Reflection: The added financial value of office conversion into housing

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The last step in this research is reflecting the research upon its subject and process, briefly referring to the initiated objectives and its contribution to social and scientific relevance.

Research subject

Structural office vacancy is a problem that has been detected for years now and has evolved into a social problem. There is a quantitative and qualitative structural mismatch in the office market between supply and demand. Abstraction of the current supply is necessary for a significant reduction of the structural vacancy. A solution is adaptive re-use (i.e. changing the function of the building); converting a vacant office building into residential use. The structural vacancy starts in the portfolio of an investor, which formed the starting point for this research focusing to which extent structural vacant office conversion into housing adds financial value to the property and the various ways in which office conversion can be financed (i.e. loan, private equity, crowd funding etc.). This point was chosen to give an overview for the investor to make conversion financially attractive. During the problem analysis and startup of the literature review, the research focus has shifted. The section on financial value remained, but the actors changed. According to the literature study, a solution towards structural vacancy is much more complicated then sorting out financing forms. A conversion is successful when various actors interact with each other. This shifted the research to the target groups; investor (own vacant office), developer and new investor/user. Which resulted into a study to which extent office conversion into residential use add financial value to the property and which actor appropriates the added value.

This study was set up with the aim 1) to tighten the vacancy problem in the office market of the Netherlands, 2) to determine the financial added value of conversion of offices into residential use, in order to persuade various market parties the financial benefits of office conversion, and 3) to find out who appropriates the added financial value to allow more transparency between the involved stakeholders. First, this research has not directly ‘tight’ the vacancy problem, but gives insights into adaptive re-use as a (financially) feasible solution in order to cope with structural vacancy. Second, the added financial value is expressed as financial feasibility in the case studies and survey, resulting in conversion of a structural vacant office (with the right location, market and building features) as a profitable solution. Third, the added financial value is appropriated by the investor and developer. With this knowledge these actors can make agreements in order to corporate together to make an office conversion project more financially feasible. Achieving these goals has a social relevance as all goals were drawn up to make a contribution to society.

Scientifically, the results of this research contribute to broadening the subject of adaptive re-use. Adaptive re-use is a key research topic in the research program of Real Estate & Housing, and much research into this topic has been done by professors as well as master students. Looking at the added financial value of office conversion into residential use and the appropriation of this value is a relatively new perspective. The topics which are discussed in the case study and survey are a relevant contribution to the existing knowledge. Providing insights into the initiation of a conversion process, the collaboration between; investors, developers, new investors/user, and risk/return profiles.

Research process

Conducting this research and writing my master thesis was the last phase of being a student at the Technical University of Delft. The process started with a fascinating subject; adaptive re-use, and has developed into a relevant contribution for society and science. In addition, I wanted this research to prepare myself for the phase after graduation. Therefore, part of this research is divided into topics I needed to develop in order to be able to be a (re-) developer.
This study was set up as an independent research, this choice of being independent rather than connecting to a company suited this research well. A lot of experts, developers, investors and banks were willing to cooperate in this research. The independent factor has led to a self-employed research and is only recommended (in my opinion) to those who possess a lot of discipline and ability to work independently.

During the research process a literature study, case studies and a survey were conducted. This makes the research a mixed-method research; qualitative and quantitative. Doing qualitative research is a well known method in the subject of adaptive re-use (at the department of Real Estate and Housing) and turned out to be well researchable. Quantitative research (survey) on the other hand, is not used often and proved to be difficult to carry out. Target groups as developers and investors are difficult to approach for a survey. In this research the respondents were approximated through Dutch largest platforms as NEPROM, NRP and IVBN, however the response rate was low. This is remarkable as an interview (i.e. case study) takes an hour of the respondents’ time, while filling in a survey takes 6-10 minutes. This low response rate had an effect on the analysis of the survey, however, descriptive statistics turned out to be sufficient enough to answer the research questions.