

# THE CONVERSATION

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The Vista Building, in Woolwich, south London, was converted from office space into flats in the early 2000s. Nathaniel Noir|Alamy

## Why converting office space into flats won't solve the housing crisis

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The UK government is proposing to further relax planning rules as part of its long-term plan for housing. The Department for Levelling Up, Housing and Communities aims to extend what are known as “permitted development rights” (PDR) in England. This would widen a previous relaxation of planning rules to encourage developers and builders to convert empty commercial spaces into housing.

It is being seen as a response to multiple councils across England which have declared bankruptcy (or are warning they might). The housing crisis in England is increasingly being singled out as the most serious threat to local government solvency.

Meanwhile, homelessness is on the rise, private tenants are increasingly priced out of the rental market, home owners are struggling to pay mortgages and councils are struggling to provide the requisite support.

But, research shows that buildings converted into homes under PDR provide significantly worse residential quality, particularly in terms of size, amenity space and location, than homes given full planning permission.

The loss of local authority oversight that extending PDR would bring will only make the housing quality crisis worse. Furthermore, converting offices into housing is unlikely to significantly boost housing supply in line with need.



COVID has resulted in some central office districts being emptier. Ben Garratt|Unsplash

### **Previous changes to planning**

The UK government trialled PDR in May 2013, primarily to encourage converting offices to housing. This was made permanent in 2016. While developers in England were previously required to submit detailed plans and apply for full planning permission for this, the changes meant they only had to notify the local planning authority.

Conversions of offices to housing under PDR have contributed 81,282 homes (net) in England since 2015. Although data for specific changes of use (from office to housing, say) is not available before 2015, overall net change of use provided approximately 12,500 homes per year before 2013.

After PDR was introduced, conversions of offices peaked at 17,751 in 2016-17. In 2021-2022, however, this change of use accounted for just 8,359 units (3.6%) of net additional housing in England.

The majority of PDR conversions in England have been small-scale (below 10 units). In other words, the number of homes it can ultimately provide pales in comparison to the government's target of 300,000 new homes per year.

Vacant office space across the UK is higher than before the pandemic, but the picture is mixed. Companies still want the best quality office space to bolster branding, staff retention and sustainability credentials.

Office vacancy rates in central London were 9.4% in the second financial quarter of 2023. This is significantly higher than the long-term average of 5.5%. However, underlying demand remains relatively high. During the same period, the highest level of space under offer by occupiers since 2019 was recorded.



High-specification offices in prime city centre locations are still sought after. Ant Rozetsky|Unsplash

## **Converting offices is not straightforward**

Office vacancy rates do not necessarily translate into empty buildings, or even readily convertible sections. Office conversions is also a typically costly endeavour.

Large buildings are physically complex to adapt for housing, particularly in ensuring natural light and ventilation reach windowless central parts of the internal floor area. Developers also have to install additional cabling and piping for domestic use. There are also new requirements regarding external cladding. Many office buildings are thus not practical or commercially viable to convert.

What's more, land in central office districts remains valuable. Even if converting an office building is viable, high construction costs and interest rates mean the necessary asking price for properties would likely exclude the private housing market where need is greatest – that of first homes.

Lastly, offices tend to lack the features or development potential that have, to date, made older, industrial buildings attractive for conversion to luxury homes. And there's also the wider problem that central office districts often do not have the amenities which residents expect in their neighbourhoods either – including schools, GP surgeries, and parks.

With office markets polarising as demand concentrates on high-end spaces, offices targeted for conversion by developers are likely to be older buildings in locations such as edge-of-town industrial parks. There have been well-publicised examples of councils, such as Harlow, in the south-east of England, placing social tenants in hastily converted, isolated office blocks, such as Shield House and Terminus House.

The resulting dire living conditions have seen such developments variously labelled “open prisons”, “human warehouses” and the “slums of the future”.



Harlow's Market Square, with Adams House and Terminus House (right). Mutney|Wikimedia, CC BY-SA

Housing of this kind, which fails to meet even basic human needs, risks further entrenching the socio-economic inequalities driving the housing crisis. This crisis is multi-faceted. It encompasses supply, affordability and quality, which are each highly localised.

While housing need is highest in London and the South East where affordability is lowest, 380,000 new homes per year are needed across the UK, with 100,000 for social rent.

### **Local planning is crucial**

Bypassing the planning process through PDR means local authorities miss the opportunity to secure affordable housing through developer contributions in return for planning permission. It also hampers councils' ability to ensure that new housing responds to local circumstance.

Local oversight of how places are created is important. Local planning authorities are best placed to coordinate the changing built environment as town and city centres evolve. They also have a key role in upholding housing quality standards, and in delivering affordable housing.

The planning system supports this. It also does not prevent underused buildings being converted into housing. In Scotland, the devolved planning system has narrower PDR.

As a result, local authorities retain oversight of conversions, through which they can maintain housing quality standards and ensure redevelopment improves its surroundings. For example, two major shopping centres in Glasgow, the St Enoch Centre and Buchanan Galleries, are currently planned for conversion into mixed-use districts, including substantial housing. The City Council is an active stakeholder in each project.

In its one-size-fits-all approach, however, the way PDR in England is being advocated appears to be more an experiment with planning deregulation, on ideological grounds, than a long-term response to housing need. Putting the onus on a fragmented market to solve the housing crisis is likely to produce more long-term problems than solutions.