

Press release 2015



WHAT WILL PERMITTED DEVELOPMENT RIGHTS MEAN FOR OFFICES?

Housing and Planning Minister Brandon Lewis recently announced that permitted development rights for the conversions of office buildings into residential accommodation is to be made permanent - but what are the implications on the office sector?

First introduced in 2013, the legislation enables offices to be converted to new homes without the need for planning permission. This meant almost 4,000 conversions went ahead, mainly of redundant grade C office supply no longer seen economically viable for refurbishment, given the suppressed demand in the office sector between April 2014 and June 2015.

The termination of the scheme was threatening to restrict further residential developments, so aligning with the Conservative pledge to build 200,000 affordable homes by 2020, the permanency of the scheme will give many developers the freedom to continue. However, it is unclear how many dwellings will come from this, given the amount of development having already taken place and the steady increase in demand in the office sector.

Associate Director, Mark Tomlinson of FHP's Office and Industrial Department, comments:

"The move looks to cater to the demand for student and private apartments in Nottingham, with the local authority seeking to encourage the student and young professional population into the city centre, relieving the outskirts previously occupied by students for family housing. We could see continued conversions of office buildings given this financial stability for developers, who can now continue with their plans, having previously anticipated an end to the temporary legislation for development rights.

However, long term sustainability could come into question with suitable offices for conversion being in finite supply coupled with improved demand for offices and increased take up. Recent findings of the office agents forum shows a steady increase in demand, with take up for the first 3 quarters of 2015 outstripping that of the whole of 2014. Having witnessed an increase in business expansions and relocations, it may only be a matter of time until it becomes more viable to refurbish for office purposes, rather than convert to residential.

Taking into consideration recent trends, we expect office demand to continue, but with the dearth of new development in the city centre, 2016 could be the nadir for office refurbishments which are becoming increasingly viable given reduced void periods, reduced incentives packages and a steady increase in rental values.

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Notes to Editors

- FHP is a Midlands based commercial property consultancy with offices in Nottingham and Derby. Its 60 strong team offers a full range of professional and commercial property solutions for clients in the retail, leisure, office, industrial and investment markets.
- The Company also provides businesses with a full property consultancy service including valuations, rates appeals, compulsory purchase advice with the Company having a strong Property Management Department which manages properties for individuals, corporate and institutions.
- FHP has been involved in some of the largest commercial property deals and developments within the region and works with national operators including Intu Properties Plc, Clowes Developments (UK) Limited, Peel Property Holdings.
- FHP is also able to call upon the expertise of its sister residential property Company FHP Living Limited which handles the sales of select properties across Nottinghamshire from boutique offices in the Nottingham City Centre and West Bridgford.