

## Boardroom Briefings. From workspaces to living places

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The challenges and opportunities of repurposing office buildings into residential homes

Ogier serves a diverse clientele across the financial spectrum, providing directors to client companies' boards. This unique role offers our team a broad, real-time perspective on issues from corporate strategy to wealth planning. The Boardroom Briefings series will share invaluable insights gained from our directorial positions, providing a comprehensive view of the financial landscape.

As UK businesses increasingly focus on their space requirements in anticipation of impending lease events, the commercial office market appears to be in a state of flux. This sentiment is underscored by high-profile exits such as HSBC vacating their iconic Canary Wharf building and Meta paying one of the largest surrender premiums in UK history to break their lease at 1 Triton Square before even moving in.

### Why is there a trend to change workplaces to living spaces?

In the post-COVID world, there's a growing trend towards smaller, high-spec spaces that cater to employee wellbeing and facilitate collaboration. This shift has prompted owners of secondary office buildings to act swiftly to avoid being left with undesirable assets in an already challenging market. Central London offices, for instance, are experiencing vacancy rates almost double the long-term average.

However, every challenge presents an opportunity, and the intriguing prospect of converting office buildings into residential spaces is piquing the interest of some investors.

The London housing crisis is a complex and ongoing issue. This is characterised by a shortage of affordable housing, high property prices, and increasing rental costs. Other factors include a growing population and limited space for new construction creating a mismatch between housing supply and demand.

The government and local authorities have been working on various strategies to address the crisis, such as building more homes, introducing rent controls, and offering affordable housing schemes, but the problem persists. This has led to an even more compelling case for repurposing existing properties. Alongside this, the potential for converting existing buildings aligns with sustainable development ambitions and reducing carbon emissions.

## **The challenges in changing spaces**

Indeed, the environmental and sustainability benefits seem obvious at face value. Just consider that buildings account for 40% of global carbon emissions, half of which are generated during construction.

However, repurposing is not without its challenges.

Firstly, finding a suitable office building for conversion requires considering factors such as access to amenities, healthcare, schooling, and transport links. Then, there are planning and conversion hurdles. Office buildings, particularly those in defined business districts, are highly protected, making conversions complex. Conversions must comply with residential space standards, and planning policies often require minimum marketing time before a conversion can be considered, potentially causing delays and increasing costs.

Structural modifications are another challenge. Conversions often require additional windows, floor height adjustments, improved soundproofing and insulation, and utility reconfiguration. These modifications can be particularly challenging when dealing with large floor plates.

## **Socioeconomic factors**

Let's not forget about financial viability. The ongoing conflict in Ukraine has led to high build cost inflation across the construction industry. Coupled with rising debt costs and affordable housing requirements, these challenges make the economics of such redevelopments even more challenging.

Repurposing office buildings into residential use is a complex process with numerous challenges. However, with innovative thinking and a strategic approach, it could present an exciting opportunity in the current market landscape.

# Ogier Global's Real Estate Services Team

At Ogier, our agility and adaptability are key strengths that allow us to support clients to navigate the ever-evolving trends they may encounter. Our Corporate and Fiduciary division boasts a dedicated team of professionals specialising in the setup, administration and management of real estate holding structures as well as providing practical legal advice and consulting.

## About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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