster Road Inner city, north of the centre	**14**	1960s office	2 studio 8 one bed 4 two bed	4/14 units meet these. Studios 25-39m², 1 bed 45–52m², 2 bed 46-65m²	Communal roof terrace of 237m²
Edward Buildings Rutland Street City centre	**9**	20th C commercial	3 one bed 6 two bed	9/9 units meet these. 1 beds are 56m², 2 beds 66-86m²	None provided (private or communal

Scheme	Financial impact			
	Local infrastructure / services (one off)		**Taxes** (per annum)	
	Potential loss (£4,600 per unit)	**Potential gain**	**Potential loss** (2010 business rates)	**Potential gain** (current council tax)
8 Buckminster Road Inner city, north of the centre	-£64,400	S106 = £13,499 (For open space)		Not readily available (Not implemented)
	Net: -£50,901		Net: N/A	
Edward Buildings Rutland Street City centre	-£41,400	S106 = £0 (Not applied on a scheme of this scale in Leicester)		Not readily available (Not implemented)
	Net: -£41,400		Net: N/A	

Lionel House (Figure 55) is an example of a building that online research suggests had not been long term vacant, and still appeared in at least partial office use up to 2016. Now it has been converted, there is evidence online of, at least, some of the apartments being advertised as 'serviced apartments' for £110 for two nights. This advertising notes the proximity of the two universities. Land Registry data show the building was sold for £380,000 in August 2015, just after prior approval.

53A London Road and 75 London Road (Figures 56-57) are examples of smaller schemes where minimal changes were made to either building during conversion. 75 London Road is interesting as a planning application to turn it into an HMO was refused by the city council in March 2015.The prior notification submitted in March 2015 for residential use is basically identical to the refused application and the studio flat seems to be only accessible via the six bedroom flat according to the plans. Land Registry data shows the building sold in April 2015 for £245,000 and online research shows it is now marketed as student accommodation with rents of £102 per person per week.

Allied Place (Figures 58-59) is a scheme permitted before 2016, where the offices were above a functioning night club (whose owners were concerned about potential impacts for their business if residents complained about noise). Online research shows that the office space was previously advertised for rent at a rate equating to £150,900 per annum if all floors were let. The whole building was put up for sale at auction in July 2016. This showed all 46 flats rented out on 12 month leases, with a rental income of £284,880 per annum (Allsop, 2016). Land Registry data shows the building sold in January 2017 for £2.25m. Two residents in this block completed the survey. Both were students and commented very negatively about the quality of the accommodation provided.

Finally, Kimberley House (Figure 60) has a somewhat complex prior notification history, with six different prior notifications. These include variations in unit size, as well as getting approvals for conversion on a floor-by-floor rather than whole building basis (suggesting the building may have been partially occupied by office tenants, and a plan to convert to residential around them, as seen elsewhere in Leicester). Land Registry data shows that the building was sold in October 2015 for £1.2m.

Overall, of the PD schemes examined in detail in Leicester, just 21% of the 105 new units being developed met the national space standards and none at all had access to any private or communal amenity space. 71% of the units were studio or one bedroom apartments.

As well as the prior notification schemes, two schemes for office-to-residential conversion in Leicester were examined, which had planning permission (Table 18). 8 Buckminster Road (Figure 61) is a proposal which included proposed changes to the external appearance of the building, an additional storey and a large amount of amenity space.

Figure 56 **The appearance of 53a London Road on the site visit**

Image source: Jessica Ferm

Figure 57 **The appearance of 75 London Road on the site visit**

Image source: Jessica Ferm

Figure 58 **Historic view of Allied Place from 2012**

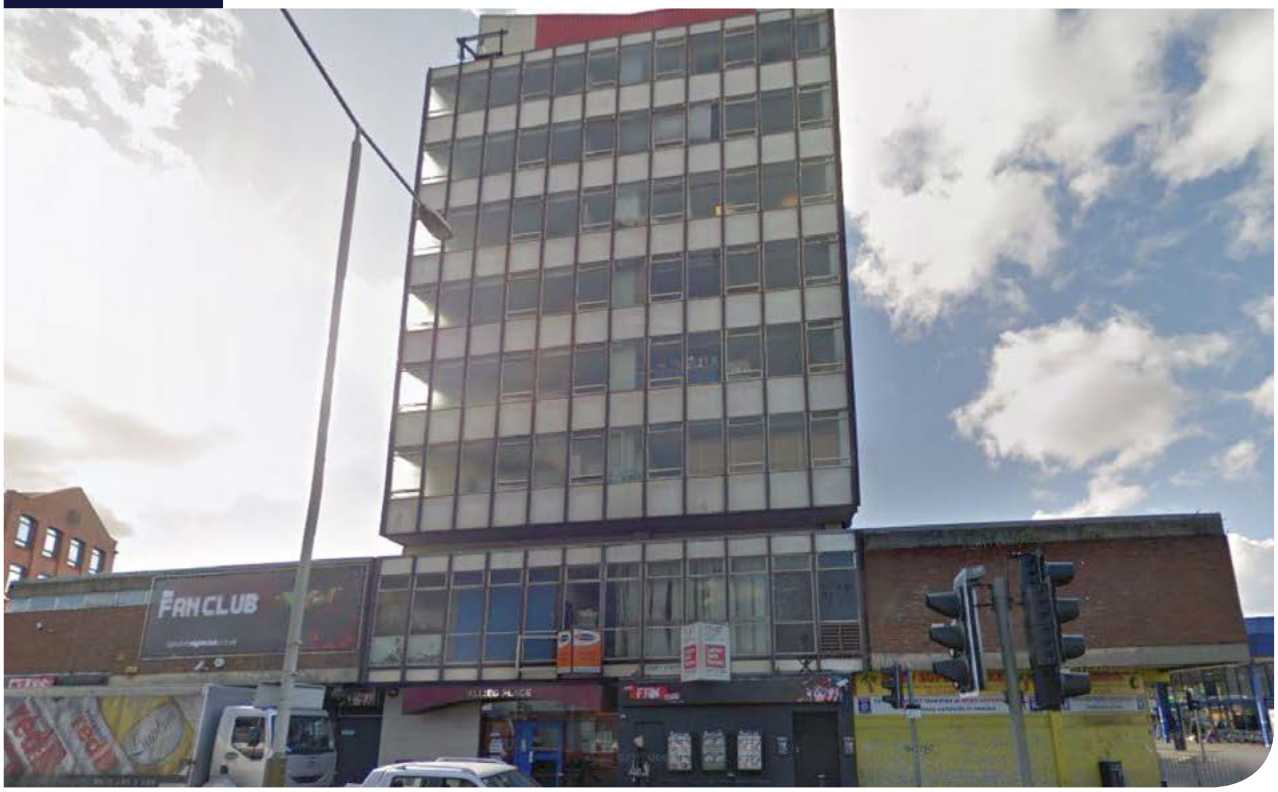


Image source: Google Streetview

Figure 59 **The appearance of Allied Place on the site visit**

Image source: Ben Clifford

Figure 60 The appearance of Kimberley House on the site visit

Image source: Google Streetview

Figure 61 The appearance of 8 Buckminster Road on the site visit

Image source: Patricia Canelas

Figure 62 **The appearance of Edward Buildings on the site visit**

Image source: Ben Clifford

This large roof terrace could be seen to offset some of the units being slightly below national space standards. The council were able to secure some planning gain. Edward Buildings (Figure 62) is a smaller scheme approved shortly before the site visit, with notably generous space standards compared to many PD schemes.

City wide financial implications

Looking at all prior approvals in Leicester, for the 637 units completed or under construction at the time of this research, the potential cost for additional local supporting infrastructure is at least £2,930,200 and for all 1,035 units with prior approval the cost is £4,761,000. Where it was possible to tell with the case studies, the comparison of Business Rates being paid before conversion and Council Tax after conversion (assuming full Council Tax due is being paid and no student discounts) showed a net increase of £16,442.60 compared to a net infrastructure impact cost of £322,000 for those same case studies (19.6%).

For potential planning gain, assuming a rate of £915 per unit (as paid in the 44 Abbey Street case, for a floor where planning permission was required for conversion) on all schemes of 15 units or more given prior approval in Leicester, this would be £1,165,710. For affordable housing, assuming this is 15% for schemes of 15 units or more (as per the Core Strategy requirement for the Strategic Regeneration Area), then in theory the schemes with prior approval in Leicester would have delivered 191 units (but subject to viability testing).

Finally, if all prior notification allowed and refused had required planning permission instead, the additional fee income to the City Council would have been £494,517.

Conclusions

Leicester has had one of the highest rates of submitted prior notifications for office-to-residential conversion of any provincial city. This research has found an implementation rate similar to that for office-to-residential conversion through planning applications in Glasgow (see Chapter 5). The views of the stakeholders interviewed were mixed. In general, there was actually support for the principle of office-to-residential conversion in the city centre, but with strong concerns about the quality of what was being delivered through PD, and a feeling this could then skew the market, making it less likely that higher quality residential development would happen.

The case studies show that the concerns about quality are well grounded. None of the prior approvals examined had any private or communal amenity space and most were below national space standards. There is also clear evidence that many completed schemes are being marketed primarily to students and so are not really contributing towards meeting local housing need. Despite the challenges of viability for development locally, there was still evidence of the profitability of conversions, for example Allied Place. Although the issues are perhaps more finely balanced than in other case studies, there may be benefit from an Article 4 direction for the Strategic Regeneration Area.

Image source: BasPhoto-shutterstock.com

6.5 Reading

Reading is the leading office market in the South East after London. According to the most recent census in 2011, the town has an estimated population of 155,700 (NOMIS, 2017). Reading was ranked second in PwC's 'Good growth for cities index' (Demos-PwC, 2016), which assesses the performance of the 42 largest settlements in the UK in terms of economic wellbeing. Reading has a large student population. Lack of capacity to respond to the demand for housing is seen as a 'constraint' to overall progress (Savills, 2017).

Office stock in Reading is distinctly located either in the town centre, or out of town. The majority of office stock in Reading is grade A, at 78% overall (Lambert Smith Hampton, 2015) with very little grade B / tertiary space available. Much of the more obsolete, tertiary and smaller stock has been subject to office-to-residential conversions. The statistics for the number of prior notifications in Reading and the results of the research on implementation rates are Section 3.4 and Chapter 5. Figure 63 and Figure 64 show maps of all prior notifications approved between April 2013-2017.

There is a strong need for affordable housing in Reading, and any development requiring planning permission involving one or more new housing units is expected to make a contribution towards this. The Draft Local Plan comments on the significant number of office- to-residential conversions which have happened in Reading over the last twenty years, which only accelerated following the introduction of the new PD rights in 2013 (Reading Council, 2017). Due to Reading's key position as the central office hub within the Thames Valley, the provision and development of additional office space is also seen as an important part of future need. There has been some coverage in local media about PD in general, and concern expressed by a local Councillor that it has been 'calamitous', due to the loss of S106 contributions (Fort, 2016).

Reading council's approach to office-to-residential PD

The local council were opposed to introduction of the office to residential permitted development from the outset. The council applied, but were rejected, for exemption from PD, but there is no Article 4 direction in place in Reading. In general the Council is not opposed to the principle of conversion of vacant secondary office space to housing, but very concerned about the lack of planning gain and affordable housing provision. They have monitored prior approvals received and the potential loss of revenue through these not requiring full planning permission.

Figure 63 **Map showing all prior notifications for office-to-residential change of use approved in Reading local authority area April 2013 – March 2017**

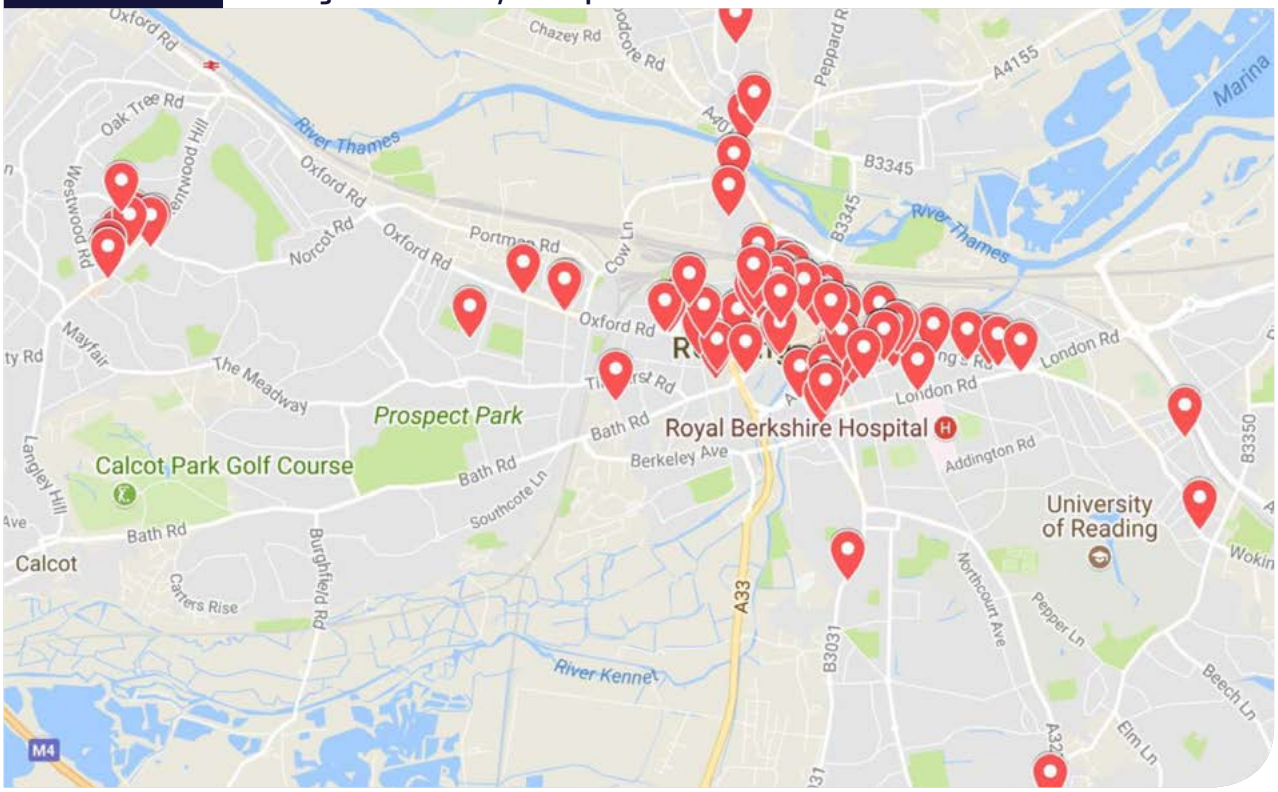


Image source: Ben Clifford, using Google maps

Figure 64 **Map showing all prior notifications for office-to-residential change of use approved in Reading town centre April 2013 – March 2017**

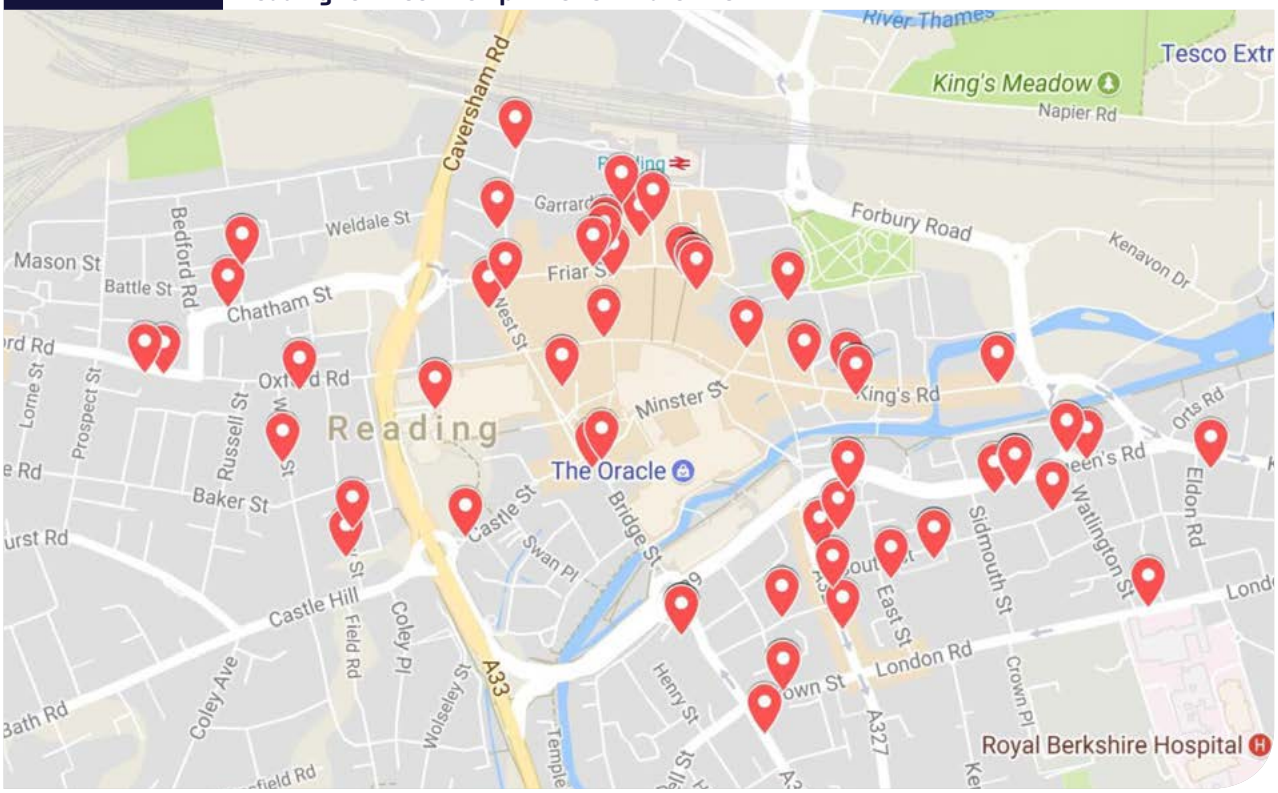


Image source: Ben Clifford, using Google maps

Stakeholder views

Findings from interviews with three additional stakeholders echoed the concerns voiced by the local authority planner, in relation to space standards, economic growth in Reading and housing market forces which are driving towards creating office to residential conversions which are 'slums of the twenty-first century'. However, positives emerging from office-to-residential conversions included bringing people back to town centre living and thereby supporting the local night-time economy and reusing obsolete office spaces. One interviewee commented:

'…adapting office buildings in the centre of town is a win, for me it's a win because…it has started to bring people back in [to the town] and that has to add to the dynamism of the areas, the vibrancy of the shops, cafés, the evening environment, all of that is a win' (Interview 15).

The renaissance of the town centre living is contributing to the economic stability of the town in the longer term, but the quality of the conversions stirs anxiety in interviewees, who are thinking about the future impacts of creating small, poor quality residential units as 'there are no space standards, and that, I think, is a huge issue' (Interview 16). There was comment about developers 'pushing the boundary' in terms of the number of units, not changing façades so office buildings 'look like homes' and even turning store rooms from office buildings into residential use.

It has also highlighted that with austerity, planning enforcement in the Council is stretched so some developers do very poor quality conversions then move on without 'getting caught'. There were also some concerns about the way 'all of our grade B office stock has basically fallen like a house of cards to residential' (Interview 15) with there being examples of local businesses displaced from the borough by conversions. Whilst acknowledging the benefits of greater housing provision in general, the general view of the interviewees was that PD was the wrong policy instrument and needed to be stopped, or with some higher standards incorporated.

Case study examples

Within Reading, four town centre examples of office-to-residential conversion under PD and one suburban example were examined in more detail. Table 19 summarises the findings. Garrard House (Figures 65-66) had planning permission for conversion to a hotel and café before PD was introduced and a prior notification was then submitted for the whole building to go to residential, which was being implemented at the time of the site visit. One of the interviewees highlighted the narrow street it looks out on, and that its constrained site, surrounding by other large buildings and a multi-story car park would make for apartments with little natural light. Savills have advertised a small two-bedroom unit (51m^2) for sale at a guide price of £320,000.

Figure 65 **Historic view of Garrard House from 2012**

Image source: Google Streetview

Figure 66 **The appearance of Garrard House on the site visit**

Image source: Ben Clifford

Table 19 Analysis of case study office-to-residential PDR schemes in Reading

Scheme	Building details and quality				
	No. units	**Building typology**	**Mix of units**	**National space standards?**	**Amenity space?**
Garrard House Town centre	**83**	Late 20th C office	74 one bed 9 two bed	0/83 units meet these. Smallest one bed 30m², and largest 39m², two bed smallest 44m² and largest 51m²	None provided (private or communal)
King's Reach Town centre	**72**	Late 20th C office	8 studio 57 one bed 7 two bed	Cannot tell. No proper plans submitted (Estimate from plans approximate compliance. NB said would be '60-70 units' on prior notification but developer sales site 72 units)	None provided (private or communal)
St Gile's House Town centre	**89**	Late 20th C office	89 studio	0/89 units appear to meet these, smallest 19m², generally about 22m-25m²	Communal courtyard garden, gym and meeting rooms
81-83 School Road Tilehurst	**6**	Late 19th C residential	1 studio 3 one bed 2 two bed	0/6 appear to meet these. Smallest studio about 16m², 1 bed 24m², 2 bed 40m² (measuring from plans)	Communal garden space to rear, next to area for car parking

Scheme	Financial impact					
	Local infrastructure / services (one off)		**Planning fees** (one off)		**Taxes** (per annum)	
	Potential loss (£4,600 per unit)	**Potential gain**	**Potential loss**	**Potential gain**	**Potential loss** (2010 business rates)	**Potential gain** (current council tax)
Garrard House Town centre	-£381,800 (£4,600 per unit as the general estimate) [-£271,455 = Council estimate of what they would have sought for affordable housing, leisure/open space, education]	S106 = £0 CIL = £0 from PD [NB S106 = £33,584 (for affordable housing and for construction employment & skills) CIL = £113,254 from extra floors via permission]	-£23,045	£80 NB £5,390 was paid in fees for the planning permission extension	Not readily available	Not readily available
	Net: -£381,800		Net: -£22,965		Net: N/ A	
King's Reach Town centre	-£331,200 (£4,600 per unit as the general estimate) [-£147,000 = Council estimate of what they would have sought for affordable housing, leisure/open space, education]	S106 = £0 CIL = £0	-£27,300	£80	-£124,852	Not readily available If all Band B, would be £96,480 (72 x Band B)
	Net: -£331,200		Net: -£27,220		Net: N/A	
St Gile's House Town centre	-£409,400 (£4,600 per unit as the general estimate) [-£242,900 = Council estimate of what they would have sought via S.106, plus 26 affordable units on-site]	S106 = £0 CIL = £0	-£23,045	£80	Not readily available	Not readily available (and explicitly marketed to students)
	Net: -£409,400		Net: -£22,965		Net: N/A	
81-83 School Road Tilehurst	£27,600 (£4,600 per unit as the general estimate) [-£36,985 = Council estimate of what they would have sought via S.106, plus 1 affordable unit on-site]	S106 = £0 CIL = £0 from the PD [NB CIL = £6,705 from extension via planning permission	-£2,310	£80	Not readily available	Not readily available
	Net: -£26,600		Net: -£2,230		Net: N/A	

King's Reach (Figure 67) was another building for sale at the time of the site visit. The conversion had been completed and it was possible to view a few apartments. Most were awkwardly shaped, due to the shape of the building and some had no natural light into the bedroom (instead there was an interior window through the living room which did have a window). The building still looks very much like an office and one-bedroom apartments have been advertised through local agents Haslams for £295,000. The marketing has been strongly targeted at the investor market including, for instance, mentioning expected yields.

St Giles House (Figure 68) is a conversion to what are technically dwellinghouses, but have been explicitly marketed as 'student accommodation'. Tenancy lengths are offered at 51 weeks and range from a total annual

Figure 67 The appearance of Kimberley House on the site visit

Image source: Ben Clifford

Figure 68 The appearance of St Giles House on the site visit

Image source: Ben Clifford

Figure 69 **The appearance of 81-83 School Road on the site visit**

Image source: Nicola Livingstone

Figure 70 **The appearance of Hanover House on the site visit**

Image source: Patricia Canelas

Table 20 Analysis of a case study office-to-residential planning permission scheme in Reading

Scheme	Building details and quality				
	No. units	Building typology	Mix of units	National space standards?	Amenity space? Play space?
Hanover House King's Road, Eastern edge of town centre (Fourth floor: others converted by PDR to 90 units)	**14**	1970s office	11 one bed 2 two bed 1 three bed	14/14 comply with these	None provided (private or communal)

Scheme	Financial impact			
	Local infrastructure / services (one off)		Taxes (per annum)	
	Potential loss (£4,600 per unit)	Potential gain	Potential loss (2010 business rates)	Potential gain (current council tax)
Hanover House King's Road, Eastern edge of town centre (Fourth floor: others converted by PDR to 90 units)	-£64,400	S106 = £202,637 (For off-site affordable housing, employment and skills, legal fees and monitoring))	Not readily available	£19,530.99 (11 x Band B + 2 x Band C + 1 x Band D)
	Net: £138,237		Net: N/A	

cost of £10,659 annually for a 'compact premier studio', averaging £209 per week. Finally, 81-83 School Road (Figure 69), located on the local high street at Tilehurst, has been converted into six small flats.

Overall, as indicated in Table 19, 93% of the 250 new units being created in PD schemes were studio or one bedroom apartments, showing a poor mix of residential provision compared to need. For the 178 units where it was possible to tell, none at all met national space standards, although 71% of the units did have access to communal amenity space provided as part of the development.

Hanover House was also examined as a planning permission comparator (Figure 70). The majority of the building was converted to residential use through PD, but as the fourth floor was in educational rather than office use, a planning permission was required to convert this floor. As seen with a number of similar schemes across all case studies, the floor requiring planning permission had larger units than the PD floors (all 14 units on this floor meeting national space standards). The council was also able to secure a substantial contribution to affordable housing and employment and skills through S106 (Table 20).

City wide financial implications

Calculations were made to assess the financial loss across the whole of Reading borough over the first four years of this PD (2013-2017), comparing what would have been secured through prior approvals and planning applications. The loss of fees, had all the prior approvals submitted required planning permission, to be £510,810.

From the approved prior notification schemes, the potential loss of affordable housing could be 317 units (based on 10% provision for schemes of 1-14 units and 50% for 15 units plus), and of S106 contributions at least £97,002 (based on a £153 per unit contribution towards employment and skills from a recent comparator planning application case, ignoring contributions towards affordable housing if not provided on site).

Based on the low figure of £4,600 per new dwelling for infrastructure costs, the cost locally on services from the 1295 units approved via PD is £5.957m and for the 879 units are completed or under construction is £4.043m

Conclusions

Given the vitality of both the local office and residential markets, viability of developments in Reading is generally very high and PD has led to a marked loss of planning gain, particularly around affordable housing. The local authority was very aware of this. PD actually seems to have made it more difficult for the local council to fulfil the aspirations expressed in the emerging local plan for affordable housing. There may also be a saturation of the local market of the type of smaller units being converted through PD, and conversions may slow following the initial intense market response.

As in other case studies, there are strong concerns about the residential quality of conversions, and whether they are really directly servicing the housing needs of the local population. Some schemes are now explicitly providing student housing, and others are heavily pushed towards the investor and PRS markets.

7.0 The value of alternative approaches to governing office to residential change of use: comparative case studies

7.1 Glasgow

Glasgow is the largest city in Scotland. The 2011 census showed a population of 593,245 in the city boundaries (NRS, 2017). Planning is a devolved matter and so the Scottish Government is free to follow a different approach to England. There has been some discussion about increasing PD in Scotland (see Beveridge et al, 2016; Scottish Government, 2016; Scottish Government, 2017) but it does not include office-to-residential and the interviewees advised that this is not currently under consideration. All proposals for change of use from office-to-residential submitted in Scotland must therefore go through full planning permission.

The issue of office to residential conversion appeared to be much lower on the agenda in Glasgow than in any of the English case study authorities, there have been some challenges around the general viability of development and there are fewer 1960s and 1970s large office blocks in the centre than some other UK cities. There have, however, been some applications for converting offices to residential use and Chapter 5 summarises the statistics surrounding this. Figure 71 and Figure 72 show maps of all change of use planning applications received in Glasgow between April 2013 – April 2017.

Context

The city's development plan identifies accommodating a rising population and number of households as a key issue (Glasgow City Council, 2017). The city's planning policy includes encouragement of new residential development in the city centre, but with a concern that this must have good amenity in terms of its location and surroundings (Glasgow City Council, 2017). More generally, there is a concern across the city to ensure that flats have access to private amenity space (like balconies) and/or communal amenity space (gardens and roof terraces) and if not possible then developers should 'bring forward mitigation measures to improve internal amenity (e.g. more generous room sizes)' (Glasgow City Council, 2017: 30).

Figure 71 Map showing all planning applications for office to residential change of use received in Glasgow city local authority area April 2013 – April 2017

Image source: Ben Clifford, using Google maps

Figure 72 Map showing all planning applications for office to residential change of use received in Glasgow city centre area April 2013 – April 2017

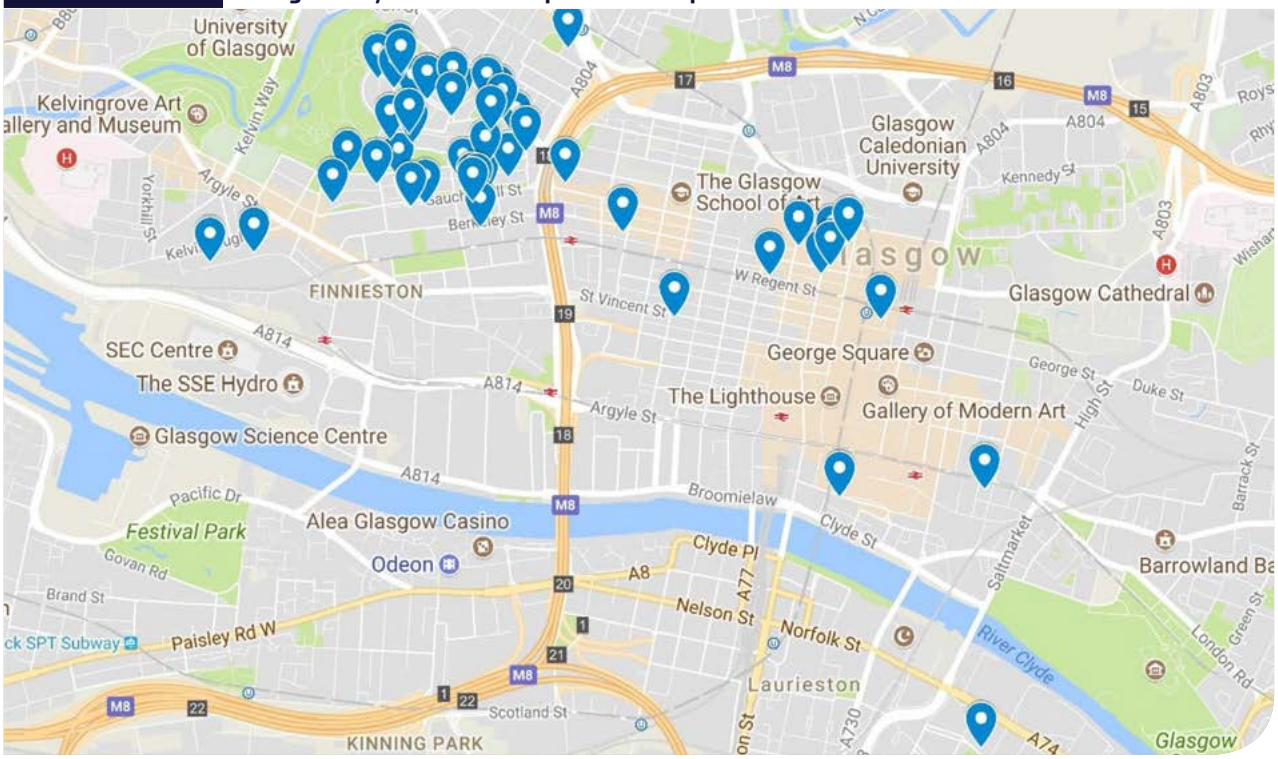


Image source: Ben Clifford, using Google maps

Recent office market research reports by commercial agents have generally noted a limited tight supply of office space (especially Grade A office space) in Glasgow compared to (potential) demand. JLL note an overall vacancy rate of 8.3% (down from 10.5% in 2015) and a vacancy rate of 1.7% for Grade A space, with the vacancy rating being on a downward trend over past two years. They note that 'with no new build space expected to be completed until the middle of 2020 at the earliest, this will intensify the shortage of good quality space' (JLL, 2017: 10).

Given the fact that office to residential conversion is not PD in Scotland, there has been less media coverage around the issue in general than in England. Over the past few years, many of the larger conversions of office space in Glasgow to other uses have been for student accommodation and it is these developments which tend to dominate the media coverage (Urban Realm, 2014; Daily Business, 2015; Mackie, 2015). More recently, there have been some reports about office-to-residential conversion for dwellings rather than student accommodation for example Urban Realm (2016).

Table 21 **Analysis of case study office-to-residential planning permission schemes in Glasgow**

Scheme	Building details and quality					
	No. units	Building typology	Mix of units	(English) national space standards?	Amenity space?	Notes
8 Buchanan Street City centre	8	1929 art deco. Originally department store	4 one bed 4 two bed	6/8 units appear to meet these. One beds 45-60m², two beds, 55-90m²	None provided (private or communal)	• Listed building • Permission for conversion granted March 2014 • Scheme implemented on the site visit • Penthouse apartment currently advertised online for rental at £1,650pcm (Tay Letting, 2017)
9-11 Lynedoch Street Finnieston	6	1845 Italianate style terraced residential	4 two bed 2 three bed	6/6 units appear to meet these. Two beds about 65m² and three beds 130m² each (over two floors)	None provided (private or communal)	• Listed building and conservation area • Permission for conversion granted August 2015 • Scheme implemented on the site visit
21 Herschell Street Anniesland	48	1970s office	46 two bed 2 three bed	48/48 units appear to meet these. Two beds 80m², three beds 130m²	Large balcony for each unit. Landscaping in grounds	• Application would include an additional storey added to the building and new cladding • Permission for conversion granted September 2016 • All flats dual aspect • Scheme not implemented on the site visit. Ground floor still a Job Centre Plus, rest of office space appears vacant
St Stephen's House Bath Street, City centre	24	1980s office	12 one bed 12 two bed	20/24 units appear to meet these. One beds 40-60m², two beds 72-80m²	None provided (private or communal)	• Permission for conversion granted November 2016 • All flats dual aspect • A previous permission, granted in 2014, would have involved conversion of all floors and adding a storey to make 36 units. This scheme leaves the ground floor as offices and is apparently more cost effective • Construction work underway on the site visit
Storey 1 187 Old Rutherglen Road, The Gorbals	54	1816 weaving mill	5 studio 11 one bed 35 two bed 2 three bed 1 four bed	54/54 units appear to meet these. Studios 45m², 1 beds 56-79m², 2 beds 70-100m², 3 beds 136-154m², 4 bed 174m²	8 units have a private garden terrace. No communal space for the rest	• Listed building • Mill building currently in office use, proposal is to convert it to residential as well as demolish and rebuild a neighbouring property • Proposal still under consideration by Glasgow City Council at the time of writing

Stakeholder views

There is no PD in Scotland for office-to- residential conversion, however stakeholders were asked about housing and office development issues in general, any experience of office-to-residential conversion under full planning permission and views on potential issues if similar PD to England were to be introduced into Scotland.

If residential conversion or development were proposed in Glasgow, the key concerns for the planners would be what sort of amenity future residents would have, including whether flats can have a dual aspect, access to amenity space like a roof garden and also what the amenity is like in terms of the neighbourhood location: 'What's round about it? Is it an isolated office in a sea of other things, mixed use or residential, or is it an office in a sea of offices?' (Interview 4). More broadly, there is a concern about social infrastructure like school provision if they want more families to live in the city centre.

There were strong concerns about the implications if an office to residential PD was introduced in Scotland. The planners were concerned about the nuance that could be lost, as the principle of conversion can differ according to precise location (some offering much better residential amenity than others) and the potential impact on local services.

For the local councillor, the big issues for residential development were space standards, parking, and the ability to judge each scheme on its merits as they differ so much. There was strong concern that under PD, developers might take advantage of this to lower standards generally:

' ...developers want – not all – but ecstasy for a developer, in my somewhat cynical view, is that you build something as cheaply as possible, you bang in as many units as you can and you get out and make money ... we're here to benefit the people, to give them decent housing … your house is a home' (Interview 23).

There was also concern about whether there would be amenity space, particularly green space access and play space for children, alongside the potential impact it might have economically if there was a loss of occupied office space. Furthermore, this might mean some lower quality buildings get kept when it might be better for them to actually be demolished.

Similarly civic society interests were not positive about PD around office-to-residential:

'I just think it would be abused and once you let something turn into housing it's practically impossible to get it back … I think they would be poor quality, I don't think they would benefit from place-making principles. So I think you'd be creating ghettos of the future, especially where you might have several together because that's where they occur in a city … and this is the problem because the people who move into these places are going to be the more vulnerable ones. We used to all be protected in social housing and now they're in the private sector' (Interview 22).

Case study examples

Five office-to-residential schemes were examined in Glasgow (Figures 73-80). Table 21 summarises the findings. A number of the largest office-to-residential conversions in Glasgow have actually been for student accommodation. As student accommodation is considered separately to normal 'dwellinghouses' in the planning system in both England and Scotland (and not covered by the PD in England), this category of change of use was not included in the research. It is important, however, to acknowledge that there have been some very large schemes implemented in Glasgow in this category, as illustrated by Figures 79-80.

The analysis shows a general high quality of residential conversions under full planning permission in Glasgow, with 96% of the units complying with the national space standards in England used elsewhere in this report and a good mixture of unit sizes. The city wide financial implications in Glasgow are not calculated as there are no PD schemes there.

Figure 73 **The appearance of Kimberley House on the site visit**

Image source: Ben Clifford

Figure 74 The appearance of 9-11 Lynedoch Street on the site visit

Image source: Ben Clifford

Figure 75 The proposed appearance of 21 Herschell Street after conversion

Image source: Glasgow City Council, 2017d

Figure 76 The appearance of 21 Herschell Street on the site visit

Image source: Ben Clifford

Figure 77 Historic view of St Stephen's House from 2010

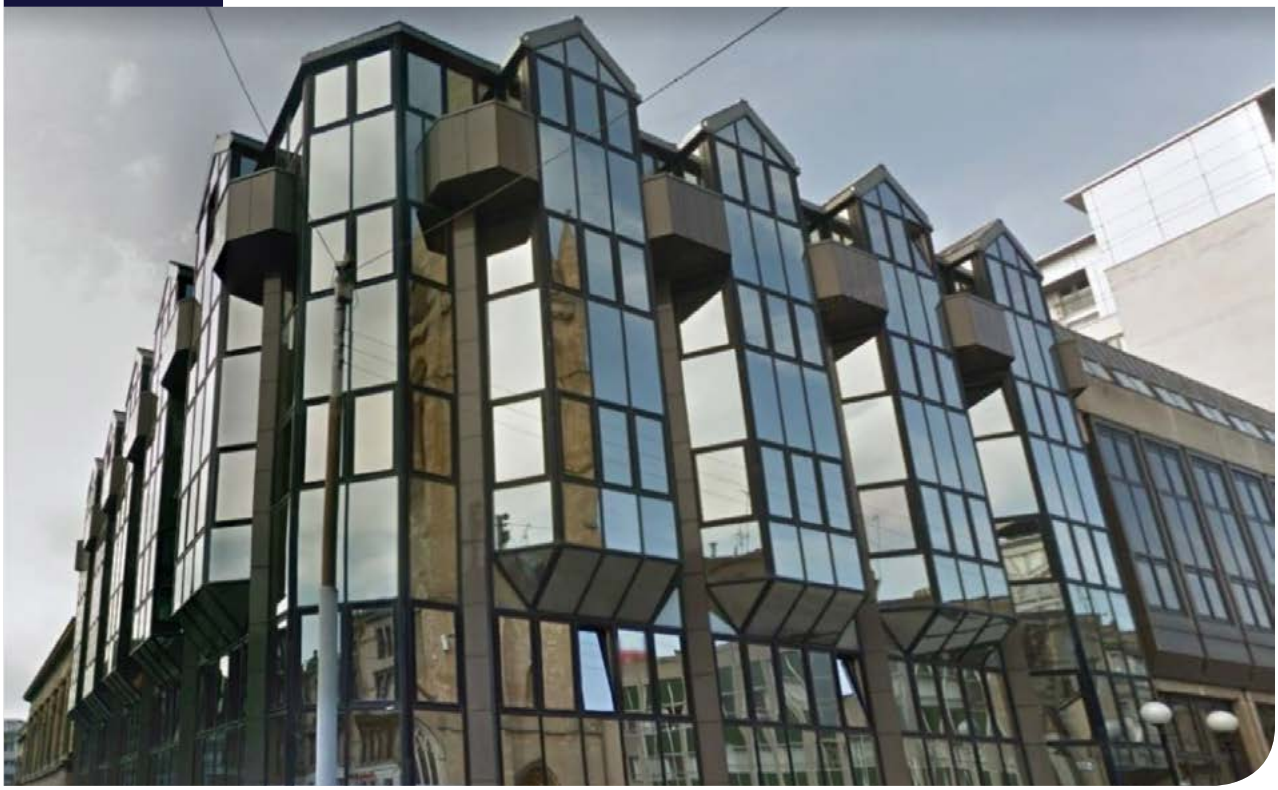


Image source: Google Streetview

Figure 78 **The appearance of Storey 1 on the site visit**

Image source: Ben Clifford

Figure 79 **Robert Owen House, Bath Street– an example of an office to student accommodation conversion in Glasgow**

Image source: Ben Clifford

Figure 80 **Claremont House, North Claremont Street – an example of an office to student accommodation conversion in Glasgow**

Image source: Ben Clifford

Conclusions

With no PD for office to residential in Scotland, the issue has been lower on the agenda of stakeholders in Glasgow than other cities examined. Office-to-residential conversion does not seem to feature highly in visions for the future of the city. There has also been growing demand for office space in Glasgow and the residential development context is quite different from the South East of England, with a far less expansive PRS.

There have, however, still been 77 planning applications – totalling 564 units – for change of use over the four year period of the study, albeit many of these are at a much smaller scale. The implementation rate of those schemes also compares favourably with those seen in Leeds and Leicester (see Table 7). Although there have been fewer large office-to-residential schemes coming forward than in the English case study cities, the quality of those that have been proposed and delivered in Glasgow has generally been much higher. For example, on space standards, across the five case study schemes 135 out of 140 units (96%) would comply with the English national space standards. Many units were dual aspect. This higher quality is being achieved despite an arguably more challenging economic environment for development than in London and the south-East of England, as indicated for example by data on house price and rental income growth (Barclays, 2017).

There might be some further opportunities in the city from increased awareness of the possibility of change of use, which has previously been overlooked by many developers as an opportunity to provide housing. This increased awareness may already be as developers also operating in England become aware of the potential of office conversions as a development approach.

7.2 Rotterdam

The Netherlands have been known in recent years for having the highest rate of vacant office space in Europe, with nearly half of this having been vacant for more than three years – which is termed 'structural vacancy' (Remøy and van der Voordt, 2014). There is some suggestion that the high vacancy rate in Rotterdam is linked the large amount of older office stock due to the need to comprehensively rebuild the city after Word War II and that stock is now not suitable for modern office use (CBRE, 2012). Knight Frank reported in 2016 that the Rotterdam vacancy rate had 'dropped to 21.2%' (Knight Frank, 2016). The national government and the Rotterdam city council, have both adopted a range of methods to try and reduce the vacant office stock, with a key focus being to encourage conversion to residential use.

The Netherlands national approach

Recognising the need to deal with office vacancy, central government has been active in recent years to try and tackle this issue. A covenant was signed in June 2012 to agree actions between central and local government, real estate and finance bodies. An 'Expert Team' was established to develop best practice around converting vacant office space to other uses, particularly housing. The Minister for Infrastructure and the Environment attended real estate conferences and met all 200 Dutch Housing Association CEOs to encourage them to get involved in office-to-residential schemes rather than just new building development.

A central strand resulting from the covenant has been for government to try to influence and to promote the conversion of vacant office space to other uses, particularly residential. This strategy has included:

- Publications, such as a brochure of 10 'pilot projects' of successful conversions (eight of these were to residential) (Figure 81).
- A website was set-up to provide information on conversions (RVO, 2017).
- A toolkit of advice developed on a range of topics from tax issues to building regulations, planning, energy, sustainability and noise and show what is possible. Hard copies of the toolkit (Figure 82) were sent to all municipalities and made available at conferences for the real estate sector.

Figure 81 Ten case studies of office transformation

Image source: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2011

Figure 82 Office transformation 'toolkit'

Image source: RVO, 2014

Table 22 The amount of housing units made by transforming empty buildings in the Netherlands 2012-2016

Year	2012	2013	2014	2015	2016
Total units delivered	3 755	7 520	6 395	7 825	8095

Source: Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2011

One of the RVO toolkit documents is related to spatial planning and this document recommends an important role for municipalities in steering transformations. The covenant requires municipalities to produce a spatial policy framework within 12 months of the signing of the covenant showing their desired mix of office types, land uses and location of offices in their area and opportunities for alternative uses of vacant offices.

There have been some changes to building regulations, such as not requiring some structural elements of converted buildings to have to meet new build standards but rather the standards that applied at the time of the original construction. However, basic standards, such as the requirement that an apartment must have a minimum 'living space' (living room / bedrooms) of 18m^2 in addition to a bathroom and 'cooking area' (which means in practice the smallest apartments will be about 35m^2), continue to be enforced. Municipalities will apparently work proactively with developers around housing quality issues for conversions. There has also been a reduction in the amount of time municipalities can take to approve changes to binding land use plans to approve office-to-residential conversions (Remøy and Street, 2017).

A range of monitoring tools have also been established, including a website showing office vacancy rates in every municipality (CBS, 2017). The figures collated by the Interior Ministry say that in 2015 and 2016, 800,000m^2 of office space was converted into housing in the Netherlands and by June 2017, 206,000m^2 had been converted (direct communication with authors). Another data set at the Interior Ministry shows many residential units have been created from vacant property, which includes not just offices but also other types of buildings (albeit offices apparently account for the majority of the transformations) and the figures are recorded as shown in Table 22.

Adjusting further for the implementation rate in England, the Netherlands has had a higher rate of office-to-residential conversion without recourse to the level of deregulation seen in England and instead promoting a more positive, steering role for government. Official statistics show the population of England as 3.25 times that of the Netherlands (CBS, 2017; ONS, 2017). Comparing the figures from DCLG on change of use of buildings in England (Table 3) with population adjusted figures from the Netherlands show the Netherlands delivered 20.75% more units in 2014-15 (25,431 compared to 20,650). For 2015-16, the 30,600 units approved in England can be compared to 26,309 units delivered in the Netherlands (adjusted for population).

Figure 83 **Calandstraat development before conversion (2008) and after conversion (2014)**

Image source: Google Streetview

Figure 84 Calandstraat development pictured inside the penthouse apartment and on its private balcony space

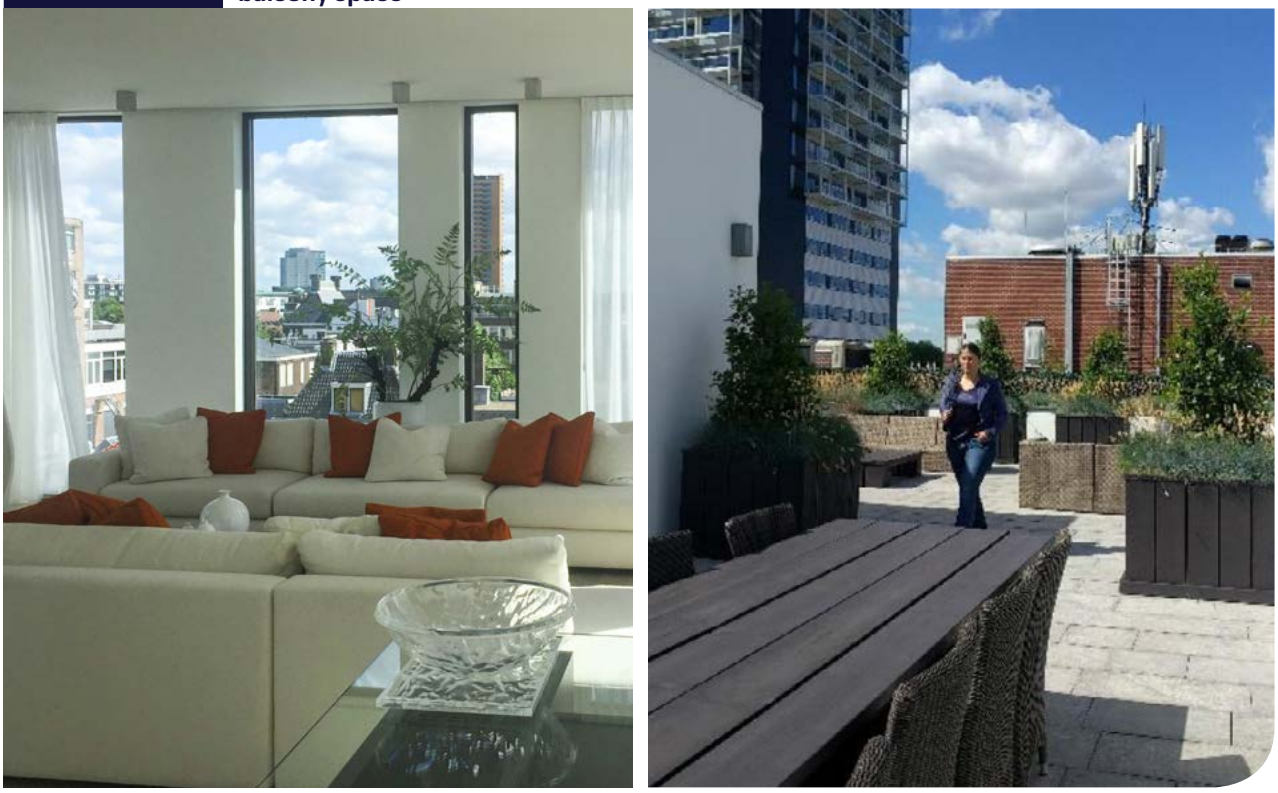


Image source: Ben Clifford

Figure 85 Westzeedijk 387 conversion, with additional new build penthouses added on the top

Image source: Ben Clifford

Rotterdam's approach

The appointment of a new Alderman responsible for planning following the 2014 local elections had provided local drive around the issue of office vacancy, with targets set for the first time about the amount of vacant office space converted to other uses.[7] The approach taken by the municipality was not focused on changing regulations (and in planning terms, the local zoning plan has supported mixed use for the southern part of the city centre since 1988, encouraging residential development rather than just being a commercial district). Instead, the municipality has approached owners of vacant buildings to discuss their potential for conversion, particularly concentrating on those believed to have a low possibility of finding future office tenants.

A local project officer who acts as dedicated point of contact for developers, trying to guide office conversions, has led this work. Rotterdam is one of 11 Dutch municipalities to have such an appointment (RVO, 2017) and has also developed a range advice and publicity materials around the issue was (available online at Gemeente Rotterdam, 2017a).

The result of this was that by 1 January 2015, a total of 56,000m^2 of vacant office space had been converted to other uses, by 1 January 2016 81,000m^2, and by 1 January 2017 116,000m^2 (Gemeente Rotterdam, 2017b). The initial conversions were more commonly from office space to use for public services, such as for medical use and for schools (the target being for conversion to any other productive use, not just housing). Increasingly, however, the focus has become conversion to residential use, with 40,000m^2 converted into 600 apartments over the last year. Data show 1,210 residential units created from the conversion of vacant buildings (including but not just offices) in Rotterdam between 2012-2015 (CBS, 2016), which is similar to the figures for Croydon and Leicester (Table 4).

The municipality's influence on the office-to-residential conversions is apparent, not just in terms of locational factors but also in terms of quality. The Council seeks to ensure one-bed apartments created from conversion are at least 50m^2. If one bed apartments are less than 60m^2, the developer should provide access to amenity space. There is also close attention paid to sustainability issues (such as energy performance) and ensuring the building will be fit for living in for at least 30 years.

The developer of Calandstraat 25 (Figures 83-84), a high-quality conversion, was complementary about the approach of the city council to supporting the transformation. The 1970s Excise Office building ('Douanegebouw') at Westzeedijk 387 has been converted to 129 residential apartments, with 12 new build penthouses added on newly created floors added to the roof (Figure 85). At this location, the conversion did not make it possible to provide balconies and so, as part of the negotiation over noise and environmental mitigation, the council was able to require that the large car park at the rear of the building would be converted by the developers into a communal garden space for residents.

Conclusions

Although there has been some deregulation around built environment regulations in the Netherlands (Remøy and Street, 2017), local authorities have retained their role in steering office-to-residential conversion. This is demonstrated by the National Covenant committing local authorities to produce a spatial vision around change of use and by municipalities like Rotterdam appointing an official to proactively engage developers.

It seemed from the interviews that there was very much a sense that the local and national state in the Netherlands should play a steering and place-making role to deliver the right sort of office-to-residential conversion in the right places. The approach has been less focused on the hard governance approach of deregulation than England. Instead is has been more focused on the softer governance tools on sharing best practice, creating promotional toolkits, seeking to achieve consensus about the issues and working together to find solutions to them.

7 An Alderman in the Netherlands is an elected local councillor given responsibilities around a particular policy area, much like a cabinet member in English local government.

8.0 Conclusions

8.1 Discussion

The permitted development of office-to-residential change of use in England is clearly having a large impact on our built environment. These impacts are multifaceted and although there have been a number of studies on the issue, it demands further attention. In a report produced in parallel to this one, Bibby et al (2018) attempt to look more generally across the categories of PD introduced in England and their potential costs and benefits. The detailed case study approach here has added a finer granularity to work on the topic.

The changing nature of demand for office space had led to some areas of quite high vacancy across England, particularly for older stock from the 1960s and 70s. Given housing demand, the principle of sustainably reusing vacant buildings in brownfield locations is hard to contest. The key issue is, however, whether making office-to-residential change of use PD was the right way to govern this and what the consequences of that decision have been.

The overriding drive for the policy change was to deliver additional housing. Although it is not straightforward to quantify the exact amount of new housing actually delivered through PD (based on this analysis, the net additional housing units data from DCLG seem to record approvals rather than completed schemes for office-to-residential in at least some authorities), clearly the policy has led to much greater rates of office-to-residential conversion that were seen before 2013. Conversions were, however, not unheard of before 2013 but were not properly monitored, and the total of pre-2013 conversions from the five case studies LPAs alone exceeded the figure DCLG's impact assessment suggested for the whole of England.

It is very much contestable how much of this uplift is actually producing additional housing units. There are examples of investment diverted from new build schemes (which were not then implemented) because of the increased profitability for developers of PD. In the case of Glasgow there has been an uplift in office-to-residential conversion schemes in 2013-17 compared to 2009-13 without PD existing. It therefore seems wrong to claim PDR has led to thousands of additional homes when many might have been achieved even without the policy change. Plenty of examples of conversions were found which were then just providing student accommodation or serviced apartments rather than actual homes. There were implications on all factors that were initially highlighted in Section 2.2.

Fiscal implications

The housing that is being delivered also comes at a cost both financially and socially for sustainable community creation. Despite the DCLG's impact assessment (DCLG, 2013b: 2) claiming the policy change would have 'no monetised costs' and would be 'unlikely to have any potential costs in terms of additional infrastructure requirements', this is clearly not the case, particularly in those authorities which have been a high level of schemes.

Where offices are truly vacant, public sector tax income may benefit from the conversion but where space is not vacant (which were found several times), then the Council Tax income (even with the New Homes Bonus) will not match the loss of Business Rates as well as the wider economic impacts of displaced employment. We were struck at how significant the conversion of even smaller workspaces can be in this respect, for example for the creative industries in Camden. Nevertheless, the tax issue is too variable between schemes and between authorities for us to draw firm conclusions from the evidence of the difference made here.

More clearly, however, the quantum of conversions seen in the case studies is such that there will be an impact on local infrastructure. Whilst private utilities may meet their own costs from new residents, it will be harder for publicly provided physical, social and green infrastructure to do so. The pace of development is likely to outstrip the supporting infrastructure in some authorities, such as Croydon. It is complex to quantify these costs, but taking a very low figure of costs per additional unit developed from the several studies examined it is calculated, **the burden on these five LPAs alone to be £27.5m**.

A small amount of this might be recuperated through CIL contributions, where there is an adopted charging schedule, but it seems that in most cases developers have been able to avoid this through the partial occupation loophole. They are also able to avoid planning gain through S106 contributions and affordable housing provision. Again from just these five LPAs, they may have **lost out on £10.8m in planning gain and 1,667 affordable housing units from approved office-to-residential PD schemes**. This is despite the very apparent profitability of office-to-residential conversions for developers, with several examples of prior approval leading to large uplifts in sale prices apparent in the case studies (90% in one example, over less than a one year period). Office-to-residential PD seems to have been a fiscal giveaway from the state to private real estate interests.

The five authorities themselves have also collectively **lost out on £4.1m in fees** due to the much lower cost of submitting a prior notification than a planning application. The DCLG's impact assessment argued there would be administrative cost savings to LPAs from the policy change but this is clearly not the case; authorities are still required to check a number of issues (added to in 2016 with the noise requirements) and must do so in a tight time period.

Planning implications

Beyond financial considerations, the qualitative impacts of office-to-residential PD have been even more pressing. Authorities have also lost the ability to proactively plan for their communities, protect employment space where really needed (including for those who actually do need cheaper, secondary offices) and properly consider residential amenity and externalities. The widely shared aspiration for a more plan-led, visionary planning system is undermined and the ability for LPAs to spatially shape their environment is weakened. Furthermore, the scope for communities to be engaged in change affecting them is removed.

It also makes it harder to monitor change in the built environment, which may then breed a culture of 'deregulation' and lead to less effective enforcement of rules that do still apply (like building regulations).

Implications for communities

The most dramatic impact was on residential quality. There are some examples of extremely high-quality conversions delivered through PD, but also some examples of shockingly poor housing. Office-to-residential conversions are much less likely to have amenity space and are much smaller: across the case studies (where it was possible to tell), **94% of units that came through planning permission met national space standards compared to just 30% of prior approval units**. They also provide fewer family units: **the PD schemes analysed were 77% studios or one bed units compared to just 37% of the planning permission units**. PD conversions cater to a very narrow segment of the residential market (which may not be as extensive as some developers suggest, leading to overcrowding in areas of high housing demand) and delivers few genuine 'homes'.

Whilst there might be an argument that a 32m^2 studio unit in a good quality conversion with communal amenity space is acceptable, it is hard to see a 15m^2 unit in a scheme with no amenity space as providing an acceptable quality of life. Residents discussed developments with large numbers of children living in them, overcrowded and with no play space on site or nearby (and the development having made no contribution towards the cost of the local authority providing some). Residents discussed the appalling experience of living in a scheme above a pub with inadequate noise insulation. There are also isolated schemes in the middle of industrial estates, with concerns of lighting, safety, amenity and potentially pollution from neighbouring buildings.

Need for deregulation?

The comparative case study in Glasgow shows that even in a more economically challenging environment for residential development than southern England, it is possible to implement higher quality housing schemes through office-to-residential change of use when such schemes need to go through full planning permission. McCarthy and Morling (2015) found that where regulations were replaced with voluntary approaches in the environmental sphere, there was generally a lowering of standards and this appears to be the case here as well.

The study in Rotterdam suggested that the deregulation approach taken in England might not have been necessary, and that office-to-residential conversions could instead have been promoted through a softer governance approach of engaging, steering and sharing best practice which could have delivered the same amount of housing whilst maintaining standards and converting genuinely vacant office space. PD has stirred the market to deliver more units through converting office space, but this could have been stimulated through other means than deregulation.

Overall, the research found strong evidence that making office-to-residential PD has led to worse residential quality and negative fiscal implications for local authorities and communities. The enhanced freedom to change the use of property delivered through PD has threatened the development of sustainable communities through the loss of public revenue and unwelcome externalities.

8.2 Recommendations

Given the research findings, there are several recommendations that would help address the issues found. We group these by those primarily able to respond to each.

Central government

- The original impact assessment from DCLG in 2013 was flawed. The policy of office-to-residential change of use being permitted development should be properly reviewed, and it should be returned to full planning control.
- If government is unwilling to reregulate here, it should consider amending the prior approval process to introduce some more safeguards. For example:
  - adding a requirement that the office space is actually demonstrated to be vacant before approval can be granted for conversion
  - adding minimum space standards which would apply even to PD schemes.
- Ensure a reasonable fee level for the LPA in processing prior notification and make amendments so that planning gain can be levied (including affordable housing contributions).
- As part of a wider review of CIL, government should amend the regulations so that all development creating new residential units are liable for a contribution towards local infrastructure need regardless of previous use or vacancy of the building.

Local government

- LPAs should seek to take a proactive approach to office-to-residential PDR due to the potentially significant impacts. Article 4 directions should be used, where resources allow.
- Proper plans should be required with prior notifications, with conditions imposed to implement the schemes as indicated in the submitted plans, and completions monitored through conditions requiring notification.
- Following more proactive monitoring of PDR conversions, where necessary, appropriate enforcement action should be taken against inadequate housing provision, even if this might be through other regulatory regimes.
- S106 legal agreements should be considered where appropriate in relation to the issues LPAs can consider during prior approval.

Local communities and civic groups

- Local communities and civic groups should closely monitor office-to-residential conversions and notify their LPA if they are aware of any inadequate housing provision or where evidence may qualify an area for an Article 4 Direction.

Developers and their agents

- Developers should give careful consideration to the wider implications of their schemes on communities and people's everyday quality of life. Their agents should also provide robust advice about this, particularly if there are professional conduct and ethics implications.

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