

## DeVARGA COMMENTARY – JUNE 2013

### Dear Dave – with copy to Eric

I am sure you were waiting with baited breath to see the implementation of the recent changes to the Planning rules which became effective May 2013.

Planning is an interesting field, in that we seem to be surrounded by a great number of ideas all designed to stimulate building activity. However, to me - and I say this with the greatest of respect to you Dave and you Eric - some of them appear to be designed 'on the hoof' as it were. However, every now and then a little beauty is sneaked in as was done in May. I am referring to the opportunity to change offices to residential under permitted development rights. As a side note, I note some Local Authorities have taken up the opportunity to opt out of this Order. These are the same Authorities who place their homeless people in bed and breakfast hotels because of the lack of flats/houses within their administrative boundaries.

But getting back to our 'little beauty'. Think about it for a minute. We all know of 1960 office buildings sitting empty. Some of them are on the fringes of good local towns whose hearts are being eroded by the construction of large out-of-town shopping centres. Some developers, faced with a never ending rates bill, were reverting to demolition. Another reason why they demolished is that Planning consents are only valid for three years. However, it is what the consent does *not* say that is important. It does not say the works must be finished but that the works must start. Start of works is known in Planning circles as the start of material works. Demolition did until about a year ago amount to the start of material works, thus attaching the consent to the land in perpetuity.

There is another reason why this move is good and in order to understand it we need to go back in time to 1687 when Newton produced his paper – Mathematical Principles of Natural Philosophy. Newton's third law of motion said that for every action there is an equal and opposite reaction.

I believe Newton's law applies to property. Why? Because value, in reality, is a picture of an asset's worth frozen in time. The next question is, how is value determined? Answer = Law of Supply and Demand. (I can already see some glazed looks on some of your faces, but stay with me a bit longer). If value is frozen so must be supply and demand at the time of valuation. Now there is not a lot that we as individuals can do about supply but we can do something about demand. Extend the demand factor and the only way is, according to Newton's Law, a price increase. That is why it is such a good idea to permit office buildings to be used for residential. The demand curve has opened up.

Other changes will attempt to implement recommendations from Mary Portas' review to restrict 'changes of use' red tape. Also announced was an increase in the threshold for permitted development rights for change of use from B1 business or B8 general industry to B8 storage and distribution, and from B2 or B8 to B1 from 235 square metres to 500 square metres.

So on this occasion I have to take my hat off to you Dave and you Eric for coming up with the idea. The think tank in Downing Street must be working overtime – two months ago we all got a free beer from George.

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