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Rates plea as more buildings face demolition

Pressure grows to axe controversial tax

Lizzie Murphy

BUSINESSES across Yorkshire are increasing the pressure on the Government over empty property rates.

A year after the controversial tax was introduced, critics are appealing for the restoration of empty property relief ahead of this month's Budget before more buildings across the region are demolished unnecessarily.

The empty property rates on medium-to-large premises can top £100,000 a year, which is proving impossible to pay when there is no rental income.

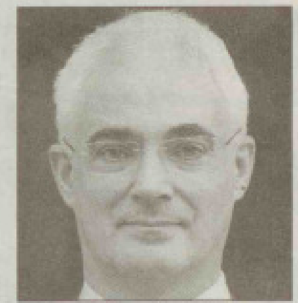
The regional development agency, Yorkshire Forward, is forking out over £1m a year in empty rates from the public purse.

According to the British Property Federation, the tax has led to the demolition of an estimated 15m sq ft of property across the UK. Even the biggest brands, such as Asda and Legal & General, have admitted flattening buildings.

Greg Lannon, operations manager for Sheffield-based demolition firm Euro Decommissioning Solutions, said that it had taken down eight properties, totalling 200,000 sq ft, across the region over the last year.

Property firms CB Richard Ellis and Gent Visick said they have seen several examples of industrial buildings being demolished because of empty property rates.

Neil Holyoake, real estate partner at Ernst & Young in Leeds, said: "This is one of the biggest concerns for property owners right now. Yorkshire businesses are even putting into action plans to demolish their vacant property to avoid empty rates."



APPEAL: Chancellor Alistair Darling urged to lift rates burden.

But Robin Ellis, director of professional services at the Leeds office of CB Richard Ellis, added: "The rate of demolition has perhaps not been as fast as anticipated because of planning and funding issues. Fundamentally, this is due to the lack of demand in the current poor economic conditions."

Calls for Chancellor Alistair Darling to scrap empty property rates are backed by the British Property Federation.

Chief executive Liz Peace said: "Empty rates will undoubtedly be the last straw for some of those in the industry. Having to pay empty rates could force property companies into breaking banking covenants, or they may be the trigger for the wrecking-ball on older buildings that cost more to keep upright than as a pile of rubble."

The tax, introduced last April, was aimed at a minority of owners who deliberately left buildings empty as values rocketed during the property boom.

But with property prices falling – along with rental demand – no landlord wants empty premises.

Yet after the Government scrapped the 50 per cent relief enjoyed by offices and retailers, and the 100 per cent relief for industrial property, they are faced with paying rates on buildings empty for more than three months.

WEBSITE FOCUS ON PROPERTY CHAOS

The British Property Federation yesterday launched a website to track the chaos of demolitions and scrapped regeneration schemes across the UK.

The www.emptyrates.com site will catalogue the effects of the tax and allow people to tell their own stories.

It features comments from politicians and businessmen and allows evidence to be submitted to local MPs and the BPF.

The BPF trade body for property, along with supporters, wants empty property relief put back to how it was a year ago when the Government scrapped it.

The BPF has insisted that property owners are not asking for bailouts, simply stating that those with property they cannot fill because of the recession should not be doubly published.

Gent Visick
The Industrial Partnership

KNOCK-DOWN PRICE: Having to pay empty rates could force property companies to demolish older buildings.

Andrew Gent, of Leeds-based industrial property specialist Gent Visick, said that the majority of large-scale commercial developments are funded by pension companies whose returns could now be reduced.

He added that the prospect of an empty rate liability have all but brought construction of new speculative units to a halt.

John Sutcliffe, financial director at Sheffield developers Henry Boot, said: "The cost of empty rate is just another hurdle – another reason not to develop right now. It could make the cost of developing uneconomical. It's an unwelcome cost that is not beneficial to the sector right now and, in effect, is an additional tax."

A year on from the changes being introduced, property owners have temporarily adjusted to cope by offering short-term lets or rent-free lets as long as the tenant pays the rates.

But Mr Holyoake said that this could only be sustained in the short-term. He added: "It is a temporary fix that creates even more uncertainty for an ailing sector, which needs reassurance to be able to look ahead and begin to think about investing again. Further intervention from the Government is needed."

In the Pre-Budget Report, the Chancellor announced temporarily extending empty rates exemptions to all properties with an estimated value of less than £250,000.

"In reality, this handed back only 20 per cent of what they would have collected.

Mr Holyoake added: "The upcoming Budget is their opportunity to lift the burden of empty rates."

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