The Newsletter from GL Hearn Rating ISSUE 4 | DECEMBER 2008

GL HEARN
Property Consultants

rating news

# The Uniform Business Rate (UBR) for 2009/10

**The Retail Prices Index (RPI) for September 2008 shows a 5.0% increase over the figure 12 months ago. The significance of this is that the annual change in the RPI at September 2008 is used to determine the Uniform Business Rate multipliers (UBR) in England, Scotland and Wales for 2009/10. The Government does have the power to adopt a different figure in certain circumstances, but has not used its powers in previous years.**

The formal announcement of the UBR multipliers for 2009/10 is awaited but rates liability estimates for 2009/10 have been updated on our systems to ensure that any figures we prepare for you are based on the most up to date information possible.

**We estimate that the UBR for England and Scotland will be 48.1p for 2009/10 (45.8p for 2008/09). The Small Business Relief UBR Supplement we estimate will remain at 0.4p, giving a total UBR for 2009/10 of 48.5p for medium and large businesses (46.2p for 2008/09). The City of London UBR supplement will be 0.4p.**

**We estimate that the UBR for Wales will be 48.9p for 2009/10 (46.6p for 2008/09).**

Full details of the UBR and Transitional Adjustments for the 2005/06 to 2009/10 period are in the attached Briefing Paper. We have undertaken comprehensive research with IPD and estimate that the UBR for 2010/11 following the 2010 revaluation will be 45.5p in England, 46.2p in Scotland and 45.4p in Wales.

# The Pre Budget Report 24 Nov 2008

**The Chancellor in his Pre Budget report announced a number of measures intended to limit the severity and duration of the currently deteriorating economic conditions, including the reduction of VAT from 17.5% to 15% for the period 1 December 2008 until 31 December 2009.**

There were four main announcements with specific relevance to business rates:

1. **UBR Link to RPI Inflation and 2010 Revaluation**
   The Chancellor proposes a 5% increase in UBR for next year. In the current worsening economic conditions a 5% increase in rates liability from April 2009 is very unwelcome news for the commercial ratepayer, particularly as the annual rate of inflation is expected to fall to much lower levels next year as the economy contracts.
   We have strongly opposed this and written to the respective Ministers in England, Wales and Scotland urging that they should each use their powers to freeze next year's UBR at this year's figure, or at least set an increase less that the RPI figure. The Chancellor has missed an opportunity to address the issue of the affordability of Business Rates in the current economic climate.
2. **Temporary Increase in Rates Relief on Empty Property under RV £15,000**
   The current exemption is for properties under RV £2,200. The increase in relief is for 2009/10 only. The Chancellor says the change will exempt 70% of properties. That may be true by number of properties, but the new exemption represents only about 12.5% by value.
3. **Relief for Properties Subject to New Demands Following Backdated Inclusion into the Rating List**
   This is a welcome change that will give some measure of relief to properties in and around Ports that have been retrospectively assessed by the Valuation Office Agency (VOA). However, the Chancellor should really be discouraging the VOA from making these retrospective assessments.
4. **Extension of Small Business Rate Relief**
   This will enable occupiers of small properties (under RV £10,000) to apply retrospectively for relief.

*We have issued a Briefing Paper on the Pre Budget Report with further details. if you would like a copy or have any questions about this announcement or its effect on your business please contact Blake Penfold on 020 7851 4958 or Paul Dickinson on 07768 381814 or your normal GLH contact.*

## IN THIS ISSUE

# GL Hearn/IPD Research into the Potential Effect of the 2010 Revaluation

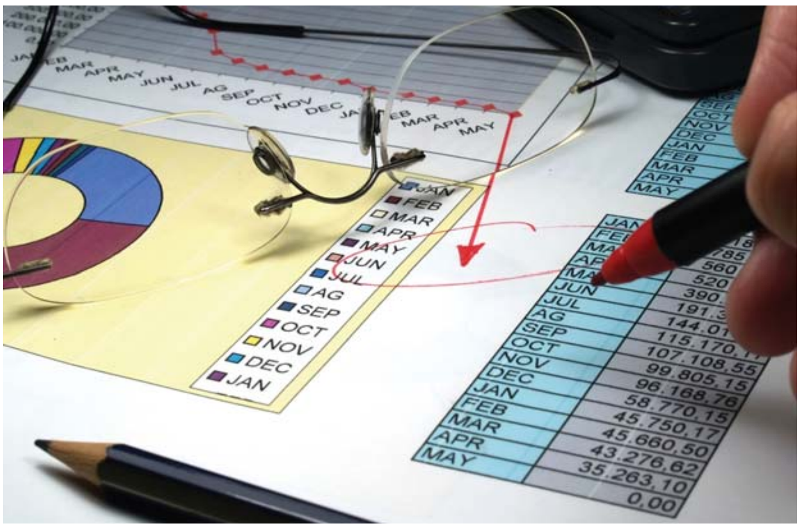
**There is a 2010 Rating Revaluation of all non-domestic property in England, Scotland, Wales and also Northern Ireland. The Valuation Office Agency (VOA) and Scottish Assessors are preparing the valuations and the draft 2010 Rating Lists will be published 1 October 2009.**

The joint GL Hearn/IPD research project into the possible impact of the 2010 rating revaluation was based on IPD rental data up to 1st April 2008, the rental valuation date for the 2010 Rating Revaluation. The way the estimates have been calculated is to apply the movement in rental values between April 2003 (the rental valuation date for the 2005 rating list) and April 2008 (the equivalent date for the 2010 rating list), to all 1.8 million existing rateable values (RVs) in England, Scotland and Wales. The data has been analysed by property type and by region.

This is the only research of its type to be based on **all** actual existing RVs (not just a sample), and is the only research to include Scotland. The research we have undertaken incorporates all IPD rental data up to April 2008. The data and the methodology of the research is, we believe, the best that can be obtained. The uncertainty is that we are trying to "second guess" what two other parties are going to do. These are the VOA, who will be setting the new RVs, and the Department of Communities and Local Government who will be setting the new 2010/11 Uniform Business Rate multiplier (UBR). The extent to which the VOA is able and willing to reflect the current market downturn is something we will only know for certain when they publish their RV figures in October 2009; each VOA office operates independently to a degree and in some cases it will only finally be clear when appeals against their initial 1 April 2010 RVs are made, negotiated and finalised.

This is not the first time that the valuation date for rating has coincided with a "turning point" in the market. For the 1990 revaluation the valuation date of 1 April 1988 was about the peak of the retail market in that cycle. For the 1995 revaluation, the valuation date of 1 April 1993 was close to the low point of the market in the 1990's.

The VOA is well aware of the current economic conditions. Whether it is able or willing to reflect the market changes now becoming apparent remains to be seen.




*If you have any questions about the revaluation or its effect on your business please contact Blake Penfold on 020 7851 4958 or Paul Dickinson on 07768 381814 or your normal GLH contact.*

# Managing Rate Demands and Refunds

**The administration of rate demands is daunting for companies, particularly those with large property portfolios. Demands have to be checked to ensure they relate to a property in which the organisation has an interest giving rise to a liability. They come in various formats, are frequently difficult to interpret and must be checked for accuracy. Systems have to be set up to pay the correct installment amount at the optimum time throughout the rate year. Amendments to bills, Business Improvement District and Council Tax demands, refunds management and calculation of interest adds to the burden. The complexity is increased for clients with properties in areas without a UBR such as Ireland, the Channel Islands and the Isle of Man.**

GL Hearn was the first major surveying company to establish a rate payment and refund management service. We have been handling our client's rates demands and refunds for over 10 years and have an established and experienced rate payment and refund management team in place.

*If you would like more information on this cost effective service please contact Paul Dickinson on 07768 381814, Janice Tobin on 020 7851 4986 or you regular GL Hearn contact.*

# Business Rate Supplements Bill

**The Queens Speech on 3 December 2008 introduced this Bill with a view to the introduction of this measure with effect from 1 April 2010. This proposal is further very unwelcome news for business as it represents a supplementary payment which could be up to 5% on top of existing business rate liabilities.**

*For further information on this and its possible future effect on your business please contact Blake Penfold on 020 7851 4958 or Paul Dickinson on 07768 381814 or your normal GLH contact.*

# The Impact of New or Extended Shopping Centres

**There have been a number of new and extended shopping centres in 2007 & 2008 culminating with the opening of Europe's largest in city shopping centre, Westfield in Shepherds Bush, on 31 October 2008. The Eagle Centre development in Derby, now called Westfield Derby opened on 9 October 2007, the first phase of Liverpool One on 29 May 2008 and the second phase on 1 October 2008, the significant extension to The Shires in Leicester, now renamed Highcross, on 4 September 2008 and Bristol Cabot Circus on 25 September 2008.**


These major retail developments, often with restaurants and other leisure facilities, alter the prevailing retail patterns and can have a significant impact on existing shops and centres over a wide area. We issue Material Changes of Circumstances appeals on behalf of our clients on every unit where we consider a value significant impact may have taken place.

# The "Reform" of Empty Property Rate Relief in England and Wales from 1 April 2008

**The Rating (Empty Properties) Act 2007 and supporting regulations implemented important changes to empty rates legislation in England and Wales with effect from 1 April 2008.**

In summary, all property remains entitled to 100% rates relief for three months from the date it becomes vacant. From 1 April 2008 most empty properties, other than industrial and storage premises, now pay 100% rather than 50% rates after three months of vacancy. Empty industrial and storage properties now pay 100% rates after six months rather than receiving full rates relief indefinitely.

The changes were intended to encourage letting and regeneration of vacant properties, and as a consequence to reduce rents of commercial properties. However experience suggests that the removal of empty property rate relief has not improved the supply of property to the market; indeed it may have had the opposite effect. We are aware of cases where empty property has been demolished to avoid the holding costs represented by empty rates.

The changes have also discouraged regeneration and redevelopment of commercial property. They have increased empty rates costs during site assembly and in respect of unlet completed developments. These increased costs have discouraged speculative regeneration and redevelopment and hence reduced supply. In the longer term this is likely to increase rents, rather than reduce them.

Our biggest concern however is that these changes were first proposed and then introduced in very different economic circumstances to those prevailing today. All sectors of the economy are affected and are less able to bear the burden of these costs, particularly as they are levied in respect of unutilised assets.

The changes introduced in April 2008 have not achieved their desired objectives and, as economic circumstances have turned increasingly adverse, they have become an undesirable burden on all sectors of the economy. We have written to the Chancellor urging him to utilise powers granted under the 2007 Act to do two things: firstly, to reduce the level of empty rates to 50% from the present figure of 100%, and secondly to increase the rates-free "void" period for non-domestic property from three or six months to twelve months - to reflect the period needed for site assembly and obtaining consents for substantial regeneration projects.

*The Pre Budget Report suggests nothing is being done to address these concerns.*

# GL HEARN
## Property Consultants

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For further information on *'rating news'* or on any general rating matter please contact **Blake Penfold on 020 7851 4958** or **Paul Dickinson on 07768 381814** or your usual GL Hearn contact.

We endeavour to keep our mailing lists up-to-date. If you would like to be removed from the list, or you have a colleague who would like to receive future issues of *'rating news'*, please email **rating@glhearn.com** with details.

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