“No real winners” from business rates revaluation, BNP Paribas Real Estate finds

The revaluation of business rates in England and Wales will see steep rises for many businesses in London but little relief for those who should see bills fall significantly outside of the capital.

Some businesses that have seen the rateable value of their properties fall by 30 to 40% may never see this fully reflected in lower property costs, due to government proposals for phasing in new bills for the £27bn-a-year tax, from next April.

Analysis of the draft 2017 rating list by business rates experts BNP Paribas Real Estate found a wider divergence in the average changes in rateable value across England (see notes to editors):

- Steep rises for London office occupiers, with rises in rateable values in King’s Cross (70%), Hammersmith (30%), Bankside (23%) and the City (30%), with businesses at the top of iconic tower blocks now paying more than those on lower floors. Some West End offices showed a slight decrease, of -3%,
- Bond Street retail seeing rises of up to 245%,
- Reductions in the average rateable values of regional offices in Newcastle (-17%), Leeds (-17%), Manchester (-4%), Sheffield (-15%) and Birmingham (-10%),
- Industrial rateable values rise by an average of 25% in London.

Emily Francis, National Head of Business Rates, at BNP Paribas Real Estate, said: “There are no real ‘winners’. On the one hand, retailers in the West End will on average see increases in rateable value of around 100% and up to 250% in extreme cases, although increases will be capped at around 50% per annum.

“On the other hand, many businesses outside of London who are quite rightly expecting a significant fall in their rates bill will see the transitional phasing result in measly decreases. Barnsley is indeed paying for Bond Street.”
“In regional high streets and shopping centres there are set to be rateable value decreases of around 50 or 60% in many towns. This would be most welcome if such decreases were reflected directly into bills, but the government's proposed transitional phasing scheme means retailers may never actually see the full reduction materialise.”

On a positive note development may be more viable in many locations outside of London where values have decreased, as rates on new builds assessed from April 2017 should not attract transitional phasing.

-ends-

**Notes to Editors**

**Transitional relief**

The government's preferred option is for 'losers' liability to be capped at 45% in 2017/18 and thereafter, compounded increases at 50% in 2018/19 and 2019/20, 16% in 2020/21 and finally 5% in 2021/22 - the last year of the 2017 revaluation. For the 'winners', the proposal is for decreases in liability to be tapered at -4.1% in 2017/18 with similar modest levels of discount in subsequent years.

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<th>Year 1 Transitional Threshold</th>
<th>Property Size</th>
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<th>Current 2010 List</th>
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Impact on London

Dan Bayley, Senior Director, City Office Agency, BNP Paribas Real Estate

“The draft rateable values are about where we thought they would be in the City, with a typical 10 year old building set to see an increase of around 25%-30%, although the reduced rate in the £ from April 17 will mean actual increases are slightly less. It would seem that the VO has introduced a triple tone for tower blocks, whereby three levels of value may apply depending on whether your floor is at the top, middle or bottom of the building. This seems sensible as it broadly reflects the rents paid by tenants.”

David Herzog, Senior Director, West End Agency, BNP Paribas Real Estate

“Offices in the West End are set to fair better than feared. Rateable values are based on net rents, so whilst headline rents continued to increase over the past few years generous rent free periods are set to be reflected in a lot of buildings' rates. The Crown Estate's St James's Gateway is to see reduction of around 3% and there are similar examples in Hammersmith and Mid-Town.”

Ian Allison, Director, Business Rates, BNP Paribas Real Estate

“The big increases in rateable value should not come as a surprise to London businesses. Rates are based on rents paid which most businesses will seek advice on before agreeing a deal with a landlord. As the rental growth of the last few years will be tangible in rates payable come April 2017, there will inevitably be corrections in some locations.”

Impact on Birmingham

Simon Robinson, Office Head, BNP Paribas Real Estate, Birmingham, said: “Rateable values for offices in Birmingham are generally set to decrease by 10 to 20%. Rateable values are based on net rents, so while headline figures have broadly recovered over the past few years to prerecession levels, rent free periods have been more generous and this is set to be reflected in a lot of buildings' rates. 45 Church Street and 125 Colmore Row are good examples.

“Retailers in the Bull Ring will initially be pleased to see that 2017 RVs are set to be about 25% lower, but will be disappointed to learn that these decreases will not transcend directly into bills due to the government's proposed transitional phasing scheme, which will taper the corresponding reduction in liability over the next three to four years.”
Impact on Newcastle

David Furniss, BNP Paribas Real Estate, Newcastle, said: “On a positive note development may be more viable in many locations outside of London where values have decreased, as rates on new builds assessed from April 2017 should not attract transitional phasing that would otherwise hold up the liability. This could support rental growth on such schemes.”

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 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

Press contact:
Patrick Clift - Tel: +44 (0) 20 7338 4062, Mobile: +44 (0) 7469 403 292 – patrick.clift@bnpparibas.com
Anna Stewart - Tel: +44 (0) 20 7338 4227 – anna.stewart@bnpparibas.com

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