

LICENSED & LEISURE

Disused upper floors
of pubs and shops
ideal for housing
conversion



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Niall Kelly
Surveyor
Licensed & Leisure

As the Government continues to battle with the housing crisis, there is an increased focus on rejuvenation of direct buildings by the private sector. With a nationwide requirement for 60,000 homes per year until 2030, this approach forms part of a range of measures identified in the Government's overarching housing strategy 'Housing for All' and in particular to the 'Town Centre First' policy.

There is talk globally about converting older office buildings into residential accommodation. To date, this has gained little traction in Ireland. There has also been much talk about converting accommodation over retail premises (something which has been discussed for years but with little success) and to a lesser extent licensed premises. For the pubs sector, this is a great idea in theory and sounds simple. But there are many considerations, many of which make it more complicated than it appears on the surface.

1. FINANCIAL ASSISTANCE

Encouragingly, for building owners there are three separate financial grants available for conversions. Each of these have different criteria, but when met, a combined grant of €95,750 may be available.

- The Croí Cónaithe (Towns) Fund provides up to €50,000 for the refurbishment of a vacant property for both occupation as a principal private residence (PPR) and for the conversion to rental units. To be eligible for this grant the premises must have been constructed before 2007 and have been vacant for two years or more. Initially this fund only applied to conversions by owner-occupiers where the premises would be used as a PPR for premises built before 1993, however since May 2023 an amendment has allowed for the conversion to rental units for newer premises. Unfortunately however, the requirement around the entire property being vacant remains in place. Therefore, where a licensed premises or retail store has been trading, but with the upper floor unoccupied and/or derelict, the grant is not available.
- If a building is deemed derelict (structurally unsound and dangerous) a further top-up of €20,000 may be available. Again, this grant is only applicable to non-trading premises.
- The SEAI Better Energy Home Grant covers works such as insulation, heat pumps and solar panels. To be eligible for these upgrade grants the building must have been constructed pre-2011 for insulation and heating controls and pre-2021 for heat pumps and renewable systems. The

largest grant available is €26,750 for a detached building but ranges downwards to €16,150 for a mid-terraced building, which is likely to apply to most licensed and retail premises around the country. To receive the grant, certain parameters must be met in accordance with the technical requirements set out in the SEAI Domestic Technical Standards and Specifications, Better Energy Homes Code of Practice and Quality Assurance and Disciplinary Procedures.

Although these grants provide extensive monetary contributions towards construction costs, the Croí Cónaithe (Towns) Fund grant with top-up requires the entire property to be either vacant for two years or deemed derelict. While this is likely to apply to many licensed premises in smaller towns and villages around the country and it very positive for them, many properties in major urban areas will struggle more to meet the criteria. Generally, these are the pubs which are close to transport infrastructure and amenities, and in areas in most demand for housing. We believe this two-year rule needs to be reviewed and perhaps with exceptions considered.

2. PLANNING & FIRE SAFETY

We greatly welcomed the Government's extension to the 2018 Planning Regulations in February 2022. This introduced exemptions for the change of use of licensed premises, including vacant upper floors, whereby any conversion to up to nine residential units is exempted from planning permission. Although this simplifies and speeds up any renovation and redevelopment process, there are stipulations – for pubs, the licence must have lapsed. Therefore, for most premises, the upper vacant floors will need to be delicensed through an application to the courts. In turn, any delicensing will trigger complete segregation and fire separation works to insulate the residential areas from the trading areas as well as a new fire safety certificate and a requirement to bring the remaining licensed premises up to current fire regulations. The cost, time outlay and disruption to a trading businesses can, in the majority of cases, make conversions unviable.

3. REPAIR & LEASING SCHEME

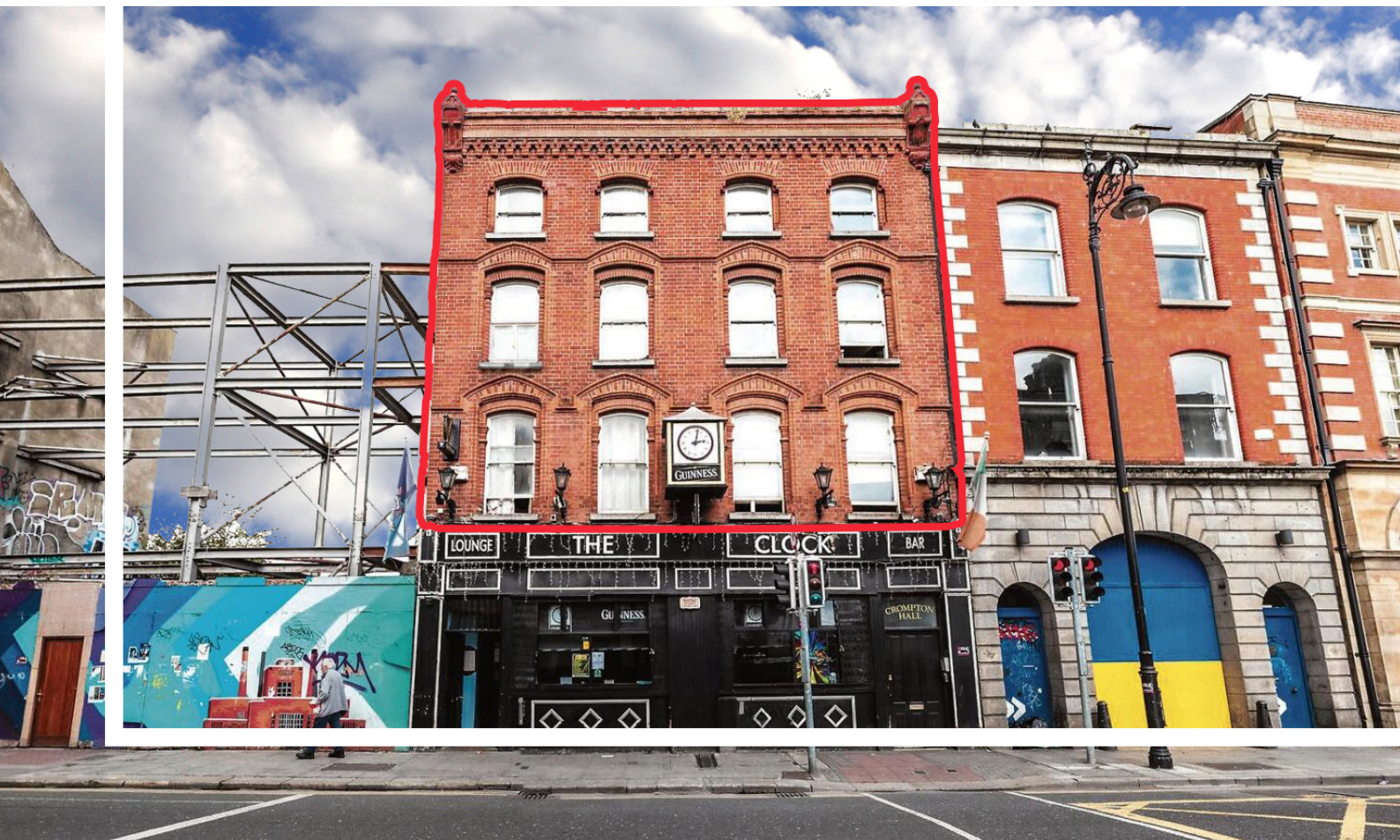
There is also a repair and leasing scheme available, specifically aimed at bringing vacant properties in need of repair back into use for social housing. This scheme includes the conversion of vacant overhead accommodation to residential use. If the vacant overhead accommodation is suitable for social housing, the cost of the repairs to bring it up to the required standard is paid upfront by the local authority or by an approved housing body (up to a maximum of €60,000). In return, the property must be made available to the relevant local authority for social housing use on a long-term lease with the rental amount dependant on the type of lease (usually somewhere between 80% and 92% of the current market rent). An added benefit for the owner of the property is that if a lease is agreed with the local authority, they will be responsible for all internal maintenance and repairs during the duration of the lease. This scheme is ideally suited to pub and overhead retail premises conversions. However, the take-up is likely to be limited due to the cap on repairs. The €60,000 limit is not sufficient to cover large scale conversions with multiple units and is better suited to smaller premises that are already in reasonable condition.

4. LIVING CITY INITIATIVE

The Living City Initiative is a tax incentive scheme for certain properties in Special Regeneration Areas (SRA) and is designed to promote urban regeneration, enhance the attractiveness of city centres, and support sustainable development. It was introduced in 2015 to help revitalise designated areas within the historic city centres in Dublin, Cork, Galway, Limerick, Waterford and Kilkenny. The initiative provides tax relief on refurbishing or converting residential or commercial properties and is open to both owner-occupiers and landlords. Under this initiative, building owners who carry out qualifying works can avail of tax relief up to €200,000

which can be claimed back over seven years. Although its limited to specific designated areas those areas are city centre locations where demand for housing is highest. Importantly the initiative can be applied to the upper floors only of trading pubs and €200,000 is enough of an incentive to lead to an increase in conversions/refurbishments. The main limiting factor on take-up will be that the entire cost will have to be incurred by the publican on day one with the tax incentive amount retrieved back over a 7 year period.

While all of the measures and incentives above are positive, the conditions attached to many are too onerous, which means building owners are choosing not to avail of them and leave their premises under-utilised. In the midst of a housing crisis and a need to speed up housing delivery, this is far from ideal. It is obvious there is significant potential to increase housing through the conversion of the upper floors of pubs and shops nationwide. For example, focusing on pubs alone, Lisney's licensed and leisure team has sold 152 Dublin pubs over the past 20 years. 32 of these included some former residences overhead that had fallen into disrepair, and today, the upper floors of 75% of these properties remain underutilised. Equally, walking down any local retail streets it will be obvious that there are plenty of vacant upper floors over shops. Perhaps the solution is either an increase in the amount for the Repair and Leasing Scheme or alternatively allowing a combination of the R&L scheme with the Living City Initiative. A combination would result in some initial assistance with costs, secure government income on completion and an attractive rental return over the initial 7 years due to the significant tax breaks all of which provides publicans with a clear incentive to convert unused upper floors. Slight reforms to the existing grants could prove to be one of the many useful tools needed by Government to meet housing demand.





Meet The Team

THE LISNEY LICENSED & LEISURE TEAM



Tony Morrissey
Director



Rory Browne
Divisional Director



Shane Markey
Divisional Director



Niall Kelly
Surveyor



Veronika Bekenyoiva
Administrator

OUR OFFICES

DUBLIN

St. Stephen's Green House,
Earlsfort Terrace, Dublin 2,
D02 PH42

t: +353 (0) 1 638 2700

e: dublin@lisney.com

CORK

1 South Mall,
Cork, T12 CCN3

t: +353 (0) 21 427 5079

e: cork@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery Street,
Belfast, BT1 4NX

t: +44 2890 501501

e: belfast@lisney.com

Lisney
Commercial Real Estate
PSRA: 001848

lisney.com    
@LisneyIreland