

What to do if empty rates relief is abolished – practical steps to help minimise your liability

Chris Kershaw, partner,
head of Birmingham office

20 June 2007



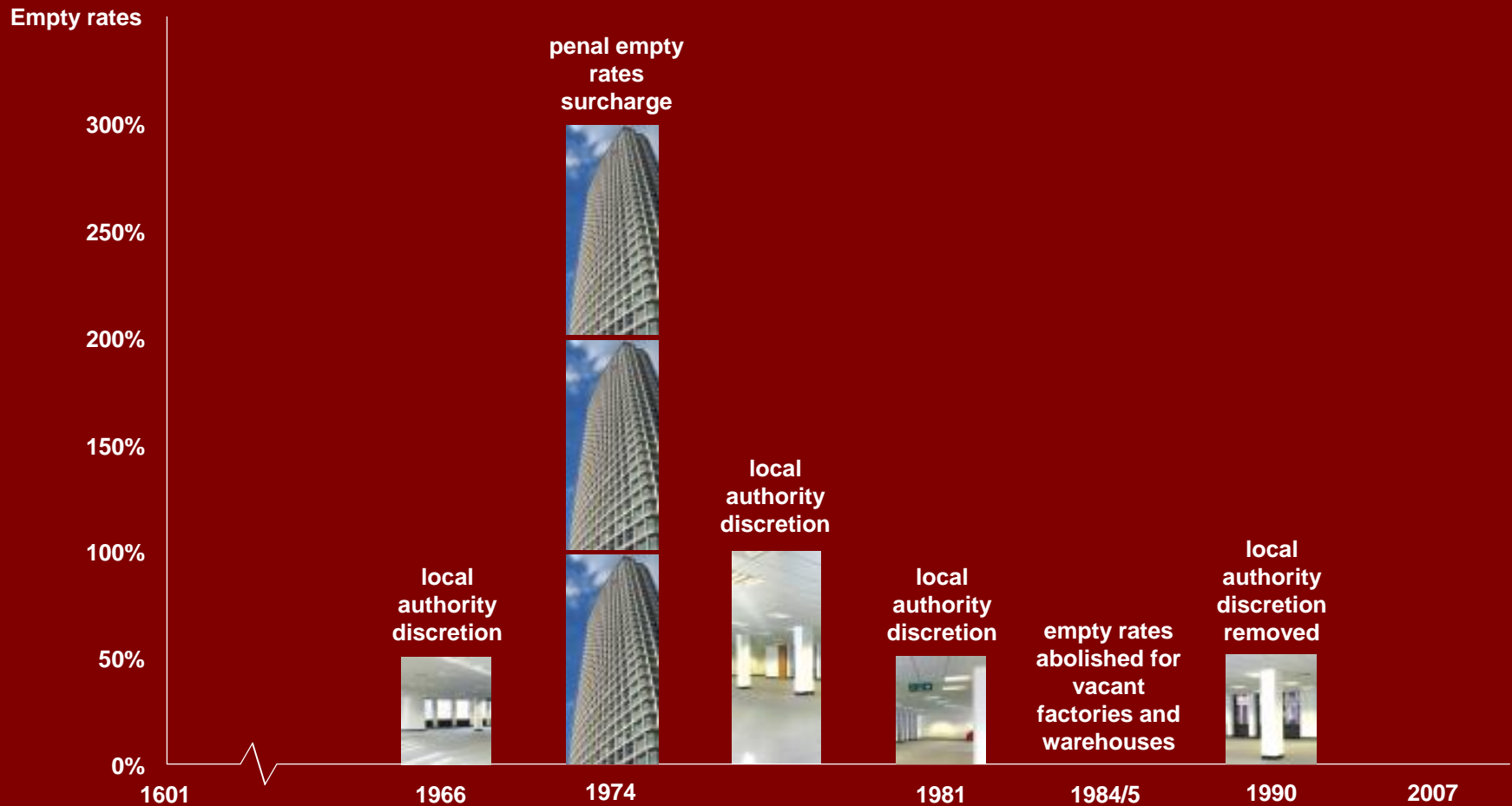
What to do if empty rates relief is abolished – practical steps to help minimise your liability

Jerry Schurder, head of rating
President of the Rating Surveyors' Association

Sally Bruer, associate, Research



empty property rates – recent history



HIGHLY RATED BY THE OVERRATED

GeraldEve

empty property rates – **recent history**

“ When property earns a positive revenue it is taxed, when it does not, relief is granted. ”

Barker review of land use planning, December 2006

empty property rates – **recent history**

“ The Government should make better use of fiscal interventions to encourage an efficient use of urban land. In particular, it should reform business rate relief for empty property. ”

Barker review of land use planning, December 2006

empty property rates – **recent history**

“

How should the empty property relief
in business rates be reformed?

”

Lyons Inquiry – Questions for Stakeholders, 11 December 2006

empty property rates – recent history



Recommendation 8.4

The Government should reform and reduce the empty property relief by:

- retaining the existing 100 per cent relief for short-term property (up to three months);
- reducing the rate of empty property relief thereafter; and
- providing factories and warehouses with the same level of relief as other properties



Lyons Inquiry into Local Government, March 2007

empty property rates – **recent history**

“ give authorities new tools with which to pursue local regeneration and development and enable them to take an approach sensitive to local economic and property market conditions ”

Lyons Inquiry into Local Government, March 2007

empty property rates – **recent history**

“ So to encourage better use of commercial premises, I will restrict the relief available for empty industrial properties to six months, and for empty office and retail to three months

”

Chancellor of the Exchequer's Budget Statement
21 March 2007

empty property rates – **recent history**

“ we believe that reductions in this relief could help encourage more efficient use, and a readier supply, of property and lower rents for businesses who rent their accommodation ”

Phil Woolas MP at ‘The Lyons Inquiry final report and recommendations conference’ held on 28th March 2007

empty property rates – **recent history**

“ we believe that reductions in this relief could help encourage more efficient use, and a readier supply, of property and lower rents for businesses who rent their accommodation ”

Phil Woolas MP at ‘The Lyons Inquiry final report and recommendations conference’ held on 28th March 2007

Government's rationale for the changes

- “readier supply of property”
- “encourage more efficient use”
- “lower rents”
- and . . .

you and **your market**

Northern West Midlands



Northern East Midlands

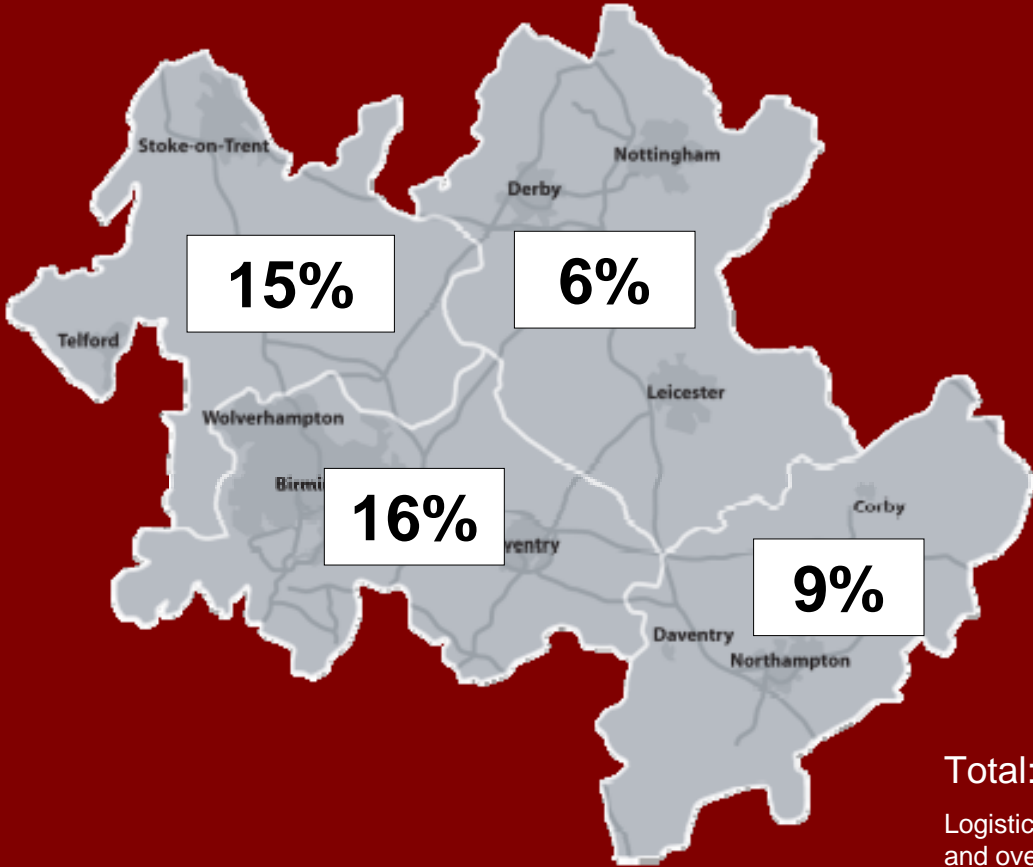
Southern West Midlands

Southern East Midlands

HIGHLY RATED BY THE OVERRATED

GeraldEve

how much space is available?



Total: 20.6m sq ft
Logistics space of 50,000 sq ft
and over

how much has been on the market for six months?



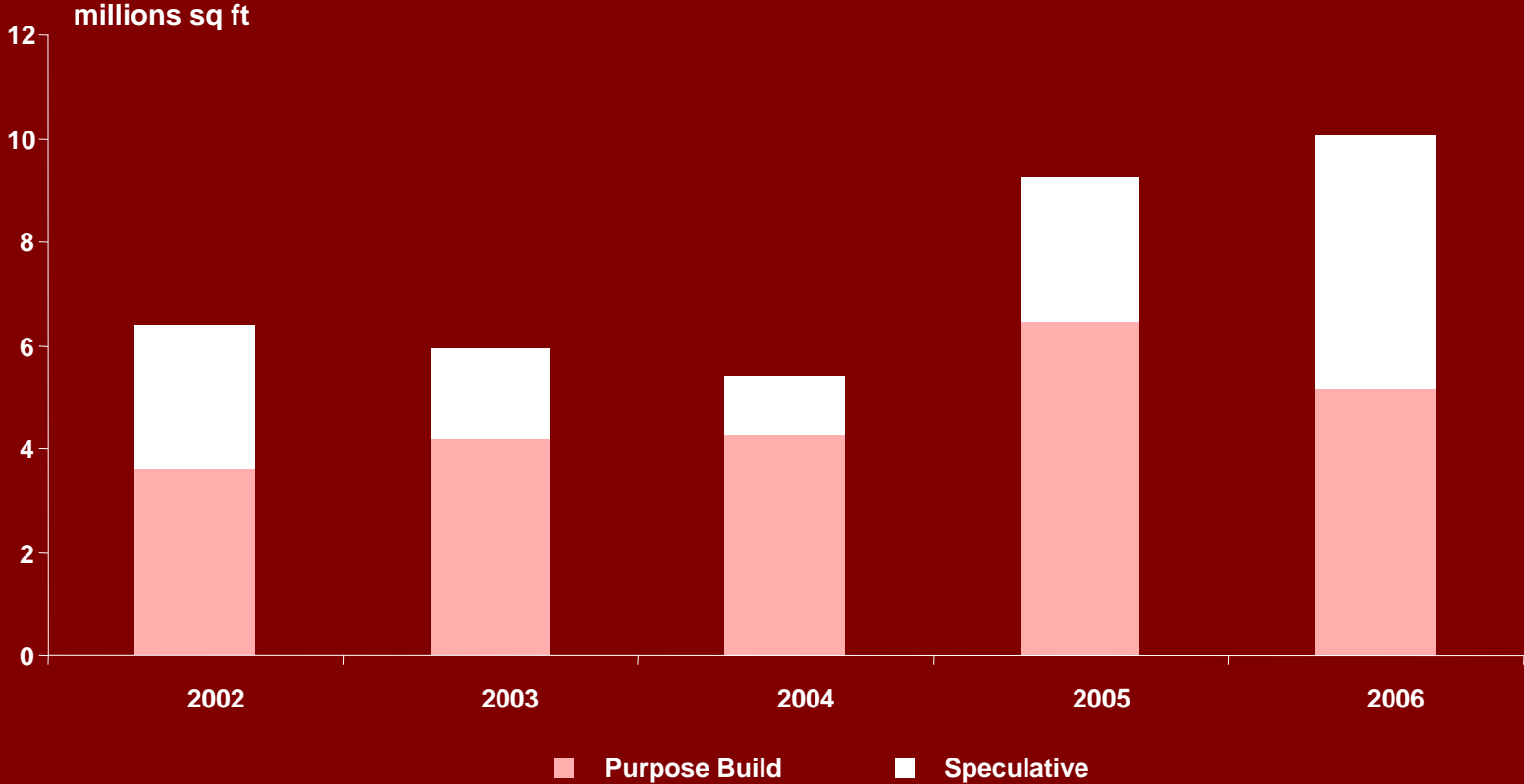
% of total available standing stock: 60%

Logistics space of 50,000 sq ft and over

HIGHLY RATED BY THE OVERRATED

GeraldEve

how much space has been built?



Logistics space of 50,000 sq ft and over

how much is being built?



HIGHLY RATED BY THE OVERRATED

GeraldEve

how much more **could be built?**



Total: 17.8m sq ft
Logistics space of 50,000 sq ft
and over

HIGHLY RATED BY THE OVERRATED

GeraldEve

what does this mean **for you and your market?**



case study – speculative development

Big Tel, Telford

- refurbished property in Telford
- completed May 2007
- location of modest demand for 200,000 sq ft+ units
- rateable value: £845,000



case study – investment opportunity

Hams Hall 170

- purpose-built unit
- pre-let to Kuehne & Nagel
- ten year lease with break at year five
- estimated rateable value: £900,000



case study – occupier relocation

Boots centralisation to NDC

- development of single NDC in Nottingham (£70m investment)
- closure of 17 RDCs
- exposure to empty rates on vacant properties
- total rateable value: £3.51m



case study – **older property**

Big Shoe Box, Leicester

- former British Shoe Corporation manufacturing site
- lettings achieved on significant amount of warehouse space at modest rents
- total rateable value: £2.93m



Rating (Empty Properties) **Bill**

HIGHLY RATED BY THE OVERRATED

GeraldEve

Rating (Empty Properties) **Bill**

- empty properties liable for occupied rates
- could be reduced to 50% liability minimum
- no empty rates for vacant property of charities or CASCs
- part vacant property relief

Rating (Empty Properties) **Bill**

- change of state of property to be disregarded
 1. Regulations may provide that... the state of any property... shall be deemed not to have changed -
 - a) since before any event of a prescribed description, or
 - b) by reason of any act done by or on behalf of a prescribed person.
 2. The regulations may make provision as to the circumstances in which, and period for which, that is deemed to be the case.
 3. The regulations may provide for the making of such assumptions or apportionments as may be prescribed in determining whether, or to what extent, the state of any property has changed in comparison with an earlier point in time.

Rating (Empty Properties) Bill – anti avoidance measures



HIGHLY RATED BY THE OVERRATED

GeraldEve

Rating (Empty Properties) Bill – anti avoidance measures



HIGHLY RATED BY THE OVERRATED

GeraldEve

FTSE top 20 client – **soft stripping**



HIGHLY RATED BY THE OVERRATED

GeraldEve

Big Shoe Box, Leicester



HIGHLY RATED BY THE OVERRATED

GeraldEve

Big Tel, Telford



HIGHLY RATED BY THE OVERRATED

GeraldEve

cunning plan two – **the bubble wrap solution**



HIGHLY RATED BY THE OVERRATED

GeraldEve

cunning plan **three**



HIGHLY RATED BY THE OVERRATED

GeraldEve

avoiding **completion notices**



HIGHLY RATED BY THE OVERRATED

GeraldEve

schemes under consideration – **empty rates impact**



HIGHLY RATED BY THE OVERRATED

GeraldEve

final thoughts

- £950m per annum tax grab
- huge potential impact
- consultation on regulations soon
- start working now and mitigate the effects

What to do if empty rates relief is abolished – practical steps to help minimise your liability

Q&A

Jerry Schurder, head of rating
President of the Rating Surveyors' Association

Sally Bruer, associate, Research

