LONDON BUSINESSES SET TO BE BIGGEST LOSERS IN
2017 BUSINESS RATES REVALUATION
Uniform Business Rate likely to be set at the “highest level ever”
Govt to collect £26bn in rates revenue

Leading business rates adviser BNP Paribas Real Estate today predicted that, following the 2017 revaluation, businesses in London will be the hardest hit by increases in their rate bills.

The rating expert highlighted that values had also endured a rollercoaster ride since 2008, when current rateable values were set, and coincided with the peak of the commercial property market. The 2015 revaluation was postponed by the Government and this has the effect of an extra two years of rental growth. This means that assessments following the 2017 revaluation will be higher than if it had taken place this year.

Rateable values for 2017 are based on current rental levels and BNP Paribas Real Estate has named some of the UK’s likely winners and losers. The biggest losers are forecast mostly to be London-based businesses where values were the first to recover from the recession.

London’s new emerging submarkets are predicted to be the hardest hit along with the City towers where office rents have hit new heights. In the St Pancras area of King’s Cross the increase in rates liability could be a massive 79% and City or Southbank towers could see increases of up to 50%. Other areas that could see increase include St James’s (+10%), Hammersmith and Bankside (both +19%), Victoria (+7%), Paddington (+16%) and Docklands (+6%). Luxury retail on Bond Street is looking at increases in excess of 60% whereas retail property on Oxford Street may see rises of 40%.

Surprisingly, Mayfair and other West End prime offices look to be winners with a 0% rise for the former and a 6% drop in value for the latter, which is largely due to the huge increases in rental values seen back in 2008.

In addition BNP Paribas Real Estate is predicting that the Uniform Business Rate (UBR) in England, the multiplier applied to calculate ratepayers’ rates bills, is likely to be set at 50p in the £, which would be the highest level ever, and is equivalent to 50% of the current rental value of a property. This will allow the Government to continue to collect £26bn in income from business rates. In predicting 50p in the £ BNP Paribas Real Estate estimates that the total rateable value
across the country will be more or less static unlike past revaluations, which have always seen an overall increase.

London rating director at BNP Paribas Real Estate, Ian Allison, said: “We have looked at movements in rental values based on actual evidence collected across the country, as opposed to tracking the IPD indices and made our predictions from that to ensure the most up-to-date and accurate forecasts. It is likely that those most affected will be large corporates with big portfolios heavily focused on London offices and/or retail OR landlords/occupiers with one or just a few large properties in areas where rental values have increased significantly since April 2008, the valuation date of the last revaluation.”

Following the business rates review announced by Danny Alexander on 16 March, the adviser also predicts:

1. The removal of transitional relief to follow the lead of Scotland and Wales that has already put this into effect; and
2. The shortening of the revaluation cycle to three years in order to prevent the lags seen in this latest cycle.

Allison continues: “We do not expect any far-reaching reforms in 2016 to the business rates process, rather some short and easily implemented ones such as the removal of caps and transitional relief like we’ve already seen in Scotland, and the shortening of the revaluation cycle. It is because the Government will not have enough time to introduce any radical changes to the current system and risk jeopardising the stable and predictable revenue that is received from business rates. If that is going to happen then it will be in 2020 assuming a change to a three year revaluation period.”

“Our message is clear: we have had a long and very tempestuous cycle for this revaluation, particularly in London and, while our forecasts give an indication of what to expect generally, each property must be looked at on an individual basis and using a rating expert is important to ensure rates are kept to a minimum.”

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About BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 38 countries with more than 180 offices and 3,700 employees (17 wholly owned and 21 by its Alliance network that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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