



Shops rather than Offices should be converted into homes.

Summary

The Government has recently announced a consultation on a change in the planning legislation to encourage 250,000 dwellings to be created out of redundant B1 office and light industrial space.

While we agree that changes proposed will encourage more B1 space to be converted to residential, the Government's data, in our view, overstates both the amount of B1 space in the UK as well as how much of it is redundant and could be converted to housing.

In reality there is far more redundant retail space than B1 office space, specifically in Tertiary and Local shops and upper parts often used as offices.

This comprises around 36 million square metres of space in England and Wales, most of which was originally houses in town centres and often with gardens.

Much of this space has become functionally obsolete as retail primarily because of new shopping development, the extended opening hours of large supermarkets and the use of the internet. Unfortunately rather than converting or demolishing these properties they have effectively been mothballed by Local Authorities because of an "over protective" approach to local shopping.

Over the next 10 years, with the rise of internet retailing, this sector will be further squeezed and potentially all of the 36 million square metres could be returned to residential creating, perhaps, 500,000 homes.

Converting redundant shopping into retail is a double boost for the remaining retail as it means more local residents creating more local trade which will be split amongst fewer shops i.e. 2 convenience stores not 3.

To encourage this space to be returned to residential, but to protect parades from looking like "broken teeth", permitted development rights need to encourage A class properties to be converted to C3.

This could be done by permitting conversion where

- The shop is a stand alone corner shop
- The shop is bounded on one side by residential

Such will encourage a gradual change but may also encourage developers to buy up redundant parades for comprehensive redevelopment.

Local Authorities could also speed up this process of change of use by highlighting commercial localities in their area which have large amounts of redundant retail space.

This would be in their interests as converting the redundant commercial space to residential will bring in Council Tax revenue and at the same time boost the profits of the remaining shops and increasing local employment.



Redundant commercial Space available for conversion in England and Wales

LeaseholdersUnited have spent 5 years gathering data on around 1 million shops, offices and industrials in the UK built prior to 1995 (90% of stock) to track movements in rents over the past 20 years to help businesses be more informed in negotiating their property costs.

Rental movements are the clearest representation of supply and demand and where supply and demand are equal, as many academics have highlighted, rents rise by the rate of inflation.

Where demand is greater than supply rents better inflation, and where there is oversupply they do not.

So all markets where rents haven't beaten inflation in the past 20 years will have redundant space that could potentially be converted into residential.

Our rental market data is summarised by Local Authority area and across 20 different classes of property, giving us data on 4000 local markets.

We have summarised this nationally across these 20 classes of property to highlight where redundant property exists, in the table below.

2008 Index 1988=1	Inflation Performance	Sqm	Class	UseType	Description	Size
3.24	1.91	350,194	6	Retail	Major Shopping Centres	N/A
2.06	1.21	879,505	7	Retail	Prime City Centre Shops	N/A
1.92	1.13	3,446,999	9	Retail	Prime Town Centre Shops	N/A
1.83	1.08	1,029,635	8	Retail	Secondary City Centre Shops	N/A
1.81	1.06	12,980,289	11	Retail	Secondary Non Town Centre Shops	N/A
1.78	1.05	496,644	1	Office	Business Centre Units	Less than 30 sqm
1.72	1.01	5,746,999	14	Industrial	Starter Industrial Units	Less than 100 sqm
1.71	1.01	4,290,797	10	Retail	Secondary Town Centre Shops	N/A
1.7	1	5,930,336	15	Industrial	Small units with good office content	100-500 sqm
1.68	0.99	30,514,833	16	Industrial	Small Units with no office content	100-500 sqm
1.68	0.99	6,109,535	4	Office	Purpose Built or Converted Offices	Less than 500 sqm
1.69	0.99	3,782,469	3	Office	Offices on Industrial Estates	Less than 200 sqm
1.67	0.98	21,363,017	18	Industrial	Medium Units with poor office content	500-1000 sqm
1.67	0.98	5,100,457	17	Industrial	Medium Units with good office content	500-1000 sqm
1.63	0.96	6,452,954	2	Office	Office Over Shops	Less than 500 sqm
1.61	0.95	4,659,140	13	Retail	Local Shops	N/A
1.6	0.94	6,452,954	20	Industrial	Large Units with poor office content	Over 1000 sqm
1.6	0.94	24,768,457	12	Retail	Tertiary Shops	N/A
1.57	0.92	48,633,600	5	Office	Purpose Built or Converted Offices	Over 500 sqm
1.52	0.89	28,746,822	19	Industrial	Large Units with good office content	Over 1000 sqm



All those Markets with inflation performance of less than 1 have redundant space.

The markets with most redundant space are Classes 5 and 19 which are large offices and industrial stock.

Large office blocks are often very difficult to convert and don't provide the type of housing that is needed nor in locations where there is demand e.g. many redundant office blocks are in the City of London.

Large industrials, by their nature, cannot generally be converted into residential and are often in areas where housing is not appropriate. Moreover many are redundant from loss of industries that have created unemployment and are not localities that need more residential space.

Core B1 space comprises our classes 1, 3, 4, 14, 15 and 16 and these do not show much evidence of having redundant space.

This tends to suggest to us that relatively few residential units could be converted from B1 space.

Class 2 and classes 12 and 13 are generally former 1930's residential that have been converted in to shops and offices since the 1930's and will be easy to convert back to residential.

They total around 36 million square metres of space and, will have generally been made redundant by changes in retailing patterns e.g. the internet, and will be in permanent decline.

If the average converted dwelling size is 70 sqm then this space could be converted into 500,000 homes.

Those homes would be located in town centres where there is high demand and where there are good transport links and as most of these shops have back gardens, would have much needed outside space.

Their layout tends to enable them to be converted into 1 bed flats, 2 bed flats or houses providing a variety of dwelling types.

While, then, most redundant space does exist in office and industrial, the reality is that the most redundant space that is available for conversion is in retail.

Notes

LeaseholdersUnited was set up in 2005 to develop ways of providing market information and assistance to businesses to help them cut their property costs and make better decisions on property.

More than 1.8 million "property specific" Occupiers Reports (providing data to businesses to help them negotiate lower costs) and Buyers Reports (providing an independent view of value) are available for download from www.leaseholdersunited.com

We can also provide custom reports on the characteristics of over 4000 specific markets e.g. we can produce reports by Local Authority to highlight where redundant property is located by street.

For any further information regarding this Press Release or to request a custom report please send an email to andrew@leaseholdersunited.com