

Industry faces £1bn annual empty rates bill

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By Ian Briggs - Deputy Editor



IT has been described as one of the biggest threats to the property industry in recent years.

At present owners of industrial property obtain 100% rate relief when buildings are unoccupied. Owners of other commercial property, shops and offices, obtain 100% relief for the first three months and 50% relief after that.

However, from today (April 1) new legislation will see industrial property owners obtain 100% relief for only the first six months that a building is vacant. All other empty commercial properties will have three months' rates relief and then incur the full amount.

Where a property has stood empty for the relevant period prior to April 1 it will become immediately liable for the full rate.

The legislation, announced in the 2007 Budget, is expected to generate an additional £1bn in business rates from buildings that are unoccupied over the next 12 months.

The Government has come under heavy fire from the commercial property industry, which has called for the moves to be scrapped, but it has remained unrepentent.

The campaign to force the Chancellor to re-think the changes is being led by the British Property Federation, which represents companies involved in property ownership and investment.

Last week, local government minister John Healey said the Government would crack down on property owners who tried to dodge the new rates by deliberately vandalising their buildings.

Andrew Gent, of Leeds-based property agents Gent Visick, said the legislation was being introduced following a period of strong economic growth and low interest rates and that the Government had realised there was a danger that demand for land was outstripping supply.

Therefore, said Mr Gent, the Government believes the reforms to the rating legislation are required to incentivise UK business to re-use, redevelop or sub-let vacant property, thus increasing the availability of commercial premises, leading to lower rents and reducing the need for further development on greenfield sites.

"For the distribution and manufacturing sectors the new legislation will have far reaching and unintended consequences," says Mr Gent. "Admittedly there has been a softening of rents and an increase in incentives offered by landlords to prospective tenants as the owners and tenants of vacant premises seek to secure an occupier to offset this new liability.

"To put this into context, a 160,000 sq ft warehouse built in the late 1980s located off a motorway corridor in the Yorkshire region has a rateable value of £540,000. The 2008/2009 Uniform Business Rate is 46.2p in the pound. The annual cost of the rate liability is £

249,480. This is only one building.

"This ignores the cost of having to insure an empty building, to provide security, maintain the property and actively promote the marketing of the premises to try and secure a tenant and also ignores any interest payable on monies borrowed to acquire the property or, in the case of a tenant, ignores the liability to pay rent occupied or not.

"The global credit crunch has already severely impacted upon the availability of finance for companies to undertake speculative development. The imposition of empty rates liability will further act as a deterrent to future speculative development even if, in the short term, land values fall."