

UK Budget

Business Rates on vacant property

March 2007

An important change to the rules governing Business Rates on empty property was included in the Chancellor's Budget yesterday.

Currently, most properties receive 100% rate relief for three months after becoming vacant and 50% relief thereafter. Industrial and warehouse buildings receive 100% relief and pay no empty rates whatever. Gordon Brown has announced in his Budget that these rules will change: factories and warehouses will only be exempt for six months and after that will pay full rates. All other vacant properties will pay full rates after three months.

It has not yet been announced whether there will be changes to rules on Listed Buildings which are currently attract 100% relief from empty rates.

It is expected these changes will be introduced on 1 April 2008.

A fuller briefing on the wider implications will follow. In the meantime, a few comments:

- This is bad news for empty industrial and warehouse properties - and may lead to landlords stripping the roofs off older properties to avoid rates; which was the reason exemption was introduced in the first place (1970s).
- For as long as the occupational market for offices in central London remains strong, empty rates are unlikely to be a major issue.
- When the office market in London takes a downturn, the additional burden of full rates on empty property will put pressure on landlords and could accelerate rental falls.
- It may become more common for major new office schemes to be completed to shell and core - so as to avoid empty rates.
- It may also become more common for developers to "soft-strip" properties that are awaiting redevelopment, again to avoid the rates.
- Rates on central London offices are set to increase substantially in 2010 following the next Rating Revaluation. At that point these increases in empty rates may really begin to bite.

For more information, please contact one of the following:

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