

# Managing Building Adaptation

## *A Sustainable Approach*



## Conversion Meter; A new tool to assess the conversion potential of vacant office buildings into housing

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### **Abstract**

Building owners and other stakeholders can adopt different strategies to cope with vacancy, such as consolidation, rent reduction, selling the building, renovation, transformation and conversion to adapted reuse, or demolish and build a new building. This paper discusses a new developed tool to cope with vacancy by adaptive reuse. It presents an overview of the many factors and aspects that enable or hinder adaptive reuse by conversion of (office) buildings into housing, and how to assess the characteristics of the market, location, building and involved stakeholders. It presents the Conversion Meter, formerly known as the Transformation Meter, a tool to assess the conversion potential of vacant office buildings into housing.

**Keywords:** Adaptive reuse, transformation, conversion meter, assessment tool, vacant buildings, risks, opportunities

## **Introduction: why adaptive reuse?**

Property owners have various possible strategies for dealing with vacant office buildings: consolidation, rent reduction to retain current tenants or to attract new tenants, selling the building, renovation or upgrading, demolition and new-build, and conversion to new functions (Remøy & Van der Voordt, 2014). Most owners choose consolidation i.e. keep the building as it is, search for new tenants and wait for better times. Mothballing a building or temporarily allowing use for anti-squat are usually not permanent solutions for coping with structural vacancy but may precede renovation, redevelopment and conversion. Demolition and new-build creates possibilities for a good fit with current and future users' needs. However, redevelopment takes time and causes interruptions to income streams. If the building is technically in a good state, redevelopment is a waste of resources and conflicts with global aims for sustainable development. If the building has a particular cultural or historical value or adds value to the identity of the location or a wider area, demolition is not an appropriate strategy either. Conversion to new use may be a more appropriate approach.

So, an important question is: which factors may enable successful conversion to other functions, which factors are hindering adaptive reuse, what are the main opportunities and risks, and how can these risks be reduced or eliminated? Paragraph 2 presents an assessment tool to assess the opportunities and risks of conversion of office buildings to housing: the Conversion Potential Meter, abbreviated as the Conversion Meter. This part includes some important opportunities and risks found in Dutch cases. Finally, Paragraph 3 presents concluding remarks and recommendations.

### **Market potential**

Adaptive reuse is an option to cope with vacancy in case of an oversupply of vacant buildings i.e. the level and duration of vacancy are high, and are expected to be high in the future as well, a sufficient demand for new functions and the costs and finance possibilities of adaptive reuse i.e. the return on

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investment is sufficient to stimulate property owners or other parties to invest in buying a vacant building and convert it to a new function.

The longer a building has been vacant, the more likely it is that continuation of its current function is not viable and adaptive reuse may be a more successful strategy. A vacancy level of 4-5% is perceived as necessary to enable companies to move. During the movement of the end user to another building the current building will be vacant for a while, the so-called 'frictional' vacancy. However, when too many buildings are structurally vacant i.e. are vacant for over three years this is an indication of a serious quantitative and/or qualitative misfit between demand and supply. Figure 1 shows the vacancy rate of office buildings in the Netherlands in the past twenty years.

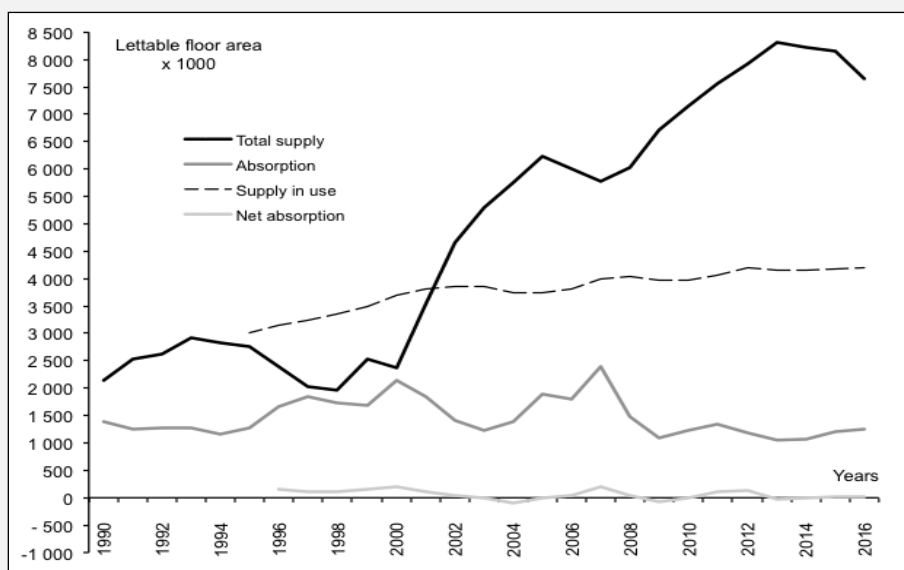


Figure 1. Vacancy levels in the Netherlands, 1995-2016 (Source: Soeter, J. and Remøy, H., 2016)

In order to be able to predict the vacancy risk of a particular building, Geraedts & Van der Voordt (2003) developed the so-called *vacancy-risk meter* to define the lower end of the office market. Factors that increase the risk of vacancy such as a poor location, insufficient parking facilities, limited accessibility by car or public transport or a poor technical condition plea for an intervention. Moreover, the same factors may hinder adaptive reuse because costly improvements will be necessary.

### Demand for new functions

Without sufficient demand for other functions adaptive reuse will not be successful. So, it is important to assess the demand for space of prospective target groups and their needs and preferences. Table 1 shows a number of relevant characteristics of the location and the building that should be taken into account in case of conversions of vacant buildings into housing. On a more detailed level, it is relevant to make a distinction between sub-groups such as students, starters, young families, young urban

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professionals, and elderly people. These sub-groups have different demands regarding costs and quality, due to the different phases in life and different income levels that affect the affordable rent level or purchase price. In cities with many students and other young people conversion into low-cost accommodation may be a good choice. In case of high-rise office buildings, conversion into accommodation for seniors and families can be noticed as an increasing (international) development in large cities. Market research to define the particular demand for dwellings may help to define which conversion is most appropriate to meet the needs and preferences of potential target groups.

Table 1: Relevant aspects on the demand side of residential accommodation

| Location (housing environment)  | Building (residential)   |  |
|---|--|--|
| 1. Atmosphere<br>a. Nature of built environment<br>b. Social image<br>c. Liveliness<br>d. Available green space                                   | 1. Dwelling type<br>2. Access<br>3. Dwelling size<br>a. Number of rooms<br>b. Living room<br>c. Kitchen<br>d. Bedrooms<br>e. Sanitary facilities<br>f. Storage space   | 9. General conditions<br>a. Accessibility<br>b. Safety<br>c. Flexibility<br>d. Adequate management |
| 2. Facilities<br>a. Shops<br>b. Restaurants, bars, etc.<br>c. Schools<br>d. Bank/Post office<br>e. Medical facilities<br>f. Recreative facilities | 4. Arrangement of dwelling<br>5. Level of facilities<br>6. Outside space (garden, etc.)<br>7. View from dwelling, privacy<br>8. Environmental aspects<br>a. Heating<br>b. Ventilation<br>c. Noise<br>d. Exposure to sun/daylight<br>e. Energy consumption<br>f. Materials used | 10. Costs<br>a. Purchase price/rent<br>b. Other costs  |
| 3. Accessibility public transport<br>a. Distance to bus stop<br>b. Frequency and times<br>c. Distance to tram/underground                         |  |  |
| 4. Accessibility by car<br>a. Distance to motorway<br>b. Congestion level<br>c. Parking facilities  |  |  |

### Location potential: opportunities and risks

Adaptive reuse requires that the location fits with the requirements of the new target group i.e. prospective new users and owners. Worldwide, properties in city centres, housing areas or edges of such areas are converted into housing, while conversion of buildings in business parks and peripheral areas rarely happen. Building conversions in city centres can offer valuable additions to the existing housing stock. Considering the functionally realisable apartment types as well as the location of office buildings, interesting target groups (buyers or renters) can be found. Office buildings in mono-functional business parks however, are not regarded fit for conversion into housing. When structurally vacant office buildings are situated in such locations, transformation of the area is necessary (Avidar et al., 2007, Smit, 2007, Koppels et al., 2011).

### Building characteristics: opportunities and risks

The functional adaptability of vacant buildings is of critical importance to conversion feasibility. This depends inter alia on the measurements of the buildings' structural grid (Geraedts & Van der Voordt, 2007). For instance, post-war office buildings were designed as "cockpits" to fit closely around the

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function they were meant to accommodate. This tight fit threatens the functional feasibility of conversion into housing.

A high architectural or cultural-historical value and being marked as a monument will hinder demolition and stimulate adaptive reuse (Benraad & Remøy, 2007). Most office buildings are not listed though, as many are relatively new and not known for their interesting architecture (Remøy et al., 2009). In these cases, the main driver for conversion is not to protect the current building but to get it reused, in order to contribute to the quality of the environment and the future value of the location and the building itself. Requirements to keep and preserve a national or municipal monument can hinder adaptive reuse, for instance because balconies cannot be added to the façade.

Usually, building characteristics do not make conversion impossible, but they can influence financial feasibility substantially. When conversion costs become too high compared to the expected benefits, conversion may be financially unfeasible. Mackay et.al. (2009) studied several Dutch conversion projects and found an evident relationship between building costs and the alterations of specific building elements. The major cost generator for most office-to-housing conversions is facade-alteration (27% of the total building costs), followed by interior walls (17% of total building costs) and contractor costs, a group of costs in Dutch estimates combining site costs, general costs of the contractor and his profit (15% of total building costs). Whereas the costs for interior walls depend on the new function and can easily be predicted, the costs related to the facade depend on the building shape, technical state and quality of the existing building, and on the demand for external appearance, comfort and quality of the converted building. The necessity for facade alterations should therefore be thoroughly assessed when studying office-to-housing conversion potential.

## **Conversion Meter**

To assess the opportunities and risks of conversion of vacant office buildings to dwellings and to define its conversion potential in a systematic, efficient way, the factors and aspects mentioned above have been integrated in a Conversion Potential Assessment Tool, in short: Conversion Meter, formerly known as the Transformation Meter (Geraedts & Van der Voordt, 2002, Geraedts & Van der Voordt, 2007). Methods to develop this tool included a literature review, interviews with experts such as developers and housing associations with practical experience in converting office buildings to housing, and case studies to test preliminary versions of the tool.

The first version, Transformation Meter 1.0, was developed during the late 1990s, when the Netherlands suffered from high levels of office vacancy. Since then, many graduation students from the Faculty of Architecture at the Delft University of Technology and students from other universities as well have conducted case studies to test and evaluate the tool. These practical applications allowed us to further improve and refine the transformation potential meter (Geraedts & Van der Voordt,

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2014). Two new steps - the financial feasibility scan and the risk assessment checklist – have been added to permit further investigation of the feasibility of a conversion project. In this paragraph, we describe the principle of the new transformation meter and its position in the Go/No Go decision-making process in the initial phase of a conversion project: the Conversion Meter.

### The Conversion Meter at a glance

In essence, this instrument consists of several checklists be used to appraise the potential of vacant buildings for conversion to residential use. This appraisal takes place in a number of steps, from more superficial to more detailed and specific, see Table 2: Overview of steps to be taken).

Table 2: Conversion Meter Process

| Step   | Action  | Level                | Outcome  |
|--|---|----------------------|--|
| Step 0   | Inventory market supply of unoccupied offices                           | Stock                | Location of unoccupied offices   |
| Step 1   | Quick Scan: initial appraisal of unoccupied offices using veto criteria | Location<br>Building | Selection or rejection of offices for further study; Go / No Go decision                       |
| Step 2   | Feasibility scan: further appraisal using gradual criteria              | Location<br>Building | Judgement about transformation potential of office building                                    |
| Step 3   | Determination of transformation class                                   | Location<br>Building | Indicates transformation potential on 5-point scale from excellent to not transformable        |
| <b>Further analysis (optional, and may be performed in reverse order if so desired):</b> |   |                      |  |
| Step 4   | Financial feasibility scan using design                                 | Building             | Indicates financial/economic feasibility Sketch and cost-benefit analysis; Go / No Go decision |
| Step 5   | Risk assessment checklist   | Location<br>Building | Highlights areas of concern in transformation plan; Go / No Go decision                        |

### Step 0: Inventory of supply at city, district or portfolio level

As a pre-step before actually starting to use the Conversion Potential Assessment Tool, an inventory may be needed of the market supply of office buildings in a particular municipality, area or portfolio that have been unoccupied for a long time or may be expected to become vacant in the near future. Information may be obtained from a literature survey, data from real estate agents or the investigator's own observations.

### Step 1: Quick Scan; first impression, evaluation based on veto criteria

The instrument offers the user the possibility to perform a quick initial appraisal of the conversion potential, which is not very labour-intensive and does not require much data. This quick scan makes use of six veto criteria under the headings Market, Stakeholders, Location and Building, see Table 3.

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Table 3: Step 1 Quick scan with veto criteria

| STEP 1 QUICK SCAN: initial appraisal of unoccupied offices using veto criteria   |   |                                     |            |
|--|---|-------------------------------------|------------|
| <i>Common target group independent criteria.</i>   |   |                                     |            |
| <i>Answer 'Yes' (score = 1) is positive for conversion into homes. Answer 'No' (score = 0) is negative for conversion into homes</i> |   |                                     |            |
| <i>The user of this checklist could reconsider if these criteria actually lead to a veto decision.</i>                               |   |                                     |            |
| <i>If one of the veto criteria concerned lead to the assessment 'No', the conversion into housing is cancelled.</i>                  |   |                                     |            |
| <i>In that case the next step 2 (Feasibility scan: further appraisal using gradual criteria) is no longer applicable.</i>            |   |                                     |            |
| ASPECT   | VETO CRITERION  | DATA SOURCE                         | Assessment |
| <b>VETO CRITERIA MARKET</b>  |   |                                     |            |
| 1 Demand for housing   | 1 There is a demand for housing of local target groups    | Estate agent or municipality        | Yes No     |
| <b>VETO CRITERIA STAKEHOLDERS</b>  |   |                                     |            |
| 2 Initiator (advisor)  | 2 Presence of enthusiastic influential instigator         | Local investigation                 |            |
| 3 Developer  | 3 Does meet criteria for region, location, accessibility  | Property developer                  |            |
|  | 4 Does meet criteria on size and character of building    | Property developer                  |            |
| 4 Owner  | 5 Willingness to sell the building                        | Owner                               |            |
| 5 Investor   | 6 Willingness to buy and transform the building           | Investor                            |            |
| 6 Municipality   | 7 Positive attitude of the municipality                   | Municipality                        |            |
| <b>VETO CRITERIA LOCATION</b>  |   |                                     |            |
| 7 Urban location   | 8 Zoning plan permits modification                        | Zoning plan, policy of municipality |            |
|  | 9 No serious public health risk (pollution, noise, odour) | Estate agent or on site inspection  |            |
| <b>VETO CRITERIA BUILDING</b>  |   |                                     |            |
| 8 Dimensions of skeleton   | 10 Free ceiling height > 2.60                             | Estate agent or on site inspection  |            |
| <b>RESULT QUICK SCAN:</b>  |   |                                     | <b>0 0</b> |

A veto criterion is a criterion that if not satisfied (if the answer to the relevant question is 'No') leads to rejection of the option to convert the building into residential accommodation. Further detailed study is then no longer necessary. This is thus an effective means of selecting promising candidates for conversion quickly from the real estate market.

Table 4: Step 2 Feasibility scan using gradual criteria at location level; answer 'Yes' (score = 1) is positive and answer 'No' (score = 0) is negative for conversion into homes

| STEP 2 FEASIBILITY SCAN: further appraisal using gradual criteria  |  |                                   |            |
|--|--|-----------------------------------|------------|
| <i>Answer 'Yes' (score = 1) is positive for conversion to homes. Answer 'No' (score = 0) is negative for conversion into homes</i> |  |                                   |            |
| <i>The user of this checklist could reconsider if on of these criteria actually has to be a veto criterion.</i>                    |  |                                   |            |
| <i>If so, then this criterion switches to Step 1 and the other way around.</i>   |  |                                   |            |
| LOCATION   |  |                                   |            |
| ASPECT   | GRADUAL CRITERION  | DATA SOURCE                       | Assessment |
| <b>FUNCTIONAL</b>  |  |                                   |            |
| 1 Urban location   | 1 Building in suitable area (not remote industrial or offices area)      | Town map / Google Maps            | Yes No     |
|  | 2 Good daylight/sunlight possibilities                                   | On-site inspection                |            |
|  | 3 Good view from building, > 75% floor space                             | On-site inspection                |            |
| 2 Distance and quality of facilities   | 4 Shop for daily necessities < 500 m.                                    | Local investigation / Google Maps |            |
| <i>Remark:</i>   | 5 Neighbourhood meeting-places (square, park) < 500 m.                   | Local investigation / Google Maps |            |
| <i>The quality of facilities can be described in terms</i>   | 6 Food service industry (bar, café, restaurant) < 500 m.                 | Local investigation / Google Maps |            |
| <i>of quality, a wide variety and the number of</i>  | 7 Bank / post office < 5 km.   | Local investigation / Google Maps |            |
| <i>different facilities</i>  | 8 Basic medical facilities (practice, health centre) < 2 km.             | Local investigation / Google Maps |            |
|  | 9 Sports facilities (fitness, swimming pool, sports park) < 2 km.        | Local investigation / Google Maps |            |
| 3 Accessibility by public transport  | 10 Educational facilities (from kindergarten to university) < 2 km.      | Local investigation / Google Maps |            |
|  | 11 Distance to railway station < 2 km.                                   | Town map / Google Maps            |            |
|  | 12 Distance to bus, tram, underground < 1 km.                            | Town map / Transport services     |            |
| 4 Accessibility by car and parking facilities  | 13 Good flow, normal street quality                                      | Local investigation / Google Maps |            |
| <i>Obstacles: bottlenecks or thresholds in roads, bridges</i>  | 14 Distance to parking sites < 250 m.                                    | Local investigation / Re-design   |            |
| <i>Flow: 1-way traffic, no parking, traffic jam</i>  | 15 > 1 parking lot/100 m2 office space                                   | Local investigation / Re-design   |            |
| <b>CULTURAL</b>  |  |                                   |            |
| 5 Representative impression  | 16 Situated centrally (not near highway locations)                       | Town map / Google Maps            |            |
| <i>Remark:</i>   | 17 Other buildings present in direct neighbourhood                       | Town map / Google Maps            |            |
| <i>Assessment of location dependent of target group</i>  | 18 Lively neighbourhood  | On-site inspection / local press  |            |
| <i>E.g. Youngsters not in mono-functional area</i>   | 19 Direct availability of green environment                              | Local investigation / Google Maps |            |
| <i>E.g. 55+ not outside city centre</i>  | 20 Area has a good reputation/image; no vandalism                        | On-site inspection / local press  |            |
| <i>Related to impression of building</i>   | 21 Area has good air quality and low pollution and noise hindrance       | On-site inspection / local press  |            |
| <b>LEGAL</b>   |  |                                   |            |
| 6 Urban location   | 22 Noise load on façade < 50 dB (e.g. max. for office building is 60 dB) | Municipal authorities             |            |
| 7 Ownership of location  | 23 Land in property or with short lease                                  | Estate agent / municipality       |            |
| Total Location (=number Yes):  |  |                                   | <b>0 x</b> |
| Default weighting:   |  |                                   | <b>5 =</b> |
| Maximum Score Location:  |  |                                   | <b>115</b> |
| <i>Maximum score for Location (with default weighting 5) = 23 x 5 = 115</i>  |  |                                   |            |
| <b>FEASIBILITY SCAN LOCATION:</b>  |  |                                   | <b>0 A</b> |

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### Step 2: Feasibility scan based on gradual criteria

If the results of the Quick Scan indicate that there is no immediate objection to conversion (no single question is answered 'No'), the feasibility of conversion can be studied in greater detail by assessing a number of 'gradual' criteria, i.e. criteria that do not lead to a GO/NO GO decision but express the conversion potential of the building and its location in a numerical score. The feasibility scan at location level (Table 4) includes 7 main criteria. The feasibility scan at building level (Table 5) comprises 14 main criteria. An answer 'Yes' to any question indicates somewhat higher suitability for conversion. At the end of the scan, the number of 'Yes's' is added up to obtain the overall conversion potential score – the higher the better. It may be noted that the criteria vary somewhat, depending on the target group considered. For example, students will prefer to live in the city centre where there is more nightlife, while young families with children will tend to opt for a peaceful suburban environment.

Table 5: Step 2 Feasibility scan using gradual criteria at building level. Answer 'Yes' (score = 1) is positive and answer 'No' (score = 0) is negative for conversion into homes

| STEP 2 FEASIBILITY SCAN: further appraisal using gradual criteria   |   |   |  |                                  |                   |
|---|---|---|--|----------------------------------|-------------------|
| Answer 'Yes' (score = 1) is positive for conversion to homes. Answer 'No' (score = 0) is negative for conversion into homes |   |   |  |                                  |                   |
| The user of this checklist could reconsider if on of these these criteria actually has to be a veto criterion.              |   |   |  |                                  |                   |
| If so, then this criterion switches to Step 1 and the other way around.   |   |   |  |                                  |                   |
| BUILDING  | ASPECT  | GRADUAL CRITERION   | DATA SOURCE  | Assessment                       |                   |
| FUNCTIONAL  |   |   |  | Yes                              | No                |
| 1   | Year of construction or renovation  | 1 Building > 3 years<br>2 Building renovated > 3 years  | Year of construction<br>Year of last renovation  |                                  |                   |
| 2   | Vacancy   | 3 Complete building is vacant<br>4 Building vacant > 3 years  | Estate agent<br>Estate agent   |                                  |                   |
| 3   | New housing   | 5 Capacity building > 20 1p-units / 50 m2<br>6 Lay-outs adaptable for local target groups   | ≥ 1000 m2 floor space<br>Sketch design   |                                  |                   |
| 4   | Extendibility   | 7 Horizontal extension building possible (neighbouring buildings)<br>8 Vertical extension building possible (no inclined roof/light construction)<br>9 Possibilities for constructing basement                            | On-site inspection / Google Maps<br>On-site inspection / estate agent<br>On-site inspection / estate agent                     |                                  |                   |
| CULTURAL  |   |   |  |                                  |                   |
| 5   | Representative impression<br><i>Related to impression of location</i>   | 10 Identifiable compared to surrounding buildings<br>11 Own identity realisable   | On-site inspection<br>On-site inspection / re-design   |                                  |                   |
| 6   | Cultural heritage   | 12 Being not a cultural heritage: simplifies transformation   | Municipality / Authorities   |                                  |                   |
| 7   | Access (entrance, elevators, stairs)  | 13 Clear, safe and clarifying building entrance   | On-site inspection / re-design   |                                  |                   |
| TECHNICAL   |   |   |  |                                  |                   |
| 8   | Condition of maintenance  | 14 Well maintained; maintenance up-to-date  | On-site inspection / facades   |                                  |                   |
| 9   | Dimensions of support structure<br><i>E.g. Facade grid size determines location inner walls</i>                   | 15 Depth of building < 10 m.<br>16 Grid support structure > 3.60 m<br>17 Height dimension between floors < 6.00 m   | On-site inspection / estate agent<br>On-site inspection / estate agent<br>On-site inspection / estate agent                    |                                  |                   |
| 10  | Support structure (walls, columns, floors)  | 18 Condition support structure is good / not hazardous  | On-site inspection / estate agent  |                                  |                   |
| 11  | Facade<br><i>External living space dependant of target group<br/>Cultural heritage: limited / no adaptability</i> | 19 Possible connection inner walls on grid < 5.40 m.<br>20 Facade/openings well adaptable<br>21 Facade windows can be reused / opened   | On-site inspection / estate agent<br>On-site inspection<br>On-site inspection / re-design                                      |                                  |                   |
| 12  | Installations   | 22 Sufficient service ducts can be constructed  | On-site inspection / re-design   |                                  |                   |
| LEGAL   |   |   |  |                                  |                   |
| 13  | Environment<br><i>Exposure to sunlight, air, noise pollution, hazardous materials</i>                             | 23 Absence of large amount of hazardous materials in building<br>24 Acoustic insulation of floors > 5 dB<br>25 Good thermal insulation of facades and roof<br>26 Sufficient daylight factor > 90% floor surface new units | On-site inspection / municipality<br>On-site inspection / re-design<br>On-site inspection / municipality<br>On-site inspection |                                  |                   |
| 14  | National Building Decree, escape and access routes  | 27 Elevators available / easy realisable in building (> 4 stories)<br>28 (Emergency) stairways available / realisable<br>29 Distance of new units to stairs/elevators < 50 m.   | On-site inspection / estate agent<br>On-site inspection / re-design<br>On-site inspection / re-design                          |                                  |                   |
|   |   |   |  | Total Building (=number Yes):    | <b>0</b> x        |
|   |   |   |  | Default weighting:               | <b>3</b> =        |
|   |   |   |  | Maximum Score Building:          | <b>87</b>         |
| Maximum score for Building (with default weighting 3) = 29 x 3 = 87   |   |   |  | <b>FEASIBILITY SCAN BUILDING</b> | <b>0</b> <b>B</b> |



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### Step 3: Determination of the conversion potential class

The results of the feasibility scan can be used to calculate a conversion potential score, based on which the building can be assigned to one out of five conversion classes ranging from 'No Transformation potential' till 'Excellent Transformation Potential', see Table 6.

Table 6: Step 3 Determination of conversion potential class of office building

| STEP 3: DETERMINATION CONVERSION POTENTIAL CLASS OF OFFICE BUILDING |  |  |
|---|--|--|
| CONVERSION SCORE  | CONVERSION CLASS                             |  |
| Conversion Score Location + Building = 0 - 40                       | Class 1: No transformation potential         | <b>Total Score Feasibility Scan A + B:</b> <span style="border: 1px solid black; padding: 2px;">0</span><br>Maximum Score Location + Building<br>= 115 + 87 = <span style="border: 1px solid black; padding: 2px;">202</span><br><b>CONVERSION CLASS</b> <span style="border: 1px solid black; padding: 2px;">1</span> |
| Conversion Score Location + Building = 41 - 80                      | Class 2: Hardly any transformation potential |  |
| Conversion Score Location + Building = 81 - 120                     | Class 3: Limited transformation potential    |  |
| Conversion Score Location + Building = 121 - 160                    | Class 4: High transformation potential       |  |
| Conversion Score Location + Building = 161 - 202                    | Class 5: Excellent transformation potential  |  |

The total scores for the location (result 'A' in Table 4) and the building (result 'B' in Table 5) are determined by multiplying the number of Yes's in the respective tables by a weighting factor, which has provisionally been chosen as 5 for the location and 3 for the building to reflect the greater relative importance of the location in these considerations. The maximum possible score for the location is thus  $23 \times 5 = 115$ , and for the building  $298 \times 3 = 87$ , summing up to a grand total of  $115 + 87 = 202$  (see Table 6). The minimum score is zero, which would indicate that no single feature of the location or the building is considered suitable for conversion.

Buildings in Conversion Class 1 (scoring lower than 40) are assessed as not suitable for conversion to residential accommodation, while those in Class 5 (scoring higher than 161) are perceived as excellently suitable for conversion. In the examples of Table 3 and Table 4 no assessment scores for Location and Building have been filled out yet, and as such the total scores in Table 6 is '0', corresponding with Conversion class 1: No transformation potential.

The total score is an indication of the conversion potential but does not define the final decision. In practice, some criteria can be more dominant than others. Decision-makers are free to adapt the default weight values of 3 (building) and 5 (location) if that fits better with the particular context.

Determination of the conversion class of an office building completes the first three steps of the Conversion Potential Assessment Tool. If the results indicate that the building has sufficient potential for conversion (i.e. that it falls into Conversion Class 4 or 5), the analysis can be continued by two additional steps, aimed at studying the financial feasibility of the conversion project (Step 4) and conducting a risk assessment for further planning (Step 5). Depending on the nature of the project involved, step 5 may come before step 4. The Conversion Potential Assessment Tool is particularly intended for use in the initial phase of the plan development process, from a first quick scan to a well-based decision about whether or not to proceed with the project.

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### Step 4: Financial feasibility scan

The financial feasibility scan aims to obtain an indication of the viability of a conversion project. It is not meant yet as a detailed calculation based on the costs of all construction elements, materials, labour costs etc. The financial feasibility depends among other things on the acquisition costs, the current condition of the building, the level of renovation or modification work required, the finishing and comfort level of the housing, the number of (extra) dwelling units that can be created in the building and the project yield by rental income and/or sales prices. On the revenue side, key-figures are the number of dwellings that can be created for the intended target groups, and the rent level or purchase price these target groups might be willing to pay. A sketch plan of a possible layout of the building after conversion is useful to get an indication of the number and types of dwellings that can be incorporated in the current building.

The financial feasibility can be improved by increasing the size of the building, e.g. by adding extra floors on top, by a horizontal extension, or by the inclusion of commercial functions (usually at ground level). On the expenses side, it is necessary to know the acquisition costs for the premises, including the land price, and the conversion costs i.e. the building and installation costs. Relevant questions to be asked are for instance: what is the current condition of the building? Which parts can be reused, and which will have to be demolished? What is the ratio of façade surface area to gross floor area (GFA)? To what level should the building be finished? To what extent can the existing stairways, lifts and other means of access and façade proportions be maintained?

Table 7 shows some key conversion and purchase cost figures that determine the total investments costs, based on 12 cases of the Stadswonen Housing Association in Rotterdam, the Netherlands. The data originate from 2002 and have been updated till 2016 by P. de Jong, Delft University of technology (February 2017). A distinction has been made between conversion projects with a low or a high level of interventions. All figures are in Euro's/m<sup>2</sup> gross floor area (GFA), including VAT. The cost differences between the most expensive and least expensive projects showed to be determined to a large degree by the costs of (conversion of) the façade. The inner walls are on average more expensive, but these costs are less variable and thus have less influence on the overall level of the structural costs. The current supporting structure also has a significant influence on the total costs.

Table 7: Indication of conversion and purchase costs based on 12 cases from the Netherlands

| Dwelling types and Residents        | Low level of interventions |                | High level of interventions |                |
|-------------------------------------|----------------------------|----------------|-----------------------------|----------------|
|                                     | Construction costs         | Purchase costs | Construction costs          | Purchase costs |
| Student room                        | 460 - 620                  | 230 - 310      | 550 - 740                   | 140 - 190      |
| Studio                              | 620 - 930                  | 310 - 460      | 740 - 1110                  | 190 - 270      |
| 2/3-room apartment, young couples   | 770 - 1030                 | 380 - 520      | 930 - 1230                  | 190 - 260      |
| 4-room apartment, young couples     | 770 - 1150                 | 380 - 570      | 930 - 1380                  | 270 - 400      |
| 3-room apartment, senior citizens   | 370 - 560                  | 180 - 270      | 450 - 660                   | 110 - 170      |
| 4/5-room apartment, senior citizens | 500 - 1150                 | 250 - 570      | 600 - 1380                  | 140 - 340      |

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Table 8 shows an overview of monthly rental income and residual investment budgets per unit and per m<sup>2</sup> rental floor area (RFA) or m<sup>2</sup> gross floor area (GFA), in connection to different dwelling types and target groups (Vrij de, 2002). The data are based on the same 12 cases as in Table 7 and also have been updated by P. de Jong, TUD, February 2017. The ratio between GFA/RFA varied the case studies from 1.3 - 1.55. The target groups define the required type of home, the number and layout of the rooms, access, appeal and the size of the outdoor area. Using this data, floor plans can be drawn and fitted in the existing building. When drawing floor plans, existing stairs, lifts, access paths, design lines and façade boundaries must be respected. Based on the layout of the homes, the number of homes can be estimated and an indication of the rental price or selling price can be established.

Table 8: Feasible rental income and investments per unit, per m<sup>2</sup> rental floor area (RFA) and per m<sup>2</sup> gross floor area (GFA); the assumed ratio between both floor areas: GFA/RFA = 1.3 - 1.55

| Dwelling types and Residents        | Rent/month of dwellings | Feasible investment per unit | Feasible investment per m <sup>2</sup> /RFA | Feasible investment per m <sup>2</sup> /GFA |
|-------------------------------------|-------------------------|------------------------------|---|---|
| Student room                        | 176 - 242               | 35.580 - 53.370              | 1.100 - 1.460                               | 770 - 1.010                                 |
| Studio                              | 242 - 352               | 53.370 - 77.090              | 1.460 - 2.170                               | 1.010 - 1.540                               |
| 2/3-room apartment, young couples   | 605 - 825               | 130.460 - 177.900            | 1.920 - 2.300                               | 1.300 - 1.720                               |
| 4-room apartment, young couples     | 825 - 1100              | 177.900 - 237.200            | 1.920 - 2.550                               | 1.300 - 1.900                               |
| 3-room apartment, senior citizens   | 440                     | 88.950                       | 940 - 1.200                                 | 590 - 950                                   |
| 4/5-room apartment, senior citizens | 605 - 1210              | 130.460 - 260.920            | 1.300 - 2.550                               | 830 - 1.900                                 |

The ratio between rental floor area (RFA) and gross floor area (GFA) explains how much floor area is used for construction, facilities and circulation areas. The higher this ratio is, the better the space utilisation of the building. A project with less efficient floor plans is usually less financially feasible. Small homes are often easier to fit in existing buildings, which increases the efficiency. For tower blocks, the division into dwellings is less efficient than for elongated buildings. In the tables above an efficiency ratio of gross floor area (GFA)/rental floor area (RFA) between 1.3 and 1.55 is assumed. Other key data are the shape of the layout and the relationship between open and closed parts of the façade. The floor layout could influence the façade surface. Square layouts have less façade surface than elongated floor plans. The amount of open and closed parts of the facades influences the financial feasibility because closed parts usually are cheaper.

### **Future value: adaptability**

The adaptive capacity of buildings may have a large impact on the future value of buildings. Today's methods for determining the financial feasibility of building conversions do not normally consider this future value sufficiently. The adaptive capacity of a building can only be valued in the use phase of the building when functional and structural adaptations are required. To make buildings that are adaptable in the future usually requires extra initial construction costs.

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When only taking into account the initial construction costs, an adaptable building is less attractive than a 'non-adaptable' building (Hermans, 2014). Therefore, not only investment costs should be taken into account but also the total lifecycle costs. The longer a building is kept in its function instead of becoming vacant or being demolished, the more sustainable that building will be. The adaptive capacity of a building includes all characteristics that enable the building to keep its functionality through changing requirements and circumstances, during its entire technical lifespan and in a sustainable and financially profitable way. The adaptive capacity is considered a crucial component when looking into the sustainability of the real estate stock (Geraedts, 2016).

### **Step 5: Risk assessment checklist with possible solutions**

When the Quick Scan indicates that an office building has sufficient conversion potential at both the location and the building level and the results of the initial financial feasibility analysis are also encouraging, the involved actors may proceed to the subsequent development phases. It is of great importance to be aware of the possible bottlenecks and risks that may come to the fore.

Table 9 presents a risk assessment list with possible solutions at Market and Location level, including the point of view from some important stakeholders. Table 10 presents a risk assessment list with possible solutions at building level. Neither of these lists is exhaustive. Both checklists list the possible risks under the same headings as those used in the quick scan and feasibility scan i.e. from a functional, cultural, technical, legal and financial point of view.

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Table 9: Risk assessment checklist, possible solutions and important stakeholders

| MARKET & LOCATION        | RISC  | POSSIBLE SOLUTION  |
|--------------------------|---|--|
| <b>1. Functional</b>     | 1 Insufficient parking places                                 | Dependant of target group; consultation about parking rules; consider parking basement                 |
|                          | 2 Lack of facilities  | Low scale facilities in building; collaboration with other stakeholders                                |
|                          | 3 Absence public transport                                    | Consulting public transport companies; collaboration with other stakeholders                           |
|                          | 4 Unclear routing to building                                 | Analysis neighbourhood; replacement main entrance or adding extra entrance                             |
| <b>2. Cultural</b>       | 5 Bad reputation or unsafe neighbourhood                      | Improvement neighbourhood in collaboration with other stakeholders; choice for specific target group   |
| <b>3. Technical</b>      | 6 Annoyance of odour  | Specific insulation of facades concerning  |
|                          | 7 Annoyance of noise  | Possibilities for dispensation; extra noise insulation facades; extra membrane façade                  |
| <b>4. Legal</b>          | 8 Zoning plan change/procedure                                | Consulting local authorities; assessment of local policy and regulations                               |
|                          | 9 Ground possession/lease                                     | Unfavourable for development ground value; trying to reimburse ground lease                            |
|                          | 10 Ground pollution   | Clear ground declaration by owner; negotiating lower ground selling price due to cleaning ground costs |
|                          | 11 Restriction maximum building height                        | Research for possibilities horizontal extension possibilities  |
| <b>5. Financial</b>      | 12 Purchasing price dwellings to high                         | Extra benefits trough combination with commercial functions; redesign plot; other target group         |
|                          | 13 Bad lettability of dwellings                               | Improvement price/quality ratio; choice for other target groups  |
|                          | 14 Necessity of other, new facilities                         | Enhance financial feasibility by adding commercial functions   |
| <b>STAKEHOLDERS</b>      |   |  |
| <b>1. Initiator</b>      | 15 Absence of enthusiastic influential initiator              | Search for experienced instigator at other successful locations, realised projects                     |
| <b>2. Developer</b>      | 16 Does not meet criteria for region, location, accessibility | Consulting and convincing property developer; search for other property developer                      |
|                          | 17 Does not meet criteria on size and character of building   | Consulting and convincing property developer; search for other property developer                      |
| <b>3. Owner/investor</b> | 18 Not willing to sell the building                           | Consulting and convincing owner on realistic costs and benefits of building staying vacant             |

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Table 10: Risk assessment checklist with possible solutions at Building level

| BUILDING  | RISC  | POSSIBLE SOLUTION   |
|---|---|---|
| <b>1. Functional</b>                                    | 1 False presupposition with possibilities building                      | Analysis form factors, key ratios, data; gross/nett floor area; extension possibilities (horizontal/vertical)         |
|   | 2 Building depth to small   | Adaptation layouts; enlargement depth by new foundation/facades; adding external gallery                              |
|   | 3 Building depth to large   | Adaptation layouts; adding new open inner space (daylight) centralise entrances                                       |
|   | 4 No basement available (f.i. for parking places, storage space)        | Adding basement (dependant of foundation and access possibilities)  |
|   | 5 Floor height to large   | Use of lightweight mezzanines, combined with lightweight interior walls   |
|   | 6 Windows can not be opened   | Replacement windows; façade renovation  |
|   | 7 Less connection possibilities for inner walls at facades              | Connectable inner walls till complete façade renovation   |
|   | 8 Lack of outdoor space   | Target group dependant; French balconies; recessed parts façade; inner garden   |
|   | 9 Insufficient elevators/stair cases (access and escape routes)         | New elevators/stair cases within or extern building   |
|   | 10 Insufficient access possibilities                                    | Analysis different access possibilities (portico, gallery, inner corridor, central)                                   |
|   | 11 Qualitative/quantitative insufficient existing inner walls           | Adapt existing walls; adding new walls (future adaptability)  |
|   | 12 Insufficient waterproofness for bathrooms                            | Waterproof finishing floors; use of prefab (plastic) bathrooms  |
| <b>2. Cultural</b>                                      | 13 Limitations by monumental status                                     | Early consulting with monumental agency and local government  |
|   | 14 Insufficient distinguishability of building                          | Adding new façade (parts), balconies, dwelling entrances  |
|   | 15 Insufficient distinguishability of building entrance                 | Emphasise by louver or something likewise; replacement to other location  |
| <b>3. Technical</b>                                     | 16 False presupposition with (quality of) construction status           | Analysis construction status on site (design, condition, finishing, maintenance)                                      |
|   | 17 Insufficient air climat facilities                                   | Replacement/renewal adjusted to dwellings; individual md op woningen; individueel operated                            |
|   | 18 Insufficient piping, tubes and shafts                                | Extension (fire resistant walls between dwellings; holes in existing floors)  |
|   | 19 Insufficient water supply facilities (f.i. need dwellings > offices) | Extension facilities (individual controlable and measurable)  |
|   | 20 Insufficient electricity facilities                                  | Extension facilities (individual controlable, measurable)   |
|   | 21 Insufficient noise insulation of floors                              | Enhance floor insulation by double floors and/or double ceilings  |
|   | 22 Insufficient thermal insulation of facades                           | Extra insulation outside or inside façade (monumental status); mind adapting windows                                  |
|   | 23 Insufficient thermal insulation of windows                           | Replacement by double glazing; extra secondary frame; extra membrane façade Inside or outside)                        |
|   | 24 Insufficient thermal insulation of facades of roof                   | Insulation existing roof (inside/outside); replacement by new roof; combine with vertical extension                   |
|   | 25 Presence of moisture, humidity                                       | Analysis causes; humidity, leakage, condensation  |
|   | 26 Bad flushing in facades  | Cleaning façade; new flushing (partly of total)   |
|   | 27 Insufficient daylight and sunlight (< 10% floor surface)             | Implement inner corridors, extra holes in floors, bay windows, new large windows; ask for dispensation                |
|   | 28 Bad/dangerous support structure                                      | Reconstruction; extra reinforcement, steel, gunned concrete, assistant construction; fire resistance                  |
|   | 29 Limited carrying capacity or bad foundation                          | Reconstruction (extra piles, foundation)  |
|   | <b>4. Legal</b>   | 30 Insufficient carrying capacity for vertical building extensions  |
| 31 Presence of asbestos; costly removal by requirements |   | Negotiation lower selling price, demanding asbestos free declaration by seller of building                            |
| 32 Restrictions possibilities by (local) regulations    |   | Dispensations: outer space, ceiling height, entrance/access, daylight, insulation                                     |
| 33 Uncertainty/vagueness about building permittance     |   | Early local communication about demands and information to be delivered   |
| <b>5. Financial</b>                                     | 34 Insufficient imbedding fire safety requirements                      | Early local communication about (access, fire escape routes, etc.)  |
|   | 35 Building difficult to buy/acquire                                    | Step by step purchase; at first ground lease, in a later stage poseesion; collective purchase with other stakeholders |
|   | 36 Large investment in initial phase (advisors, feasibility study)      | Financial feasibility study   |
|   | 37 Difficult feasibility (f.i. building is too small)                   | Analysis of extension possibilities; combinations with other (commercial) stakeholders; search for subsidies          |
|   | 38 Risk of vacancy; impoverishment (f.i. long lasting development)      | Limitation of vacancy period through temporary let of (parts of) building   |

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### **Example of risk at location level: noise pollution**

**Risk:** Excessive noise level at façade. According to the Dutch Noise Pollution Act, this value should not exceed 60 dB for offices and 50 dB for dwellings. Similar levels are used internationally.

**Solution:** Many inner-city locations are situated near major roads, railways or industrial premises. If the properties are rezoned for residential use, they will have to meet much more stringent requirements and quite extensive measures may be needed to ensure compliance. Exemption may sometimes be granted for residential property situated near major roads or railways, i.e. the maximum permitted noise level at the façade may be raised in such cases, but extra measures will still have to be taken to keep the sound level within the building at acceptable levels. Some of these measures will involve modification of the building, but noise screens placed round the source of the noise may also be effective. Another option is to locate rooms where less stringent noise standards apply, such as workshops or bathrooms, where the noise load is highest.

### **Example of risk at building level: poor financial feasibility**

**Risk:** a (too) high acquisition price of the office building, renovation costs that are higher than expected, or a small size of the building so that all costs have to be paid back by a limited number of tenants.

**Solution:** In case of conversion of office buildings to residential accommodation, in general the larger the complex to be converted, the easier it is to make the project financially feasible. The investments needed to make the existing building suitable for residential purposes can be partially financed by extending the size of the building, horizontally and/or vertically (by adding new storeys on top of the building). One advantage of adding new built premises is that the extra land costs are basically zero. If new floors are added, the building's supporting structure must be strong enough to bear the extra load, or must be reinforced to this end. Horizontal extensions must fit in with the location and usually permits must be obtained from the municipal authorities (town planning, building control, fire safety). Another possible way of improving the financial feasibility is to rent out retail, business or office space on the ground floor or to rent out parking space. Currently exemptions from particular building regulations can be received, provided that that converted buildings should comply at least with the building regulations of the year when the original building was constructed.

## **Concluding remarks**

Although the Conversion Meter has been developed to assess the conversion potential of vacant office buildings and conversion to housing, many follow-up studies have shown that the underlying principles and criteria are applicable to other types of conversion well, with some minor adaptations.

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The Conversion Potential Assessment Tool has been developed for use in a Dutch context. A next step is to examine its applicability and related data in other countries. Further testing of the new Conversion Meter in current Dutch cases is relevant too. Additional case studies in the Netherlands and in other countries will provide a better insight in the impact of national and local legislation and the economic and cultural context. The same counts for the financial feasibility scan (Step 4) and financial ratios.

The practical applicability of the Conversion Meter may be improved by digitising the tool and by adding photos, sketches and boxes with lessons from case studies to illustrate the criteria and risks checklist. Another topic is to explore the need for extra modules looking at particular issues such as sustainability. Finally, the criteria could be linked to tools for adaptable buildings in order to make future conversions functionally and technically more simple and less expensive. Buildings that support the possibilities of adaptive reuse are more ready to change and make it easier to cope with an ever-changing real estate market and as such will contribute to a more resilient built environment.

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