

COMMERCIAL PROPERTY MARKET SET TO TAKE SLOWDOWN IN ITS STRIDE



Local industrial/warehouse market remains steady. Two modern units on Meridian Way have attracted a lot of enquiries.

The commercial property sector will ride a late 1990s economic slowdown far more successfully than it coped with the slump at the end of the '80s.

That is the conclusion of the latest Commercial Property Survey of England & Wales published by the Royal Institution of Chartered Surveyors (RICS) for the second quarter of 1998.

The survey, to which Bowyer Bryce contribute, reports the views of over 200 chartered surveyors on all sectors of the market across the country but in our experience national trends may not necessarily reflect the regional or local market.

The survey shows that demand from occupiers remains healthy, if cautious, with only the industrial sector showing a reduction in the level of new lettings. While confidence in commercial property among chartered surveyors has dropped over the quarter, the net balance is still in the positive, which means that more respondents to the survey are expressing optimism, rather than pessimism.

Industrial agency partner, Ian Harding, explained; 'demand from distribution and hi-tech businesses for good quality units of all sizes remains strong. This is highlighted by the level of enquiries we received for two modern units on the Valleylink Estate, Meridian Way, (illustrated) which attracted a lot of interest. With new developments coming on stream it is an exciting time for the Lee

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LABOUR DILUTES ELECTION PLEDGE BUT BUSINESSES STILL FACE COUNCIL RATES LEVY

The Government in its election manifesto pledged to undertake a review of the rating system to return a degree of control to Local Authorities which could bring about a return to businesses funding high spending Councils.

Following consultations by the Department of the Environment, Transport and the Regions (DETR) the Governments' proposals have now been diluted but still include a supplemental local levy.

Whilst the general concept of the UBR will be retained, it is proposed to allow Councils to increase the rate locally by 1% per annum to a maximum of 5%. Local authorities meeting certain Government targets will be permitted to increase the additional charge up to 10%. It is also possible that many occupiers could even face a further 2% surcharge if they have to subsidise the additional allowances promised

for small businesses.

The White Paper states that local authorities will have to consult and obtain agreement from business before implementing additional charges. It is proposed that after some consultation between business and councils, arrangements will be agreed at a Business Stakeholder Meeting convened by the authority which all business ratepayers would be eligible to attend and vote.

This may sound like a case of turkeys voting for Christmas but the intention would be that businesses could vote to raise funds to enable a Local Authority to carry out works, such as road improvements, that are of benefit to businesses and that might not otherwise be undertaken or could be a long way down the Council's list of priorities

If approved the proposals are however unlikely to take effect before the proposed revaluation in 2003 - but watch this space.

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BUSINESS RATES REVALUATION 2000

On 1 April 2000 new rateable values for 1.7m non domestic properties in England and Wales will come into effect but the process has already started.

The rateable value of your property is based upon an estimate of the open market rental value as at 1 April 1998. As we reminded readers in an earlier edition of Business Benefits, if you have a rent review or lease renewal effective from around that date it is important that a correct level of rent is assessed - even if the rent review is "upward only". (Contact professional Partner Ray Arrowsmith if you need further advice).

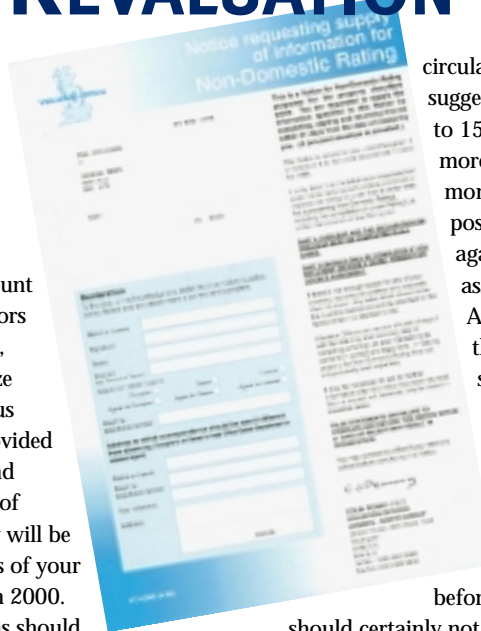
The Valuation Office Agency (VOA) has begun the initial stages of REVAL 2000 with the issuing of 'Notices requesting supply for information for Non Domestic Rating' (illustrated).

One of the significant changes for this revaluation is an attempt to reduce the bureaucratic burden on rate payers by simplifying the forms and only issuing them where they believe they may obtain useful rental information. Judging by the number of forms we are receiving from clients this does not appear to be working! In the event that the VOA get a whiff of anything useful they can issue a supplemental form requesting more information.

The most comprehensive and reliable information collected is used to assess new rateable values taking into account a variety of factors such as location, specification, size and age etc. Thus information provided today by you and other occupiers of similar property will be used as the basis of your rateable value in 2000.

"These forms should be completed accurately" says rating Partner Steven Murray, "but many occupiers unwittingly make statements which may be correct but can be misinterpreted to their disadvantage. We have created templates of the forms on our computer systems enabling us to process these accurately and efficiently and return them to the VOA." If you require any assistance in the completion of these forms please let us know - this is completely without charge.

The draft revaluation list will be issued in December 1999 and will come into effect on 1 April 2000. Many so called 'rating consultants' are already



circulating letters suggesting increases of up to 150% which is nothing more than scare-mongering. It is not possible to appeal against the new assessment before 1 April 2000 and therefore occupiers should not be hoodwinked by these 'consultants' who are already offering to appeal against the new assessment, even

before it is published! You should certainly not part with hard earned cash. Most reputable firms of surveyors do not seek up front payments or deposits and if you have any doubts as to the integrity of a firm you propose instructing then we suggest that you contact the Royal Institution of Chartered Surveyors on (0171) 222 7000.

Until 1 April 2000 it is still possible to appeal against your current assessment and if you would like advice on this, without obligation, then contact Steven Murray.



Rating Partner
Steven Murray

MARKET SURVEY

(Continued from page 1)

Valley.' Sadly, as reported in the last issue of 'Business Benefits', manufacturers' concerns over the strength of Sterling are still causing falling confidence and a tendency to seek more economic premises. Ian adds; 'a good example is the rag trade which is suffering due to competition from the far east. Many of our clients in engineering are also finding stiff competition from Italy.'

Confidence in the retail sector has slipped, reflecting lower levels of sales across the country. The most startling feature is the collapse of confidence in

Central London, hit hard by the effect of the strong Pound on all-important tourist spending.

Trevor Clayden, head of retail agency at Bowyer Bryce says 'we have seen a similar trend for prime shops but demand for units in more secondary positions remains strong particularly for restaurant uses where demand continues to outstrip the availability of units with planning consent'.

Trevor, who also deals with residential land sales, added; 'developers are not as bullish as they were twelve months ago but demand for residential land remains strong as evidenced by the interest for a site in Enfield which we recently sold to a Housing Association for special needs accommodation.'

The RICS survey shows that confidence in the office property market has dropped, but claims that this is due mainly to perceptions of the slowing of general economic growth rather than to any specific weaknesses in the sector.

Gary Richards, our office agency surveyor, reports that demand is healthy, although there is a general shortage of good quality space which is pushing up demand for secondary property. 'Reasonable suites can still be obtained for less than £10 per sq ft' says Gary.

Traditionally the market is quieter during July and August but as the schools went back so we experienced a noticeable increase in activity - its back to business as usual!



Our mission...

... to benefit business by
maximising the value of
property assets and
minimising occupational costs.

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V.A.T.

Liability for VAT on property transactions is a minefield. Keith Thompson, Partner of Vanderpump & Sykes, Solicitors, offers some valuable advice.

Like any complex story it is difficult to know where to start when advising on the impact of VAT on land and property transactions.

As a general rule it is probably still true to say that any grant, assignment or surrender of any interest in land is exempt from VAT. Thus the sale of a freehold or the grant of a lease is generally exempt (i.e. you don't have to charge VAT on the supply to the purchaser or the lessee). I hear you asking what all the fuss about. The fuss is two-fold.

Firstly the existence of an exempt supply can be a nightmare. If the supply is exempt it means that any input tax you have incurred which is attributable to that supply is irrecoverable (input tax being the tax you pay on goods and

services supplied to you). Thus the VAT you paid on your solicitor's and surveyor's fees in relation to your purchase or on building services to put the building in repair prior to sale would be irrecoverable.

Secondly, there are a number of exceptions to the basic rule that supplies of land are exempt. An example of an exception would be the sale of the freehold of a commercial building that is less than three years old. This will be a standard rated supply and thus you must charge VAT. Another example is the sale of the freehold of a Listed Building which has been substantially reconstructed. This is zero rated for VAT purposes (i.e. you charge VAT at 0% and you may reclaim your input tax).

Because exempt supplies can be so disadvantageous you are now able to tell Customs & Excise that you want to waive exemption and charge tax on an otherwise exempt supply of land (called "exercising your option to tax"). Whilst you have to charge VAT at the standard rate it has the advantage of allowing you to reclaim any attributable input tax. This, however, is also a complex area because there are a number of occasions

when the option will have no effect.

So, what happens if a mistake is made? If you have failed to charge VAT and have made no contractual provision for recovery, you cannot recover the VAT. You will, however, have to account to Customs & Excise for VAT from the sum you receive. If this isn't bad enough there is also the problem of misdeclaration in that even if you innocently misdeclare your VAT position it is possible for Customs & Excise to impose a misdeclaration penalty. To add insult to injury they may also claim interest on the VAT which should have been paid when they raise the assessment.

All in all, VAT is an important area in any land transaction and you should ensure that you are properly advised before you put your toe in the water.

For further advice Keith Thompson may be contacted at:
Vanderpump & Sykes Solicitors
Lough Point
Gladbeck Way
Enfield EN2 7JB
Tel: 0181 366 9696
Fax: 0181 367 6252

PARTY WALLS - What's all the Song & Dance?

Party Wall procedures it seems started in the first century BC when it was suggested "...in the case of buildings having party walls...householders may be careful not to leave disputed points to settle after the works are finished".

As in all things, life has moved on and the law was eventually consolidated in the London Building Act of 1894 and subsequently in 1930 and what became well known as the dominant Act was passed in 1939, The London Building Acts (Amendment Act). It is that Act upon parts of which the Party Wall Etc Act of 1996 are largely modelled.

Broadly speaking the 1939 Act related only to party structures within the former Inner London Boroughs but the 1996 Act extends throughout England and Wales. The Act defines the right of owners and the duties of their surveyors in the event of a dispute arising, but essentially an owner cannot do what he likes with his own part of the wall and yet he can use his neighbour's part without permission, providing his neighbour's rights are protected.

At an early stage of considering party structures there is an important distinction to make, in that a surveyor appointed by either owner does not enjoy the usual "client and agent" relationship. It is a

statutory relationship and it is the surveyors duty to see that the requirements of the Act are properly complied with. That is why party wall surveyors often use the expression "appointing owner" rather than client. In many senses their duty is to "the wall" rather than to the person who appoints them.

Whilst the Act itself can be procedurally complex, it is legislation that building owners, who wish to carry out works that will affect or are close to a party wall, should take into consideration with their advisers at an early stage. Similarly adjoining owners, that is neighbours of someone carrying out work in those areas, should also be aware of the Act.

If an owner wishes to carry out work to a party wall, which includes underpinning, then Statutory Notice needs to be given to the adjoining owner. If work is to be carried out to a property that does not directly affect a party wall but a building owner proposes to put foundations, for example of an extension, below those of the adjoining building and within three or six metres then again Notice should be given to the adjoining owner. The service of Notices brings into effect the procedures of the Act. If the adjoining owner remains silent for a period of 14 days after service of the Notices then he is deemed to dissent to the works and a "dispute" has arisen. It should be stressed that the word "dispute" does not necessarily imply disagreement between

the parties. They may be on, and wish to maintain on, friendly relations. It merely means that the provisions of the Act come into force with a view to protecting the interest of both parties.

Procedurally, once the dispute has arisen then both parties appoint a surveyor who agree the terms of what is known colloquially as a "Party Wall Award" and this usually includes a schedule of condition recording the condition of the adjoining owners property. This is to protect that adjoining owner in the event that the work causes some damage to his property. The Award contains procedures for making good those works, how the work is to be carried out and also deals with payment of fees. In this instance both parties costs are normally met by the building owner.

Clearly this is very much a summary and simplification of the Act which applies equally to business as it does to residential property and therefore owners, be they freeholders or leaseholders, should be aware of their rights and liabilities.

As in all such matters independent professional advice is recommended and should a situation arise where you need to discuss the principles of the Act then contact Professional partner Ray Arrowsmith.



Professional Partner
Ray Arrowsmith

GRANTS CONFUSION TO BE CLEARED UP

What have SMART, RSA, OBJECTIVE 2 AND SRB5 got in common? Answer - they are all types of grant which are presently available directly or indirectly to businesses in the Lee Valley.

However, in our experience most businesses are quite understandably totally confused by what's available and their eligibility.

With this in mind we have been making representations through the Chamber and Manufacturer's Action Group to produce clearer information.

In the meantime here's a quick run down;

SRB5 - Single Regeneration Budget - Round 5. UK Government funding £1 for £1 paid to Councils and Tecs for projects undertaken in Partnership with local businesses.

ERDF - European Regeneration Development Fund (Objective 2). This is funding from Europe for projects, such as infrastructure works, which will facilitate private sector development and have a benefit to the public.

RSA - Regional Selective Assistance. All businesses within the Assisted Area are eligible for up to 15% of the costs of any project which could be R & D, new plant & machinery or property related which protects or generates employment.

SMART - Small firms Merit Award for Research & Technology. For helping to develop new products and ideas ie innovation.

The Enfield Business Initiatives Team are working to improve the information available to businesses and we have offered to play a role in communicating the information to businesses through contact with clients. In the meantime the EBI Team can be contacted on 0181 443 5090.

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