

Understanding Planning Use Classes

What every landlord and property investor needs to know before commissioning a valuation



If you've ever been surprised by a valuation, use class might be why

A building's use class is its legal identity. It defines what the property can lawfully be used for, and it has a direct bearing on what lenders will offer, how a valuation is calculated, and what your property is worth on the open market.

For landlords and investors, getting this wrong (or simply not knowing your property's use class before requesting a valuation) can mean:

- a **lower valuation** than expected
- a lender **declining** your application
- **delays** to a transaction while planning queries are resolved
- **compliance issues** that affect your exit strategy

The good news is that use class isn't complicated once you understand the basics. This guide covers the classes most relevant to residential property investors, explains what each one means for your valuation, and flags the issues we see most often.

A property's use class affects its open market value, how it's valued (income-led vs comparable-led), which lenders will consider it, and what planning risk sits in the background.

Establishing lawful use is a fundamental part of any RICS-compliant valuation.

What is a use class?

In England, every building has a planning use class under the Town and Country Planning (Use Classes) Order 1987. This class defines what the property is legally permitted to be used for.

Changing how a property is used - from a family home to an HMO, for example, or from a dwellinghouse to a care home - may require planning permission. And if that permission was never obtained, the use class on paper won't match what's actually happening on the ground.

That gap is where valuation problems start.

The use classes that **matter** most to residential investors

Use Class	What it covers	What it means for you
C2 Residential institutions	Buildings providing residential accommodation with personal or medical care. Includes: <ul style="list-style-type: none"> • Care homes and nursing homes • Hospitals • Boarding schools and residential colleges Legislation defines care as provided due to age, disability or mental disorder.	<p>Value is often income-led rather than based on comparables.</p> <p>Exit strategy can be restricted by limited alternative uses.</p> <p>The boundary between C2 and C3(b) supported living is one of the most common valuation issues we encounter – see below.</p>
C3 Standard dwellinghouse	A single family home or property occupied by one household. Includes: <ul style="list-style-type: none"> • A single person or family (C3a) • Up to six people living as one household (C3b/c) • Supported living for up to six people receiving care (C3b) 	<p>The most straightforward class for lenders and buyers.</p> <p>Strong market comparables, widest lender appetite.</p> <p>Worth noting: a property providing care could straddle C3 and C2. If in doubt, check.</p>
C4 Small HMO	A house in multiple occupation shared by three to six unrelated people, with shared facilities such as kitchens or bathrooms. <p>Important: HMO licensing and planning use class are two different things. Having a licence doesn't confirm your planning use class.</p>	<p>Valuation is income-led, based on rental yield rather than comparable sales.</p> <p>Local authority policy varies significantly and directly affects value.</p> <p>Lender appetite differs by location with specialist lenders often needed.</p>
Large HMO (Sui generis - sometimes called C5)	Any HMO occupied by more than six unrelated people falls outside the standard use class system and becomes sui generis, meaning it stands alone. <p>"C5" is informal shorthand, not a formal planning category.</p>	<p>Higher planning and regulatory complexity.</p> <p>Fewer buyers and lenders willing to engage.</p> <p>Compliance issues have an outsized impact on value.</p>

C2 vs C3(b): *why it matters*

This is the most common use class issue our valuation team encounters – and the one with the biggest financial consequences.

Supported living properties, where up to six people live together and receive some level of care, can fall into either C3(b) or C2 depending on the nature and intensity of that care. Both classes are residential. But they're valued differently, lenders treat them differently, and the planning requirements are different.

A typical scenario:

A landlord buys a six-bed property operating as supported living accommodation. The property has an HMO licence. They assume it's a standard C3 dwelling and approach a high-street lender for financing.

The valuation comes back significantly lower than expected – because the property is operating as C2, not C3(b). The lender won't proceed. The transaction stalls.

This isn't a hypothetical. It's a scenario we see regularly, and it's entirely avoidable with the right advice upfront.

The key distinction: C3(b) is a domestic arrangement where care is incidental. C2 is where the primary purpose of the building is the provision of care. If your property has staff on-site providing regulated care, it's almost certainly C2, regardless of what the planning records say.

HMO licensing and planning use class

This catches a lot of landlords out. An HMO licence from your local council gives you permission to rent your property to multiple tenants. It does not confirm or grant planning permission for that use.

You can have a valid HMO licence and still be in breach of planning control if the correct use class was never formally established. When a valuer or lender looks at your property, they will assess both, and a mismatch between the two creates risk.

If you've converted a property to an HMO without a formal change of use application, it's worth taking planning advice before you look to refinance or sell.

The four issues we see most often

Our valuation team regularly advises on properties where:



1. Lawful use is unclear or undocumented

There's no paper trail confirming the permitted use class. This is particularly common with older properties that have changed hands multiple times or evolved organically over time.



2. Historic planning permissions no longer reflect current operation

A property might have planning permission for C3 use, but has been operated as a care home for the past decade. The planning position doesn't match reality, which creates uncertainty around value and exit.



3. Care use sits on the boundary between C2 and C3(b)

As covered above, this is the most financially significant issue and the hardest to resolve quickly. If you're buying or refinancing a supported living property, get specialist advice before you proceed.



3. HMO licensing exists without correct planning use

A licence exists, but the change of use from C3 to C4 was never formally made, either because the landlord didn't know it was required, or because they relied on permitted development rights that may not apply in their area.

These issues can lead to down-valuations, transaction delays or lender refusal, but they're all addressable if identified early. The earlier in the process you raise a use class query, the more options you have.

How Centrick can help

Centrick's Valuation & Building Surveying team provides RICS-accredited valuations across the UK, working with landlords, investors, lenders, portfolio managers and restructuring professionals.

We understand that use class questions often come up mid-transaction, under time pressure. Our approach is to combine market evidence with planning context — so you get a clear, defensible valuation that stands up to lender and auditor scrutiny, not one that creates more questions than it answers.

Our valuation services include:

- Residential and mixed-use valuations
- Specialist HMO and care home valuations
- Development and planning-led advice
- Loan security and refinancing valuations
- Insolvency and restructuring valuations

Not sure about your property's use class?

Talk to our team to
commission a valuation

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