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GOVERNMENT MUST EXTEND EMPTY PROPERTY RATE RELIEF

Retailers and the corporate real estate industry are warning that a failure to extend the period of empty property rate relief on shops, offices and industrial property will hamper regeneration in deprived areas.

A joint consultation response from the British Retail Consortium (BRC) and CoreNet Global UK is calling on the Government to use secondary legislation to extend the period of empty property rate relief to at least 18 months.

Previously the first three months a property lay empty were rate free and following that half rates were due. Under current legislation, which was announced by then Chancellor Gordon Brown in the last Budget, empty property will be rate free for only the first three months (or six months for industrial and retail warehouses), after which time full business rates will be due even if the property remains empty. This legislation was hurriedly introduced without consultation.

The move is expected to net the Treasury almost one billion pounds in extra revenue but the BRC and CoreNet Global UK believe the Government has not properly considered the unintended negative consequences of the change. The BRC and CoreNet Global UK believe the new rules will discourage developers from attempting to rejuvenate deprived or marginal areas, where long-term and viable tenants can be difficult to find and keep. There is also the danger that retailers and other business operators will be discouraged from expanding into these areas for fear that they will be locked into long-term tenancy agreements for which they will be liable for both rent and rate payments should the business fail.

Both the BRC and CoreNet Global UK believe that if the Government extended the period of empty property rate relief to 18 months many of these issues would be mitigated. Not only would there be fewer vacant properties after this period but it would also make it easier for enforcers to determine whether a property is being deliberately withheld from use or if no viable tenant can be found to occupy the premises.

BRC Director General Kevin Hawkins said: “It seems like the Government has been blinded by the cash benefits and can’t or won’t see the negative consequences of what it is doing. With just three months’ relief developers will be reluctant to take a chance on areas where the returns are not assured. Retailers will be similarly cautious.

“The Government has the power to extend empty property relief to 18 months. If it genuinely wants to increase occupancy rates and boost redevelopment it should use it.”

Julian Lyon, on behalf of CoreNet Global UK, added: “Many occupiers of business space, be they manufacturers, distributors, retailers or in the service industries, will suffer disproportionate disadvantage according to the strengths and weaknesses of the market in which they hold empty property.

“I cannot conceive of a set of circumstances in which an occupier, paying rent on a lease for space it no longer occupies – whether as a result of expansion, contraction or simply relocation – will deliberately withhold that space from the market. By adopting our recommendation and increasing empty property relief to 18 months, the Government would send the clearest signal that this is not merely a revenue-raising exercise at the expense of businesses large and small.”

END

Notes to Editors

- 1) A copy of the consultation response is available from the BRC press office.
- 2) The BRC has prepared a briefing paper which outlines in detail the probable consequences of reversing rate relief on vacant property. A copy of this document is available from the BRC press office at dale.atkinson@brc.org.uk

3) CoreNet Global UK is part of CoreNet Global, the world premier association for corporate real estate and related professionals. CoreNet Global UK seeks to support, inform and educate best practice in corporate real estate to meet the occupational needs of businesses in the UK. The UK Chapter is the second largest chapter worldwide and comprises approximately 50% end user members.

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