NEWCASTLE UPON TYNE SET TO SEE A FALL IN BUSINESS RATES FOLLOWING 2017 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, office and retail occupiers in Newcastle upon Tyne will see an overall reduction in business rates by -15%, while the city’s industrial occupiers will see little change.

The rating expert highlighted that commercial property values had 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 cancelled by the Government which had the effect of an extra two years of rental growth and 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. However, Newcastle’s rental values have generally not yet recovered to the peak levels of the previous revaluation and so will see falls instead of rises.

In addition, the leading business rates adviser BNP Paribas Real Estate today predicted that following the 2017 revaluation the Uniform Business Rate (UBR) in England applied to 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, so that the Government can collect £26bn in revenue. 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.

BNP Paribas Real Estate’s northern rating director Steve Turton, 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 just 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.

Turton 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.

Likely notable winners across the country include retail in Leeds (-40%) and Bristol (-20%) and offices in Sheffield (-20%). 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%), Glasgow retail (-30%) and industrial (-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 Aberdeen, where the oil market has contributed to rental values soaring, particularly for industrial (+30%) and offices (+55%); Manchester offices (+30%), Southampton industrial (+30%) and Bristol industrial (+20%).

Turton 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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