ABERDEEN SET TO SEE LARGE RATE INCREASES IN 2017 REVALUATION
Scotland likely to follow England’s high Uniform Business Rate at 50p in the £
Government to collect £2.5bn in rates revenue

Leading business rates adviser BNP Paribas Real Estate today predicted that, following the 2017 revaluation, office occupiers in Aberdeen will be the biggest losers in terms of the bills they will receive and can expect increases as much as 50% thanks to recent strong rental growth driven by the oil market.

Aberdeen would also see a 30% rise for industrial but retail would see little change from its current business rate levels. While oil prices have recently seen a dramatic drop, this will not have worked its way into the rental market yet and with values set at April 2015 levels; this means that business rates will be set at these higher levels.

Across the rest of Scotland, Glasgow is the ‘winner’ with expected reductions of -30% of retail and -15% for industrial - although this excludes the best stock where reductions are likely to be less. Offices in Glasgow are set to see a small increase of 5%. Edinburgh is set to see no change across industrial, offices and retail.

The rating expert highlighted that, overall, commercial property values across the UK had endured a rollercoaster ride since 2008, when current rateable values were set, which coincided with the peak of the commercial property market. The 2015 revaluation was postponed by the Government which had the effect of an extra two years of rental growth. This means that assessments following the 2017 revaluation, that are to be based on rental levels prevailing at 1 April 2015, will be higher than if it had taken place this year. Despite Aberdeen’s market cooling a little lately, the recorded rental growth will mean business rates will still soar as the values are set at today’s levels.

In addition the leading business rates adviser BNP Paribas Real Estate today predicted that following the 2017 revaluation, Scotland would follow the predicted Uniform Business Rate (UBR) in England applied to ratepayers’ rates bills of 50p in the £, which is equivalent to 50% of the current rental value of a property. Scotland saw this sort of level in the previous revaluation as the Scottish Government set its own UBR above that of the one applied in England, but it still remains one of the highest levels recorded. This will allow the Government to collect £2.5bn in rates revenue in Scotland (£26bn nationally) following the 2017 revaluation.
BNP Paribas Real Estate’s Scottish rating director Stewart McAlpine said: “We have looked at movements in rental values based on actual evidence collected across Scotland, and the rest of UK, 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 in areas where rental values have increased significantly since April 2008, the valuation date of the last revaluation, like Aberdeen.”

The rating specialist also predicted that Scotland, along with England, would reform rates to a three year cycle rather, meaning that there would not be the lags seen this time around, going forwards.

Likely notable winners across the UK include retail in Leeds (-40%) and Bristol (-20%) and offices in Sheffield (-20%) and Newcastle (-15%). Surprisingly, Mayfair and other W1 prime offices looked 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 value seen back in 2008. Other winners could be retail in Cardiff (-15%), Newcastle offices (-15%) and retail (-15%). Grade B or tertiary W1 London offices are also predicted to be winners in the 2017 revaluation.

The losers, unsurprisingly, are forecast to be mostly London-based where values have recovered from the recession and, particularly in new emerging submarkets or City towers offices hitting new heights. King’s Cross is looking at a 79% rental value increase and City or Southbank towers up to 50%. Luxury retail on Bond Street is looking at 60% rises whereas retail property on Oxford Street could see rises of 40%.

Other losers could be Manchester offices (+30%), Southampton industrial (+30%) and Bristol industrial (+20%).

McAlpine concludes: “Our message is clear: we have had a long and very tempestuous cycle for this revaluation 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
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For more information: www.realestate.bnpparibas.com

Press contact:
Laura Gibson, Marketing Director – Tel: +44 (0) 20 7338 4219 / laura.gibson@bnpparibas.com
Andrew Barber UK PR Manager – Tel: +44 (0) 7989 553 903 / andrew.barber@bnpparibas.com or andrew@the-flashbulb.com