

2010 Rating List Goes Live Tomorrow

31st March 2010

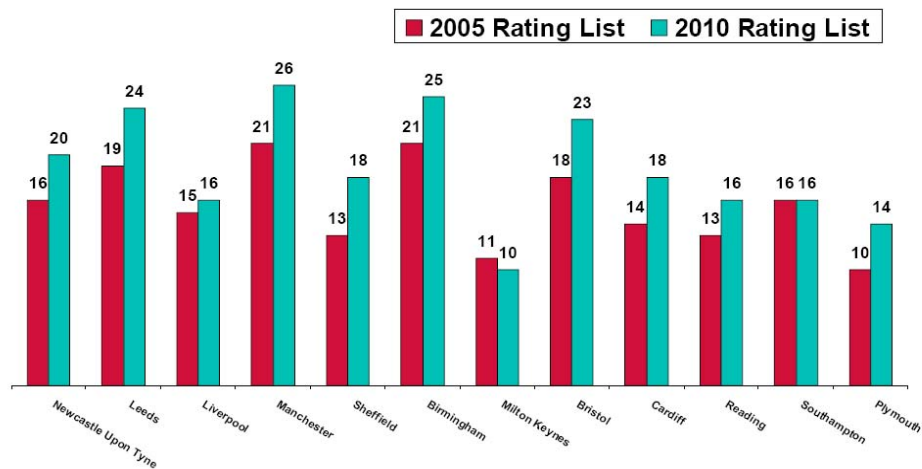
Businesses across the United Kingdom will all have received the 2010 rate demands over the last few weeks. For many, it will be a welcome surprise as their rate liability will be lower than expected. Businesses have been concerned since the new 2010 rating assessments were announced by the Valuation Office Agency (VOA) in October. However, the uproar from industry persuaded the Government to introduce caps on the increases in liability which will cushion the impact by phasing in the change over a maximum period of five years. Unfortunately ratepayers who are outside of England will face the full force of the increases as both the Welsh Assembly and the Scottish Parliament have refused to phase in the increases. This policy will clearly damage their business community which is already vulnerable in the weak economic climate.

Background

The task of revaluing over 1.8 million commercial properties is carried out every five years by the VOA in England & Wales and the Scottish Assessors in Scotland. The aim of the revaluation is to ensure that the rating assessments closely resemble the rental value of the property concerned. However, the volatility of the property market over the last 20 years has shown that by having a valuation date fixed two years before the list goes live is fundamentally flawed. By the time the assessments are published the market has moved and bears little resemblance to the rent of the property. The new rating list assessments which are based on the April 2008 rental market, once again demonstrate this problem with rents sharply falling since then in contrast to the majority showing an increase in their assessments as illustrated below.

Rateable value by City

£ per Square Foot – Prime Offices England & Wales



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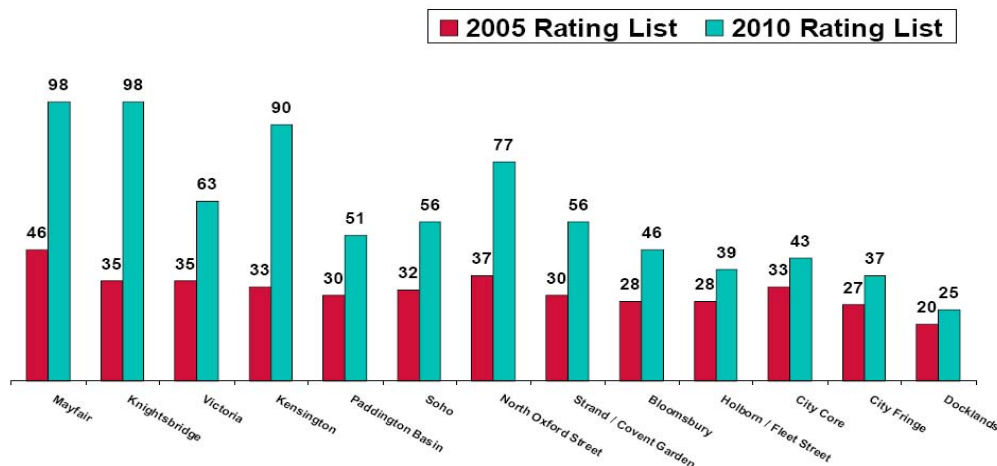


New 2010 Rating List Goes Live Tomorrow

The strongest growth over the last five years was in London and this is shown in the level of assessments, with some office occupiers in the West End facing a doubling of their assessments. In contrast, offices in the Docklands are facing modest increases as are many in the City. The chart below illustrates the impact the revaluation has had for the capital's office sector.

Rateable value by district

£ per Square Foot – Prime Central London Offices



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Rate Liability

Although some ratepayers will be facing increases in their assessments this will not translate into a similar increase in rate liability. There are two key reasons for this. Firstly the Government have announced that the Uniform Business Rate multiplier is set to fall by nearly 15% in England dropping from 48.5p to 41.4p and in Wales from 48.9p to 40.9p. Secondly the Government have announced that they will be introducing Transitional Relief which will phase in the rate changes. The Government have also stated that over one million ratepayers will be facing a lower rate charge from 2010 as a result of these measures. The impact of the scheme can be demonstrated have taken the Central London Office market which we looked at earlier and applied the scheme in the chart overleaf.

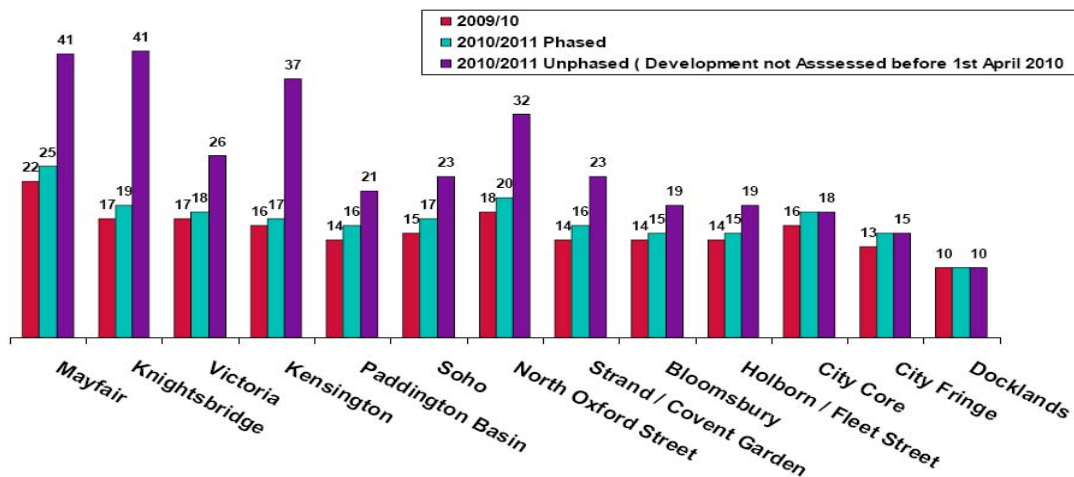
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Rates payable by District

£ per Square Foot - Prime Offices Central London



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Phasing

The most striking increase in rates is shown by those properties which are classified as 'Unphased' in the chart above. These ratepayers do not benefit from the protection of the transitional relief scheme which places a cap on the yearly rate increases. To qualify for the scheme, the property must be assessed in the 2005 List which closes on the 31st March 2010. Failure to secure relief could well have a significant impact on the potential rental income, particularly in the West End where a lot of ratepayers will be phased for at least three years.

Business Rates Supplement

On 1st April all County Councils, Unitary District Councils and the Greater London Authority will have a right to levy a business rates supplement to fund additional projects which improve the economic development of their area. In London the GLA propose to charge an extra 2p on the UBR for businesses with assessments over £55,000 to fund Crossrail. This charge will be disproportionately high in the West End as the levy will not benefit from the transitional relief scheme.

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