



BRITISH PROPERTY
FEDERATION

1 Warwick Row
7th Floor
London SW1E 5ER

T: 020 7828 0111
F: 020 7834 3442

E: info@bpf.org.uk
W: www.bpf.org.uk

The following are our largest member companies or are represented on our Board or Policy Committee:

Annington Homes Ltd
Argent Group plc
AXA REIM UK Ltd
Bank of Scotland Corporate Banking
Bee Bee Developments Limited
Big Yellow Group Plc
The British Land Company PLC
Brixton plc
Cadogan Estates
Canary Wharf Group Plc
Capital & Regional Plc
CB Richard Ellis
Credit Suisse
Crown Estate
Cushman & Wakefield
Delancey Real Estate Asset Management Ltd
Derwent London plc
Dorrington PLC
DTZ
F&C Property Asset Management plc
Frogmore Property Company Limited
Goodman Property Investors
Grainger plc
Great Portland Estates Plc
Grosvenor
Hammerson Plc
Helical Bar Plc
Henderson Global Investors
Hermes Fund Managers Limited
Hunter Advisers
Invista Real Estate Management Limited
Jones Lang LaSalle
KPMG LLP
Land Securities Group PLC
Legal & General Property Ltd
Lend Lease Corporation Ltd
Liberty International PLC
Linklaters
Lovells LLP
Macdonald Estates
Morgan Stanley
Morley Fund Management
Prudential Property Investment Managers Ltd
Quintain Estates and Development Plc
Redevco UK
Regeneration Investments Limited
Residential Land
Schroder Property Investment Management Ltd
Scottish Widows Investment Partnership Limited
SEGRO plc
St Martins Property Corporation Ltd
Standard Life Investments Ltd
Stockland Halladale
Threadneedle Property Investments Limited
Warner Estate Holdings Plc
Westfield Group
Workspace Group PLC

Backbench revolt over empty rates

A back bench rebellion is growing over the government's decision to charge full business rates on empty commercial property.

At least 35 MPs, led by Linda Riordan, Labour MP for Halifax, have signed an early day motion (EDM) calling for the tax to be scrapped.

From 1 April 2008, owners of empty industrial buildings had to pay full rates after six months whereas before they got full relief. Office and shop owners had their relief totally cut from 50%, enforced after just three months.

As part of an ongoing campaign against the levy, the BPF set up a hotline for firms to contact with evidence of how paying empty rates has affected them. The address is: info@emptyrates.com.

Chris Mullin MP, Labour MP for Sunderland South, who was instrumental in freeing the Birmingham Six, warned last month that the tax would be disastrous and would send firms bankrupt within months.

Mr Mullin said: "The way forward is clear: local authorities must be given the discretion to apply common sense and relieve rates on unused and underused property. If disaster is to be averted, that will need to be done quickly, because the bills have already been sent out and the court orders for non-payment are already being applied for."

Liz Peace, chief executive of the BPF, said:

"This EDM represents the growing discontent over the removal of empty rate relief. The support of Linda Riordan and other colleagues is most welcome. We hope that the property industry can continue to support the BPF's mission to gather evidence to portray a true picture of the effects of this tax. We still want those affected to email info@emptyrates.com with evidence of the consequences."

Halifax Labour MP Linda Riordan said: "The removal of empty property rate relief is a tax on hardship which hit just as the property market needed a kick start. It's an added tax burden paid for by those whose properties are not making them an income. But the unwanted consequences have been felt most by disadvantaged areas where investment has been most needed.

"The government's commitment to build more affordable homes is something I applaud, but this must be linked with a commitment to look again at the effects on regeneration. Halifax has numerous empty properties, but it's not fair that hardworking local businessmen should be hit with an extra tax burden when they've taken personal risks to build their businesses, tirelessly contributing to the local economy.

"We need to ensure the conditions are right for investment in our local communities. This is why I am happy to support the British Property Federation's campaign against empty rates. I now want the Government to look again at this issue, move up a gear, and help rather than hinder the speed of regeneration and housing projects across the country."

Registered number:
778293 England

Registered office:
1 Warwick Row 7th Floor
London SW1E 5ER

For more information, interviews or anything else please contact Andrew Teacher, the British Property Federation head of media, on 07968 12 45 45 / ateacher@bpf.org.uk

A full background brief on this story along with some useful press clippings is included further down the release.

Notes for editors

The EDM said:

“This House urges the Government to exercise its power... to reintroduce empty property rate relief immediately in response to the world economic downturn and worsening conditions in the property market...The withdrawal of the relief is having unintended consequences such as creating unnecessary financial hardship for people with small businesses, compromising regeneration schemes and constraining the supply of affordable commercial property.”

The full list of MPs currently signed up to the EDM can be read here:
<http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=36387&SESSION=891>

If the EDM receives enough support it can push the issue to be formally debated in parliament.

The British Property Federation believes:

Rates are a tax for the provision of local services. By definition, empty buildings make little demand on local services. Businesses should not be taxed for services they don't receive and the BPF believes that compromising on 50% relief represents a fair solution.

Empty rates are a tax on hardship. They tax individuals and companies when they are making a loss, rather than a profit, through properties lying empty.

During a downturn, both rents and capital values fall, so there is no reason for a landlord to keep a building empty. Buildings are empty because of a lack of demand.

Government logic that empty rates will lead to lower rents is – in the great majority of cases – nonsense. As we are seeing, during a downturn, rents fall without government intervention.

Speculative developments and regeneration projects will be shelved in the current economic climate, causing rents to rise in the future as the supply of property will be reduced.

Buildings nearing the end of their life might previously have been let at modest rents on a short term basis, before redevelopment. Empty rates are causing many landlords in that situation to simply demolish early. This will reduce the supply of affordable property just when many small businesses might need it. It contradicts the government's green policy.

It penalised any business refurbishing their premises who takes longer than three months, which also totally contravenes pledges to help make property more sustainable and lower emissions.

Economically competitive countries ensure that businesses have low fixed costs and high variable costs. Empty rates increase the proportion of fixed costs for businesses. Companies generally like to structure their operations in a way that a high proportion of their cost base can be varied according to demand for their products. The impact of empty rates is that even if a company moves out of a factory, a shop or offices, it still has the fixed cost of empty rates to pay.

When companies consider which country they should choose for their international operations, they normally target countries where legislation and regulations means that they have low fixed costs (ie flexibility in how they run the business).

The government invests millions of pounds through Regional Development Agencies to promote development to support local employment initiatives. The added burden of empty rates will undo a lot of the work of RDAs since it will reduce the redevelopment of deprived areas in the regions.

Empty rates risk turning foreign investors away and undermining the credibility of the UK's listed property sector.

Media background

Today Programme

<http://www.bpf.org.uk/pdf/21129/0624%20hrs%20%20Liz%20Peace%20%2010July08.mp3>

The Daily Telegraph

<http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2008/07/07/cnempty107.xml>

The Times

http://business.timesonline.co.uk/tol/business/industry_sectors/construction_and_property/article3656102.ece

Property Week

<http://www.propertyweek.com/story.asp?sectioncode=297&storycode=3119187>

Bloomberg 'Property and Politics'

http://www.youtube.com/watch?v=Q3Be0p_ePBI

BBC TV

<http://www.youtube.com/watch?v=iiF9I9PbXi4>

Retail Week

http://www.retail-week.com/Property/2008/04/empty_property_rates_mean_bad_news.html