

# Retrofit vs. Redevelopment:

## A policy overview



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**This note sets out the key planning considerations of retrofitting and redeveloping buildings in London. Attitudes towards retrofit and redevelopment within the construction industry have evolved rapidly in recent years, due to a combination of proposed strengthening of statutory energy efficiency targets, as well as an increased understanding of the construction industry's impact on the climate crisis (with the built environment and construction sector responsible for approximately 38% of global carbon emissions<sup>1</sup>).**



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### The current state of affairs

Historically, emphasis has been placed on the carbon impact of the operation of our buildings. Planning policy has sought to achieve energy efficiency improvements against the relevant Building Regulations criteria (Part L of the Building Regulations) alongside a mechanism to offset any shortfall in performance through financial contributions. In addition, the Minimum Energy Efficiency Standards (MEES) Regulations set by Central Government establish specific Energy Performance Certificate (EPC) ratings for buildings in operation, requiring specified EPC certificates to be achieved to lawfully let a building. Currently, properties need to achieve a minimum EPC rating of 'E.' At the time of writing, we are still expecting the MEES regulation to mandate an EPC rating of 'B' for non-domestic buildings by 2030, applying to any new and/or existing leases.



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However, as the National Grid continues to be decarbonised, operational energy (the energy used during the use of a building) is becoming an increasingly smaller proportion of a building's total carbon impact and. Instead, attention has turned towards embodied carbon, i.e., the carbon emitted principally during the extraction, production, transportation, manufacturing and construction of the building. Greater importance has also been placed on reducing embodied carbon through applying circularity principles, for example, through the re-use of existing materials on site, the use of reused or recycled materials from offsite, and the adaptive design of new buildings so they can be utilised for a range of land uses over their lifetime, thereby ensuring their longevity and ease of deconstruction at the end of their lives.



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<sup>1</sup>[Climate Change | Construction Industry Council \(cic.org.uk\)](https://www.cic.org.uk)

# Retrofit vs. Redevelopment:

## A policy overview

In an industry with numerous competing priorities, investors and developers are seeking to balance the delivery of the first class floorspace sought by occupiers and residents, the achievement of legal energy efficiency standards and the minimisation of carbon emissions to achieve both their internal corporate environmental targets and align with adopted and emerging planning policy. Due to a lack of national and (in London) regional guidance, Local Planning Authorities (LPAs) are grappling with the issue at a local level. In London, this is creating a very mixed landscape, as some LPAs develop more stringent planning policy than others.

### SECTION 1: DEFINING RETROFIT

Retrofitting is an umbrella term for several different intervention opportunities that decarbonise the operation of existing building stock. In addition to energy efficiency improvements, retrofitting has the added benefit of retaining existing buildings which contributes to decarbonisation by preventing further emissions through the unnecessary production of new building materials such as steel, concrete and cement, and instead makes best use of material that is already in place, the carbon associated with it having already been emitted. To provide some clarity, the [UK Green Building Council](#) has identified the following retrofit typologies, although it is important to note that there is a wide spectrum of retrofit projects, and each building will be assessed on a case-by-case basis:

1. Optimisation: this focusses on gaining a better understanding of how buildings are operated, tracking how people are using energy, and optimising the building's effective use. This is essential prior to the consideration of any fabric or building services upgrades.
2. Light retrofit: this focusses on optimising building performance, as well as basic remodelling, replacement, or adaptation of existing elements within buildings. Light retrofit is relatively flexible and limits disruption to the building occupants as it is typically carried out in operational buildings or where only temporary shutdown of building power is required.
3. Deep retrofit: this focusses on significant works of size or scale that result in a fundamental change to the building structure and/or services. This can be represented as a collection of light retrofit enhancements or individually disruptive measures, such as major plant replacement. This type of retrofit often requires building occupants to vacate the building to allow the full shutdown of power and building services.

### Commerciality of Retrofit

Occupier demand for best-in-class commercial office space in the London market is intensifying, driven by a growing focus on quality, efficiency, and alignment with corporate values. However, the supply of prime office buildings in Central London remains constrained, creating a competitive landscape for top-tier spaces. This limited supply, coupled with increased demand, is driving up office values for quality spaces.

Occupiers are increasingly prioritising office environments that align with their specific needs for location, amenity, and, crucially, environmental, social, and governance (ESG) credentials. These businesses are seeking spaces with robust sustainability strategies and certifications that meet or exceed regulatory standards, such as those targeting Net Zero Carbon buildings, as well as operational strategies that align with their own Science-Based Targets.

# Retrofit vs. Redevelopment:

## A policy overview

The commercial appeal of best-in-class office spaces goes beyond compliance with Minimum Energy Efficiency Standards (MEES) and EPC regulations; it extends into driving measurable business outcomes. High-quality spaces are seen as catalysts for enhanced employee productivity by providing a well-designed, healthy, and engaging work environment. Elements such as access to green spaces, on-site fitness facilities, and collaborative workspaces contribute to employee well-being, fostering a culture of creativity and collaboration. Moreover, such environments are linked to lower operational costs due to more efficient energy use and reduced long-term maintenance needs, driving profitability for occupiers.

Furthermore, companies are recognising that aligning their office space with CSR policies and broader ESG goals not only improves their own sustainability but also enhances their attractiveness to clients and partners who are increasingly focused on social responsibility. A modern, sustainably designed office space signals a company's commitment to its ESG values and can strengthen its competitive edge in winning business from like-minded clients who prioritise environmental and social governance. In this way, the best-in-class office spaces not only deliver a return on investment through lower costs and higher employee productivity but also create strategic opportunities to align with clients' values and win better business.

### SECTION 2: PLANNING IMPLICATIONS

Retrofit and demolition have become key considerations in the planning system. As detailed in the above, retrofit covers a wide range of building interventions and many of these may not necessarily require planning permission. However, many instances of retrofit involve some level of external works and / or structural works, which are likely to include some degree of demolition. Even the point at which 'retrofit' tips into demolition can be sensitive and requires site by site consideration. Generally, retrofit proposals are likely to be less politicised than redevelopments. However, we have identified some key themes from the current industry debate below:

#### Carbon targets in planning policy

At the time of writing, there is no adopted policy at national, regional (within the London Plan) or local level that explicitly precludes the demolition of buildings. There are also no carbon targets for either upfront embodied carbon or whole life carbon within adopted planning policy. The Greater London Authority (GLA) has published carbon targets within their Whole Life Carbon Supplementary Planning Guidance (SPG), but whilst SPGs are 'material considerations' in planning decisions and clarify how planning policy is to be interpreted and applied, they do not hold the same weight as planning policy.

As such, in an effort to reduce the carbon emissions within their boroughs (and across the country more widely), a number of Local Planning Authorities (LPAs) are in the process of drafting planning policies which seek to reduce the embodied carbon impact of construction either through limiting the circumstances in which demolition would be considered acceptable and / or introducing embodied carbon targets which must be achieved.

Some LPAs such as the City of London have emerging planning policy which explicitly supports the retention of existing buildings, but they have stopped short of identifying specific instances where demolition would be resisted or incorporating carbon budgets for development proposals into planning policy. Instead, they have prepared SPGs such as their Carbon Options Guidance Planning Advice Note (PAN). The PAN requires applicants to undertake a specified optioneering exercise for major and referrable applications to analyse the carbon impacts of different degrees of retention. Optioneering is also required to be undertaken for minor applications where the majority of the substructure and superstructure is not retained. This approach requires each development proposal to be explored, justified and assessed on a case-by-case basis.

# Retrofit vs. Redevelopment:

## A policy overview

Other LPAs, such as the City of Westminster, are developing planning policy which seeks to both restrict instances in which demolition would be considered acceptable and introduce upfront embodied carbon targets. The initially proposed targets were onerous and would largely only have been achievable for light touch retrofit projects although the City Council has subsequently addressed this. The London Boroughs of Tower Hamlets, Camden, Ealing and Enfield are also looking to introduce carbon targets for upfront embodied carbon with the London Boroughs of Ealing and Enfield proposing a phased approach with more stringent targets coming into force after 1 January 2030.

The Royal Borough of Kensington and Chelsea (RBKC) on the other hand formally adopted its new Local Plan in July 2024. RBKC supports retrofitting of building and requires carbon emissions to be reduced but does not preclude the demolition of buildings or set upfront carbon targets.

Some of the key challenges with introducing carbon budgets into planning policy are the lack of alignment between neighbouring boroughs and the achievability of the targets themselves. For example, the methodology for calculating Whole Life Carbon emissions (RICS Professional Standard) was recently updated to Version 2.0, meaning that the carbon released through the demolition of a building must now be included in the upfront embodied carbon figures, where this was previously not the case. Any proposed targets therefore need to account for this change in methodology to ensure that they remain achievable. Ideally, the incorporation of carbon budgets into the planning system should be undertaken at a national, if not regional, level where the benefits of economic growth can be assessed in the round and budgets apportioned accordingly.

### Heritage implications of retrofit

The exercise of balancing the sustainability benefits of retrofitting with the importance of conserving heritage assets is particularly pertinent in Central London where there are thousands of listed buildings (the City of London alone contains over 589 Grade I listed buildings).

Proposals to improve the energy performance of listed buildings need to be developed with their historic significance and setting in mind. Direct enhancements to listed buildings such as installing slim-line double glazing or external blinds and indirect measures like solar panels and Electric Vehicle Charging Points (EVCP) can prove to be highly contentious and attitudes of LPAs vary considerably. Historic England (HE) recently published guidance in July 2024 on Adapting Historic Buildings for Energy and Carbon Efficiency, which acknowledges the role heritage assets can play in mitigating the impact of climate change whilst guiding decision makers and developers on the approach to enhancing these assets. As the risk of maladaptation is high with heritage assets, interventions that are proportionate, effective and sustainable must be prioritised. This is ensured by understanding the significance of an asset and how it performs. The new HE guidance should assist but there is more that can be done to reduce the financial and administrative burden that often encompasses upgrades to listed buildings.

Whilst some retrofit works may not require planning permission, for example, where these are internal, Listed Building Consent is (almost) always required for any works to a listed building. In addition, Permitted Development Rights exist for certain works to unlisted buildings in specific circumstances, which avoid the need for planning permission. In most cases, a building's listed status also removes any permitted development rights. There are legal mechanisms such as a Local Listed Building Consent Order (LLBCO) which could lessen the burden on both landowners and LPAs by effectively constituting a blanket listed building consent for prescribed works to groups of listed buildings in a particular area. We are starting to see LLBCOs emerge, including in Hammersmith and Fulham and RBKC.

# Retrofit vs. Redevelopment:

## A policy overview

While this would not always avoid the need for planning permission (as LLBCOs do not obviate the need for planning permission for works that affect the external appearance of a building where no Permitted Development Rights are in place), it would provide the benefit of expediting the regulatory process for retrofitting listed buildings with specific climate-adaptive measures. As there are over 37,000 listed buildings in England, retrofitting heritage assets can make a significant contribution to the country's climate goals. The process must therefore be manageable for landowners and local authorities alike.

### Political implications

It is clear from the above that many LPAs are seeking to actively support retrofit projects and discourage redevelopment projects through planning policy. This approach seeks in part to reduce carbon emissions within the construction industry (notably as almost all London Boroughs have declared a climate emergency), but also to respond to the wider politicisation of demolition including by Members of Planning Committees in some places. Whilst there are and will always be instances where demolition is the most appropriate strategy for a building, Members have, understandably, become increasingly concerned with the carbon impact of demolition. As such, there can be greater planning risk attached to applications for major developments involving extensive demolition or more contentious proposals which are likely to be decided at Planning Committee, depending on local political priorities.

This is due to perceptions surrounding demolition, as well as the substantial amount of technical information that needs to be thoroughly prepared, clearly presented to, and understood, by Members. Whilst it varies from borough to borough, there is increasing likelihood of proposals entailing substantial or full demolition being resisted, except where it can be clearly justified that the schemes are the most appropriate use of the site and / or which deliver clear public benefits, such as affordable housing, over and above what could be delivered through a retrofit scheme.

### Best Practice

Whilst early stages of planning activity used to be limited to architects and planners, it is now often vital to instruct a structural engineer or other qualified individual to advise on the structural feasibility of retrofit and to provide high-level whole life carbon emissions figures at a very early stage. This will allow applicants to identify opportunities to maximise the existing assets, understand whether a redevelopment scheme would achieve the emerging upfront embodied carbon targets (where relevant) and inform strategy. This will ensure developers and investors will be better informed on opportunities to maximise their assets, whilst understanding the risks of proposals with greater levels of demolition.

Best practice in developing proposals for intervention also encourages a Pre-Redevelopment Audit (PRA) to be undertaken at the earliest possible opportunity. Pre-Redevelopment Audits (or equivalent) set out the optioneering undertaken both in terms of structural opportunities and alternative uses. They help to establish an understanding of the existing condition of a building's fabric and structure to help determine opportunities for retention, retrofitting, and extension, as well as Circular Economy opportunities for the reuse of materials either on or off site. It is important to note that the ability to carry out meaningful investigations often depends on whether the property is tenanted / occupied or vacant and this needs to be considered at initial stages.



# Retrofit vs. Redevelopment:

## A policy overview

### SUPPORTING YOU WITH YOUR PROPERTY DECISIONS

#### Our Planning and Development team

Newmark UK have a wide range of experience of retrofit projects from providing planning advice and securing planning permission, to providing building consultancy services including advising on the necessary building upgrades to achieve Minimum Energy Efficiency Standards and / or internal corporate sustainability standards. In addition, Newmark UK have an in-depth understanding of the importance of sustainability credentials for landlords and incoming occupiers and can advise on building certifications and other ESG credentials.

We most recently secured planning permission on behalf of Lazari Investments for the comprehensive retrofit of an extension to the former Fenwicks store at 63 New Bond Street. We secured planning permission for a partial retention and demolition scheme, including an extension to facilitate a deep retrofit of the existing building. Planning permission was secured in May 2024, and the application is currently being built out on site.

#### Our Building Consultancy and Project Management team

At Newmark UK our national Building Consultancy team provide expert technical advice for Landlords, Developers and Occupiers. We are committed to providing comprehensive support for our clients when considering retrofitting or sustainability upgrades to buildings. We work closely with other market leading consultants, from Architects to Building Services Engineers, to ensure the advice provided best suits our client needs.

Our team of Building Surveyors have recently advised a leading client with the EPC assessment of over 300+ properties. Our findings and advice will directly correlate to significant energy savings across our client's portfolios along with substantially improving EPC ratings.

Our Project Management team have recently advised and are overseeing a full building refurbishment of a prominent city office tower – the refurbishment will see the buildings EPC improve from a D to an A, with the removal of gas and the installation of energy efficiency measures. From initial assessment with our lease advisory team, these improvements will also see the market value of the building substantially improve.

#### Our Agency team

The Newmark UK Office Agency provides strategic advice to both occupiers and landlords regarding their office leasehold interests. Our expertise in the market allows us to offer tailored solutions to meet the unique needs of our clients.

Notable occupier projects include the relocation of EDF Energy's London headquarters from Tottenham Court Road to Victoria and a 28,000 sq ft office acquisition in the City for Sizewell C Ltd. Most recently we have secured 90,000 sq ft at Millennium Bridge House in the City on behalf of Alix Partners and a 30,000 sq ft office relocation for Bart's NHS Trust to support its hospital functions.

Recent landlord highlights include the leasing of 190,000 sq ft at Ilona Rose House on behalf of Soho Estates, 90,000 sq ft at 210 Pentonville Road acting for Global Holdings Ltd, and 20,000 sq ft at The Pulman Building in Marylebone on behalf of The Howard de Walden Estate.