

SEMINAR 22ND FEBRUARY 2016

RATING VALUATION

Q & A's

www.douglasstevens.co.uk

*SEMINAR BY DOUG STEVENS TO 1st & 2nd YEAR GRADUATES
DELIVERED AS A POWERPOINT PRESENTATION*

RATING VALUATION

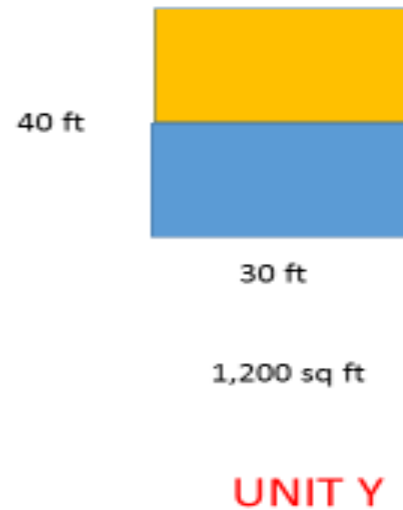
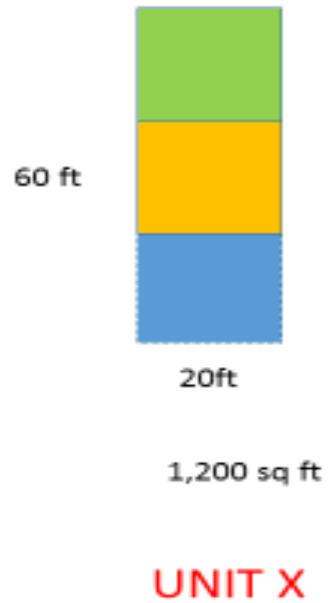
- ▶ EVERY BUSINESS PREMISES HAS A RATEABLE VALUE
- ▶ WHAT IS A RATEABLE VALUE ?
- ▶ IT IS A TAX ON PROPERTY - A BUILDING BLOCK TO RAISE MONEY FOR SERVICES
- ▶ IS IT THE SAME AS A RENTAL VALUE ?
- ▶ SIMILAR - BUT WITH SOME DIFFERENCES
- ▶ HOW DO WE FIND OUT THE RATEABLE VALUE (RV) FOR A PROPERTY
- ▶ 1. ESTABLISH CORRECT ADDRESS & POST CODE (GOOGLE, etc)
- ▶ 2. www.voa.gov.uk
- 3. [The VOA and business rates \(Non-domestic rates\)](#)
- ▶ 4. [Check business rates and rateable value](#)
- 5. [Compare rateable values](#)
- ▶ 6. **START NOW**
- ▶ 7. PASTE IN POST CODE
- ▶ VALUATION IS SET OUT WITH AREAS AND RATES PER SQUARE METRE

HOW ARE RV`s CALCULATED ?

- ▶ Open market rental value on 1 April 2008, based on an estimate by the Valuation Office Agency (VOA).
- ▶ VOA send out to each business a request for rental information about their property so they can work out its rateable value. Online - or - postal
- ▶ Basis of valuation - comparison of rental values of similar property
- ▶ RICS Measuring Code applies
- ▶ Industrial - Leisure - Large retail stores GROSS INTERNAL AREA (GIA)
- ▶ Offices - NET INTERNAL AREA (NIA)
- ▶ Retail - NET INTERNAL AREA (NIA) - but Zoning is applied.
- ▶ SEE EXAMPLE OF BASIC CALCULATION OF ZONES BELOW

ZONING OF RETAIL PROPERTY

- ▶ An (entirely) mathematical means of comparing shops of different sizes
- ▶ Property at Ground Floor divided in to Zones - A,B,C,D, etc
- ▶ Zones are 6m or 20 feet deep
- ▶ Zone A is valued at 100%,ie, A/1 then Zone B at 50%,ie, A/2, Zone C at A/4 etc
- ▶ Compare long thin shop with short wide shop



CALCULATING ZONED AREAS

ZONING Zones A B C , etc to get ITZA

- **SHOP X** ZONE A $20 \times 20 = 400 \times A/1 = 400$ units
- ZONE B $20 \times 20 = 400 \times A/2 = 200$ units
- ZONE C $20 \times 20 = 400 \times A/4 = 100$ units
- AREA IN TERMS OF ZONE A (ITZA) = **700 units**

- **SHOP Y** ZONE A $30 \times 20 = 600 \times A/1 = 600$ units
- ZONE B $30 \times 20 = 600 \times A/2 = 300$ units
- AREA IN TERMS OF ZONE A (ITZA) = **900 units**

ANCILLARY AREAS

- ▶ THESE ARE VALUED AT FRACTIONAL RATES OF ZONE A FOR RETAIL
- ▶ THESE ARE VALUED AT FRACTIONAL RATES OF MAIN RATE FOR OFFICE

- ▶ F/F say 1,000 sq ft (stock) @ say A/20 = 50 UNITS
- ▶ 2/F say 500 sq ft (staff) @ say A/40 = 12.5 UNITS
- ▶ Or First Floor Sales @ A/10
- ▶ SEE EXAMPLES OVERLEAF
- ▶ CBRE`s OFFICE - RATING VALUATION
- ▶ NEXT (Oxford Street/New Bond Street) RATING VALUATION

HENRIETTA HOUSE

RV

▶ Ref.	Floor	Description	Area m2/unit	£ m2/unit	Value		
▶ 4	Basement	Office	654.07	£335.99	£219,761	50%	
▶ 5	Basement	Kitchen	49.43	£335.99	£16,608		
▶ 6	Basement	Kitchen Store	3.02	£167.99	£507	25%	
▶ 7	Basement	Fm Office	18.68	£268.79	£5,021		
▶ 8	Basement	Engineers Office	8.21	£268.79	£2,207	40%	
▶ 14	Ground	Bay To Car Lift	53.70	£67.20	£3,609	10%	
▶ 15	Ground	Office	599.56	£671.98	£402,892		
▶ 16	Ground	Loading Bay	63.69	£67.20	£4,280		
▶ 17	First	Office (East & West)	1199.23	£671.98	£805,859		
▶ 18	Second	Office	1287.45	£671.98	£865,141		
▶ 19	Third	Office	1287.45	£671.98	£865,141		
▶ 20	Fourth	Office	1287.45	£671.98	£865,141		
▶ 21	Fifth	Office	1207.24	£671.98	£811,241		
▶ 22	Sixth	Office	985.43	£671.98	£662,189		
▶ 23	Seventh	Office	93.33	£671.98	£62,716		
▶ 24	Seventh	Kitchen	10.16	£671.98	£6,827		
▶	Total area:	9269.13	Subtotal:		£5,677,341		
▶	Car parking:	12			£48,000		
▶	Total value:				£5,725,341		
▶	Rateable value:	£ 5,720,000					

321-329 OXFORD STREET - NEXT

▶ Ref.	Floor	Description	Area m2/unit	£ m2/unit		Value
▶ 1	Basement	Retail Area	281.39	£495.21	A/12	£139,347
▶ 2	Basement	Internal Storage	209.79	£192.31		£40,345
▶ 3	Ground	Retail Zone A	164.36	£5,775.00		£949,179
▶ 4	Ground	Retail Zone B	171.33	£2,887.50		£494,715
▶ 5	Ground	Retail Zone C	170.56	£1,443.75		£246,246
▶ 6	Ground	Retail Zone C-Masked	61.68	£875.00		£53,970
▶ 7	Ground	Remaining Retail Zone	40.00	£656.25		£26,250
▶ 8	First	Retail Area	711.95	£450.00	A/12.5	£320,378
▶ 9	First	Internal Storage	43.75	£192.31	A/30	£8,414
▶ 10	First	Office	17.73	£192.31		£3,410
▶ 11	Second	Mess/Staff Room	54.35	£165.17		£8,977
▶ 12	Second	Office	28.50	£165.17		£4,707
▶ 13	Second	Internal Storage	24.04	£165.17	A/35	£3,971
▶ 14	Second	Internal Storage	70.00	£131.25		£9,188
▶ 15	Third	Internal Storage	162.23	£144.38	A/40	£23,423
▶ 16	Fourth	Internal Storage	55.20	£115.50	A/50	£6,376
▶ Total area:				2266.86	Subtotal	£2,338,896
▶ Additional items						
▶ Air Conditioning System				2269.83		£0.00 £0
▶ Total value:		£2,338,896				
▶ RATEABLE VALUE:		£ 2,330,00				

ALLOWANCES - ADJUSTMENTS

- ▶ ALL OF THE ALLOWANCES (ADJUSTMENTS + OR -) WE USE IN RENATL VALUATIONS ARE DERIVED FROM RATING VALUATION - - such as
 - ▶ MASKING
 - ▶ RETURN FRONTAGE
 - ▶ DISPROPORTIONATE FRONTAGE TO DEPTH
 - ▶ QUANTUM
- ▶ EACH VALUATION PRINCIPLE HAS BEEN THE SUBJECT OF A LANDS TRIBUNAL DECISION
- ▶ The LANDS TRIBUNAL - now known as Upper Tribunal (Lands Chamber) resolves a range of disputes about the value of land and buildings, and about their occupation, use or development, INCLUDING APPEALS ON RATING ASSESSMENTS. <http://www.landtribunal.gov.uk/index.htm>

RATEABLE VALUE & RENTAL VALUE

WHAT ARE THE DIFFERENCES

- ▶ Revaluation usually happens every 5 years. **BUT SEE LATER** The most recent revaluation came into effect in England and Wales on 1 April 2010, based on rateable values from 1 April 2008. The 2 year gap is to allow time for appeals. NB The 1st April 2015 RV's have been assessed but the list has not yet been released by the VOA
- ▶ Rental valuations are carried out at specific dates – ie, current – or as specified in a rent review clause or lease renewal date. There is no requirement to value everything at the same date, ie, 1st APRIL 2008 (or 1st APRIL 2015)
- ▶ Rateable value is based on the property as it physically exists
- ▶ REBUS SIC STANTIBUS - value as it stands, ie, as is
- ▶ **RATEABLE HEREDITAMENT** may include plant and machinery and chattels,
- ▶ The rateable value takes account (and adds value for) any improvements made to a property (ie, plant such as air conditioning) – whereas no account is taken of any tenants improvements (unless the lease provides for this)
- ▶ Rental value may be based on an entirely hypothetical unit (as defined in the lease – EXAMPLE USC store at The Plaza Oxford Street) ie, not as it stands BUT as it is defined in the lease

RATEABLE VALUE & RATES PAYABLE

- ▶ WHAT IS THE DIFFERENCE
- ▶ A RATE IN THE £ IS APPLIED TO THE RV TO DETERMINE THE RATES PAYABLE (before any transitional relief is applied)
- ▶ THE RV`s ARE ESTABLISHED QUINQUENNIALLY (5 YEARLY) **normally**
- ▶ THE RATE IN THE £0.493 (with variations as below) IS SET ANNUALLY BY GOVERNMENT IN LINE WITH INFLATION
- ▶ SO IF RV IS £50,000 RATES PAYABLE WILL BE £24,650 IN SAY READING

Current multipliers					
	England		City of London		Wales
	Standard	Small business	Standard	Small business	Standard
2015/16	49.3	48.0	49.7	48.4	48.2

CURRENT RATING ISSUES

- ▶ THE LAST RATING REVALUATION WAS 1ST APRIL 2008 WITH THE LIST COMING IN TO EFFECT ON 1ST APRIL 2010
- ▶ THE DATE ADOPTED AS THE VALUATION DATE IS THE ANTECEDENT DATE
- ▶ THE VALUATION LIST COMES IN TO EFFECT 2 YEARS LATER, ie, that is when the new level of RV`s apply
- ▶ HOWEVER THE GOVERNMENT POSTPONED THE 1ST APRIL 2013 VALUATION DATE TO 1ST APRIL 2015
- ▶ SO THE NEW VALUATION LIST WILL COME IN TO EFFECT ON 1ST APRIL 2017
- ▶ THIS HAS CAUSED CONSTERNATION AMONGST RATEPAYERS WHO ARE PAYING RATES BASED ON VALUES AT THE HEIGHT OF THE MARKET 2008 AND WHO WANTED A REVALUATION IN THE WEAKER MARKET OF 2013 BUT NOW FACE A REVALUATION IN THE STRONGER MARKET OF 2015.
- ▶ WHERE RV`S ARE LIKELY TO FALL SIGNIFICANTLY (ie, NORTH EAST/NORTH WEST) THE RATEPAYERS WILL NOT SEE ANY CHANGE UNTIL APRIL 2017 AND EVEN THEN TRANSITIONAL RELIEF WILL MEAN ANY REDUCTION IS SPREAD OVER THE NEXT 5 YEARS
- ▶ VOA WERE DUE TO RELEASE NEW RV`S IN AUTUMN BUT DELAYED THIS

AGREEING & APPEALING RV`s

- ▶ PREVIOUSLY WHEN A NEW RV WAS SET ANY RATEPAYER COULD APPEAL THAT RV (but if the result was a higher RV than the existing RV then the new higher figure would apply)
- ▶ VOA WOULD EXCHANGE COMPARABLES WITH APPELLANTS - BUT WOULD NEVER SAY WHICH SPECIFIC COMPARABLES THEY RELIED ON
- ▶ APPEALS ULTIMATELY WERE DECIDED AT LANDS TRIBUNAL
- ▶ NEW PROPOSALS LIMIT OPPORTUNITY TO APPEAL
- ▶ APPELANT HAS TO PRODUCE FULL EXPORT WITH ALL COMPARABLES (A HIGH UPFRONT COST FOR RATEPAYERS) WHICH THE VOA WILL THEN CONSIDER BUT WITH NO GUARANTEE THAT THEY WILL AGREE TO THE APPEAL BEING PROGRESSED FURTHER

Q & A's

▶ WHAT CHANGES ARE PROPOSED SUNDAY TRADING HOURS ?

▶ [FEBRUARY 5, 2016](#)

▶ *Department for Business, Innovation and Skills has announced that the Enterprise Bill will empower local councils in England and Wales to relax Sunday trading laws.*

▶ New powers to devolve Sunday trading laws to local councils in England and Wales will permit them to 'zone' any relaxation in order to prioritise high streets and city centres.

▶ Enterprise Bill, which consists of a series of measures on Sunday trading.

▶ Sunday trading hours would be "entirely local."

▶ The Bill also includes increased freedom for shop workers in England, Wales and Scotland to opt-out of working on Sundays if they so choose - for example, for religious or family reasons.

▶ Under the relaxed Sunday trading laws, shop workers will only have to give one month's notice to large shops that they no longer wish to work on Sundays. Under the current arrangements, they are obliged to give three months' notice.

▶ Workers will have a fresh right to opt-out of working extra hours.

▶ Retailers can trade, customers can shop, staff can work; whilst Sunday remains a special day, different to other days, and shop workers can spend some time with their family."

▶ At present, large shops - upwards of 280 square metres - are restricted to opening for six hours between 10am and 6pm.

WILL A COURT MAKE A TENANT TAKE A 10 YEAR LEASE WHEN THEY ONLY WANT A 5 YEAR LEASE ?

- ▶ Generally NOT.
- ▶ Courts are reluctant to impose longer lease terms than tenants want to take
- ▶ But see Iceland Foods Limited v Castlebrook Holdings Limited 2014
- ▶ Supermarket in Cheshire occupied by Iceland for 20 years. Iceland sought a renewal lease of the premises for a five-year term. It argued that the volatile market conditions meant that a shorter term of five years would be appropriate. Landlord argued for a 15-year lease term. Other supermarkets in the locality had recently been let for 15-year lease terms.
- ▶ Court determined that the renewal lease should be for a term of 10 years.
- ▶ A reasonable balance between the tenant's need for flexibility and the landlord's desire to protect its investment.
- ▶ Earlier case in Norwich involving Tesco who wanted a 10 year term with tenant only break at 5th year. Court heard that Tesco had no evidence that they had exercised any 5 year breaks - and so did not grant them a 5 year break.

ARE PRE-PACKS FAIR ?

- ▶ WHAT IS A PRE-PACK ?
- ▶ BRANTANO PURCHASED IN OCTOBER 2015 BY PRIVATE EQUITY FIRM ALTERI
- ▶ BRANTANO HAD 140 SHOPS AND 60 CONCESSIONS ACROSS THE UK, EMPLOYING ABOUT 2,000 STAFF.
- ▶ ON 21st JANUARY 2016 ALTERI PUT BRANTANO IN TO ADMINISTRATION
- ▶ ACCOUNTANTS PRICE COOPER WATERHOUSE (PCW) APPOINTED
- ▶ FEBRUARY 2016 PCW ANNOUNCE THEY HAVE AGREED A PRE-PACK WITH ALTERI
- ▶ ALTERI TO TAKE 81 SHOE STORES AND 59 CONCESSIONS IN THE UK - 1,372 JOBS SAVED
- ▶ 58 BRANTANO STORES NOT BOUGHT BACK BY ALTERI - MORE THAN 600 EMPLOYEES TO LOSE JOBS.
- ▶ ALTERI, WHICH SPECIALISES IN TURNING AROUND RETAIL BUSINESSES FACING FINANCIAL PERIL, BOUGHT ANOTHER SHOE SELLER IN JONES BOOTMAKER AS PART OF THE DEAL THAT INITIALLY SAW IT TAKE OWNERSHIP OF BRANTANO.
- ▶ HOPES ARE THAT THE 57 STORES AND ONE CONCESSION THAT WERE UNTIL RECENTLY RUNNING AS BRANTANO OUTLETS WILL SOON BE SOLD TO NEW OWNERS WHO CAN USE THEM AS RETAIL SITES FOR THEIR OWN PURPOSES.
- ▶ “FOLLOWING THE ACQUISITION OF JONES AND BRANTANO IN OCTOBER LAST YEAR, AND A SUBSEQUENT REVIEW OF BRANTANO, IT WAS CLEAR THAT THE BUSINESS REQUIRED FUNDAMENTAL RESTRUCTURING,” SAID GAVIN GEORGE, ALTERI’S CHIEF EXECUTIVE IN A RECENT STATEMENT.
- ▶ “EVERY ACTION POSSIBLE WAS TAKEN TO RESTRUCTURE THE BUSINESS ON A SOLVENT BASIS INCLUDING EXTENSIVE RENEGOTIATIONS WITH LANDLORDS,” SAID MR GEORGE.
- ▶ “UNFORTUNATELY THE LANDLORDS WERE UNABLE TO REVISE THEIR TERMS TO A VIABLE LEVEL, AND WITH THE ADDITIONAL COMPLEXITY BROUGHT ON BY THE INSOLVENCY OF PREVIOUS PARENT COMPANY MACINTOSH RETAIL GROUP, ADMINISTRATION WAS THE ONLY ROUTE AVAILABLE.
- ▶ “THE RESTRUCTURED BUSINESS IS WELL PLACED FOR FUTURE DEVELOPMENT AS AN OUT OF TOWN, FAMILY FOOTWEAR SPECIALIST AND BOTH JONES AND BRANTANO ARE NOW ABLE TO MOVE FORWARD ON A SOLID FINANCIAL AND STRATEGIC FOOTING.”