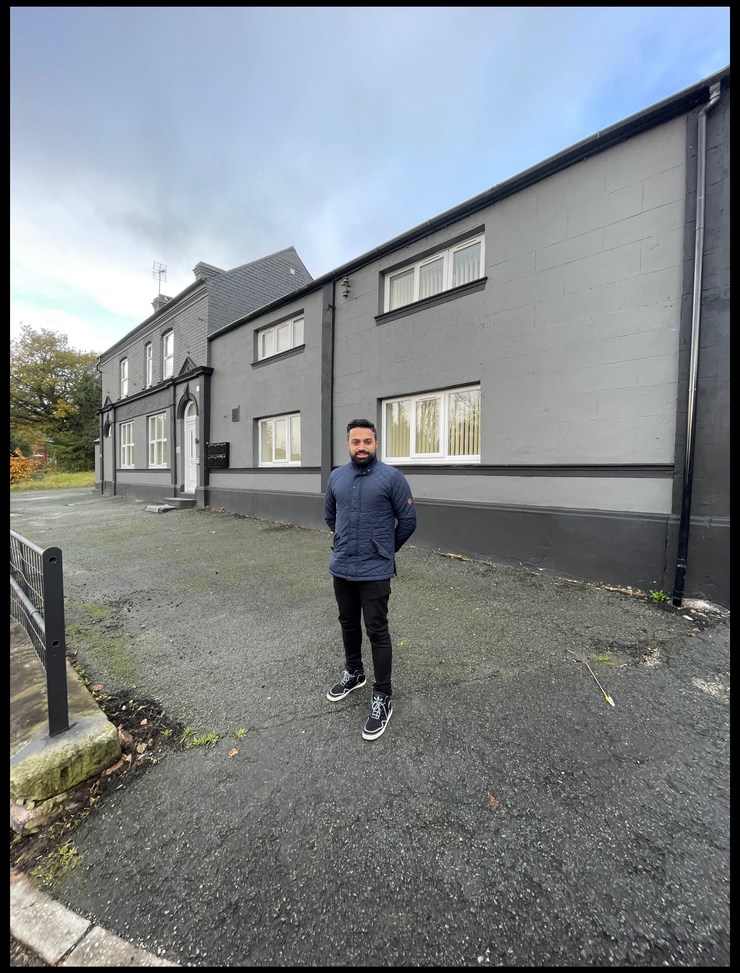
Commercial to Residential Conversion



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- Planning Permission
- Purchasing and financing the deals
- De Risk & add value
- Conversion costs
- Things to consider
- Working with the professionals

What is a commercial building?

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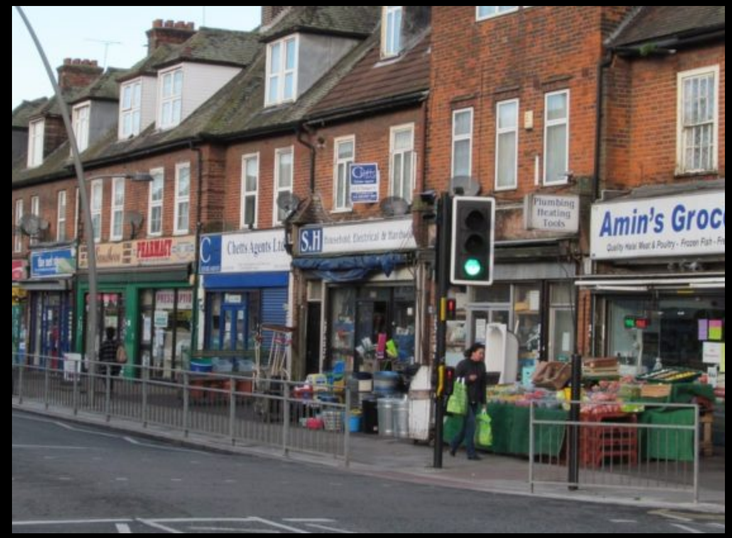
Definition

A commercial property, is any property that is used for the purposes of making a profit, as well as any form of business activity.



Types of Use Class

Part B – Business that supply people

Use Class B2 – General Industrial (Mechanics/Film studio)
Use Class B8 – Storage and Distribution (Amazon/Big Yellow)

Part C – Locations where people sleep

Use Class C1 – Hotels (Hilton/Deuces)
Use Class C2 – Residential Institutions (Care homes/Hospitals)
Use Class C2A – Secure residential institutions (Prisons/Naval Barracks)
Use Class C3 – Single dwelling Houses (Flats/Sheltered housing)
Use Class C4 – HMO's (Occupied by 3-6 non related individuals)

Use Class E – Commercial, Business and Service
A Variety – including shops, professional services, food and drink, light industrial and more
(Cafe's/Day Nurseries, Doctors, Dry cleaners...)

Types of Use Class

Use Class F1 – Learning and non-residential institutions

(SchoolsGalleries/Museums/Libraries/Churche Hall)

Use Class F2 – Local community uses

Local Community uses (Local Halls/Football Pitches)

Sui Generis – everything else!

If it isn't in one of the use classes mentioned, then it falls under Sui Generis
(Casino's/Barns/Pubs/Bingo)

Sourcing the properties

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NIMBUS

Legat Owen
CHARTERED SURVEYORS

Hight Streets - Letters

Local Planning Portal

Companies House

Facebook/Google

VOA

Searchland

What to look out for in viewings

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Layouts

Floor levels

Windows

Entrances and exits

Positioning of Structural walls

Commercial to Flats calculation

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Square Meter x 0.85 = Rough number of flats you can fit Square meter of each flat

360 x 0.85 = 7.65 1 Bed flats or
40

360 x 0.85 = 8.27 1 Bed Flats or
37

360 x 0.85 = 5.01 2 Bed Flats or
61

Commercial to HMO calculation

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$$\frac{\text{Square Meter x 0.7}}{\text{Desired size of each room}} = \text{Rough number of Rooms}$$

$\frac{360 \times 0.7}{10.22} = 7.65$ 24.65 rooms or

$\frac{360 \times 0.7}{16} = 15.75$ rooms

https://find-energy-certificate.service.gov.uk/find-a-certificate/type-of-property

Space standards

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37)[2]			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

Planning Permission

Permitted development example e.g. Offices into flats

Full Planning

Discharge of conditions

Purchasing Methods

Exchange subject to planning permission

Straight purchase Cash

Lease Options (Purchase option, Vendor finance)

Bridging Finance

Development Finance available

De-risk and add value

Exchange subject to planning

Back to back to a developer after getting planning

Back out to a builder with smaller build costs/social housing provider who's numbers work very differently

Refurbish and sell

Refurbish and Refinance

Title split to add further value

Multiple exits during the course of the deal

Economies of scale make this space very attractive

Conversion costs

Break these down

Internal conversion costs

Fabric of the building – Roof, Windows/Doors, Structure (i.e. Bricks)

Externals – Landscaping, Pathways, Fences Etc.

Utilities – Gas, Electrics, Water

Professional Costs – Planning fees, Architects, Surveys, Building Control, Possibly more

VAT

Conversion costs

Internal conversion costs – We are factoring is £90 PER SQFT (includes the communal areas)

Fabric of the building – UPVC Windows £400 per window, UPVC Doors £750, other costs are property specific

Externals – Property and desired exit specific

Utilities – Gas - £1k-£2k per unit (UK is trending away from gas)
Electrics - £2k-£4k per supply (remember the landlord supply)
Water - £2K Per supply (you will already have one supply and remember water efficiency discounts

Help is out there - https://www.proquantestimating.co.uk/home

Professional Costs – Planning fees, Architects, Surveys, Building Control, Possibly more

VAT - on conversion 5% not 20% is payable (Accountant can get you a letter for your builder)

Things to consider

What is an FRI lease? – For when part of the building remains commercial

Listed building

Conservation areas

Building Control sign off

PCC/CML Sign off

Fire Risk assessments

Business rates

S106

CIL

Capital Allowances

Working with the professionals

Architects

Builders

Planning consultant

SAP Calculations

Acoustic testing

Other tests like bats who are protected in the UK

Asbestos

Surveyors

Structural Engineers

Thank you

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