Accessible Retail Conference
2010 Rating Revaluation

15th October 2009

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Out of Town Retail Warehousing

AR Conference 15th October 2009

- **What is happening?**
  - Business Rates - a tax in context
  - Key Dates for the Current List and Revaluation
  - What is relevant now
- **2010 Revaluation**
  - How will this affect liability?
  - Rateable Value movements
  - Rate liability changes
  - Transitional arrangements
- **The Future holds ?**
  - What's around the corner ?
  - Next Steps

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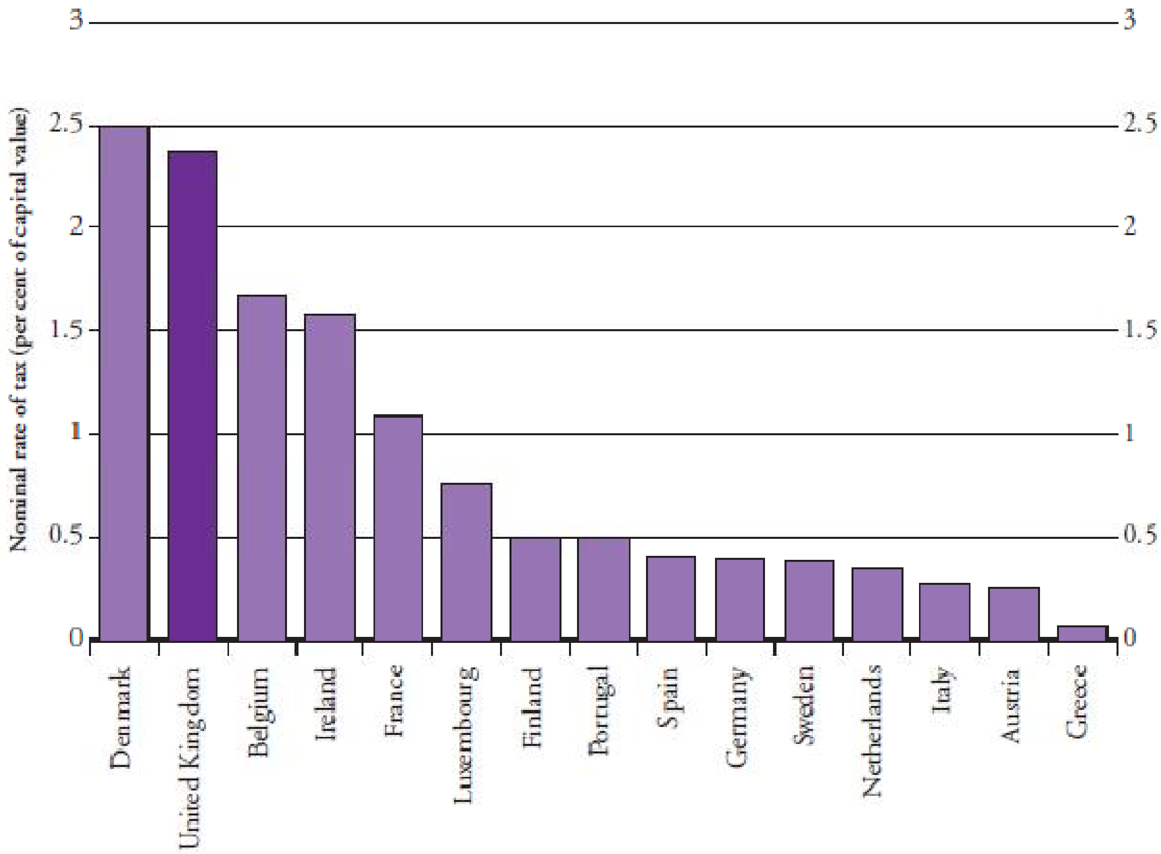
Current Issues – Business Rates

- Business Rates are a property tax which the occupier or owner of non domestic land and property is liable
- As a whole, business has been protected from real-term increases in rates because of legislation
- Business rates are a significant tax

Business Rates 2006/07	£18.4 billion
Corporation Tax 2006/07	£47.5 billion

Lyons Enquiry into Local Government March 2007

Current Issues – Business Rates



Source: Company Taxation in the Internal Market, European Commission staff working paper, 2001.

- Comparison of EU property tax rates second only to Denmark

Key Dates for the Current List and Revaluation

DATE	Event	FTSE	MLR	LIBOR
2005	B&Q announces it is curtailing the development of its Warehouse format			
22 June 2007	Bear Stearns reveals it has spent $3.2 billion on bailout of its hedge funds Ben Bernanke warns that the sub prime crisis could cost up to £$100 bn	6567.4	5.5%	5.94%
4 September 2007	LIBOR historic high	6271.2	5.75%	6.8%

Key Dates for the Revaluation

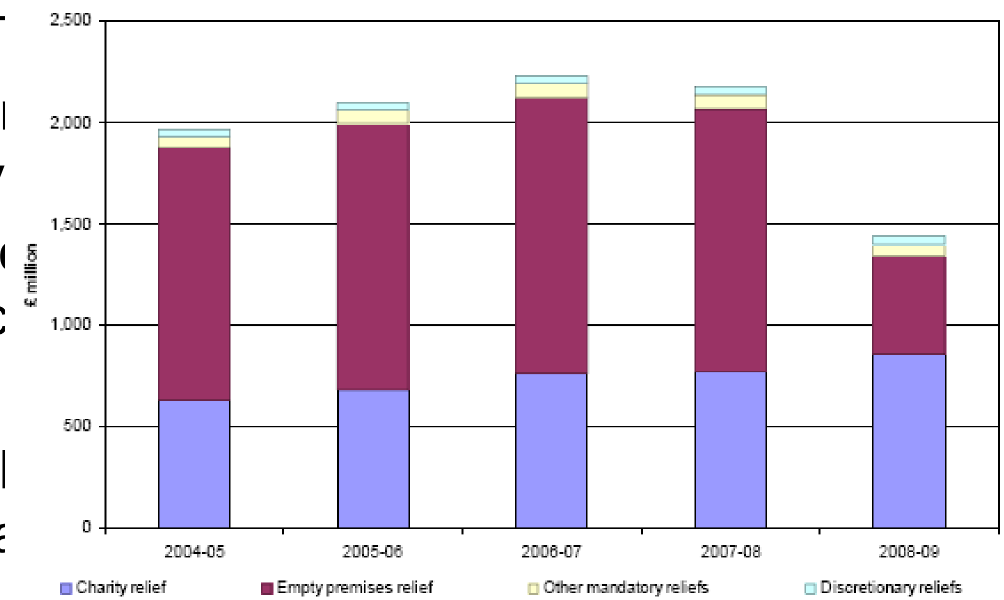
DATE	Event	FTSE	MLR	LIBOR
13 September 2007	BBC reveals that Northern Rock has sought and obtained financial support from the UK Government	6363.9	5.75%	6.88%
17 February 2008	Alistair Darling announces that Northern Rock will be nationalised	5787.6	5.25%	5.65%
1 April 2008	Antecedent Valuation Date	5852.6	5.25%	6.00%
26 September 2008	Rosebys placed into Administration	5159.7	5%	6.26%

Key Dates for the Revaluation

DATE	Event	FTSE	MLR	LIBOR
6 November 2008	Bank of England cuts interest rates by 1.5% to 3%. Euro zone, Russia, US, Japan etc are now all officially in recession	4272.4	3%	5.56%
26 November 2008	MFI into administration Woolworths the next day	4226.1	3%	3.93%
5 February 2009	Bank of England cuts rates	3529.9	0.5%	2.14%
17 July 2009	Allied Carpets placed into Administration	4388.8	0.5%	0.96%

What is relevant in Business Rates ?

- During the 2005 Rating List we have seen a number of significant changes
- The introduction of Empty Property Rates Liability from 1st April 2008, (also the AVD for the 2010 Rating List)
  - Offices/Retail now only entitled to 3 months void
  - Industrial only entitled to 6 months void
  - -



- A Busi… 5% for liability
- The m… nd an unprec… its
- Which
- Appeal… til 31st Ma…

What's happening 2010 Revaluation

- 7442 Properties described as Retail Warehouse
- Less than 0.4% by number

- The revaluation will see

  Retail Warehouses :

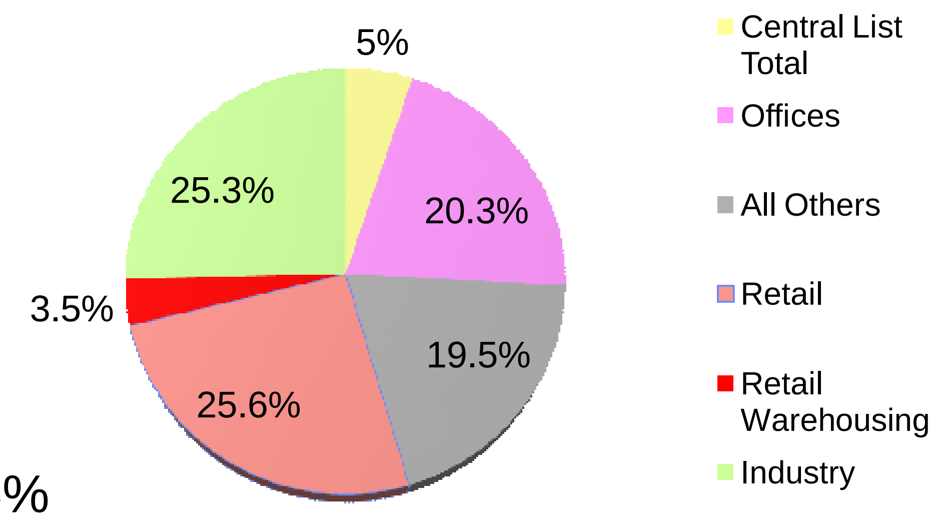
  5791 average increase 24.5%

  1031 no change

  611 average decrease 9.65%

- Lisa – the VOA assistant

RV by Sector



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2010 Revaluation

- The Revaluation as currently published
  - Provisional UBR of 41.3p compared with 48.1p currently

Impact by Sector	Liability Change
Industrial	0.8%
Office	7.6%
Retail	12.4%
Other	2.6%

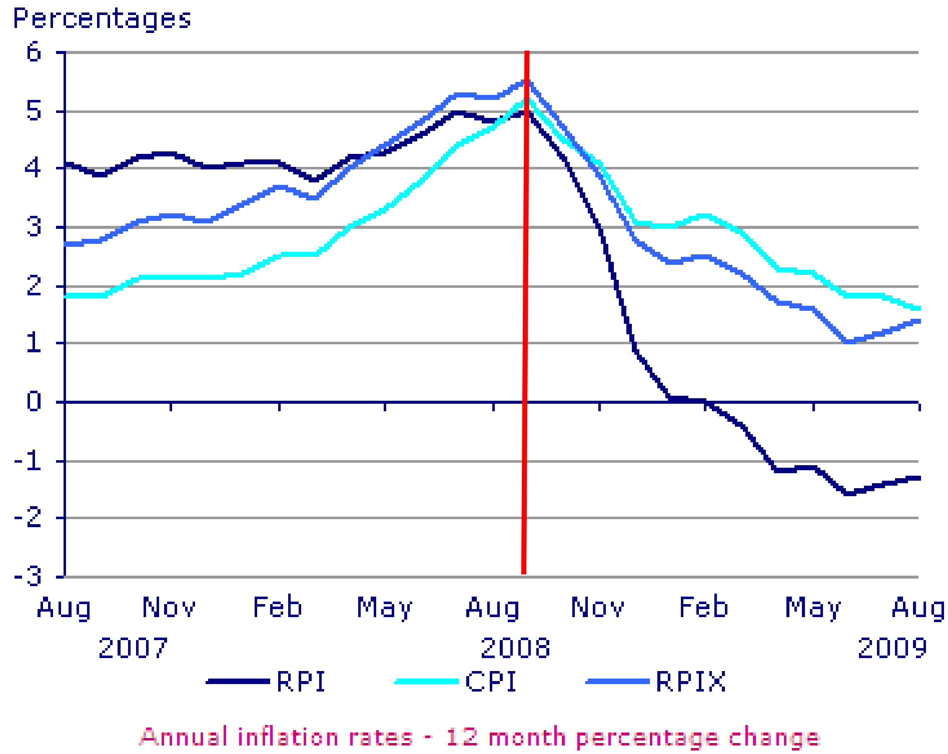
Impact by Region	Liability Change
London	+2.2%
East Midlands	-1.0%
Eastern	-1.7%
North East	+5.6%
North West	-2.4%
South East	-0.8%
South West	+0.5%
West Midlands	-2.3%
Yorkshire & Humberside	-0.8%

- Significant increases in London Offices Expected (up to 20%)
- Substantial increases in the Food Sector (12%) and some Out of Town Retail
- Prediction of a 1% increase in “All Retail” classes is likely to be masked by bigger increases in prime locations

Current Issues – Inflation RPI

- Inflation peaked in September 2008
- A quick fall followed with 0% RPI in Feb 2009
- So significant that the Business Rates Deferral scheme was required.
- This weeks inflation figures will form part of the decision on liability for 2010/11

July 2009	-1.6
August	-1.4
September	???



Source: National Statistics, 15 September 2009

Transitional Relief (Phasing) / Surcharge (Tax)

- The 2005 Scheme was supposed to be revenue neutral but in the end cost £1 billion
- The aim of transition is to smooth in the financial impact
- Setting limits by which business rates can increase, but it has to be self funding therefore financed by those who see decreases.
- There has been a consultation process with a preferred option

Option 3 Governments Preference	2010/11	2011/12	2012/13	2013/14	2014/15
Large Hereditaments phased up	12.5%	17.5%	20%	25%	25%
Large Hereditaments phased down	-4.6%	-6.7%	-7%	-13%	-13%

- How can business sensibly budget with such uncertainty about their liabilities

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Impact of the 2010 Revaluation

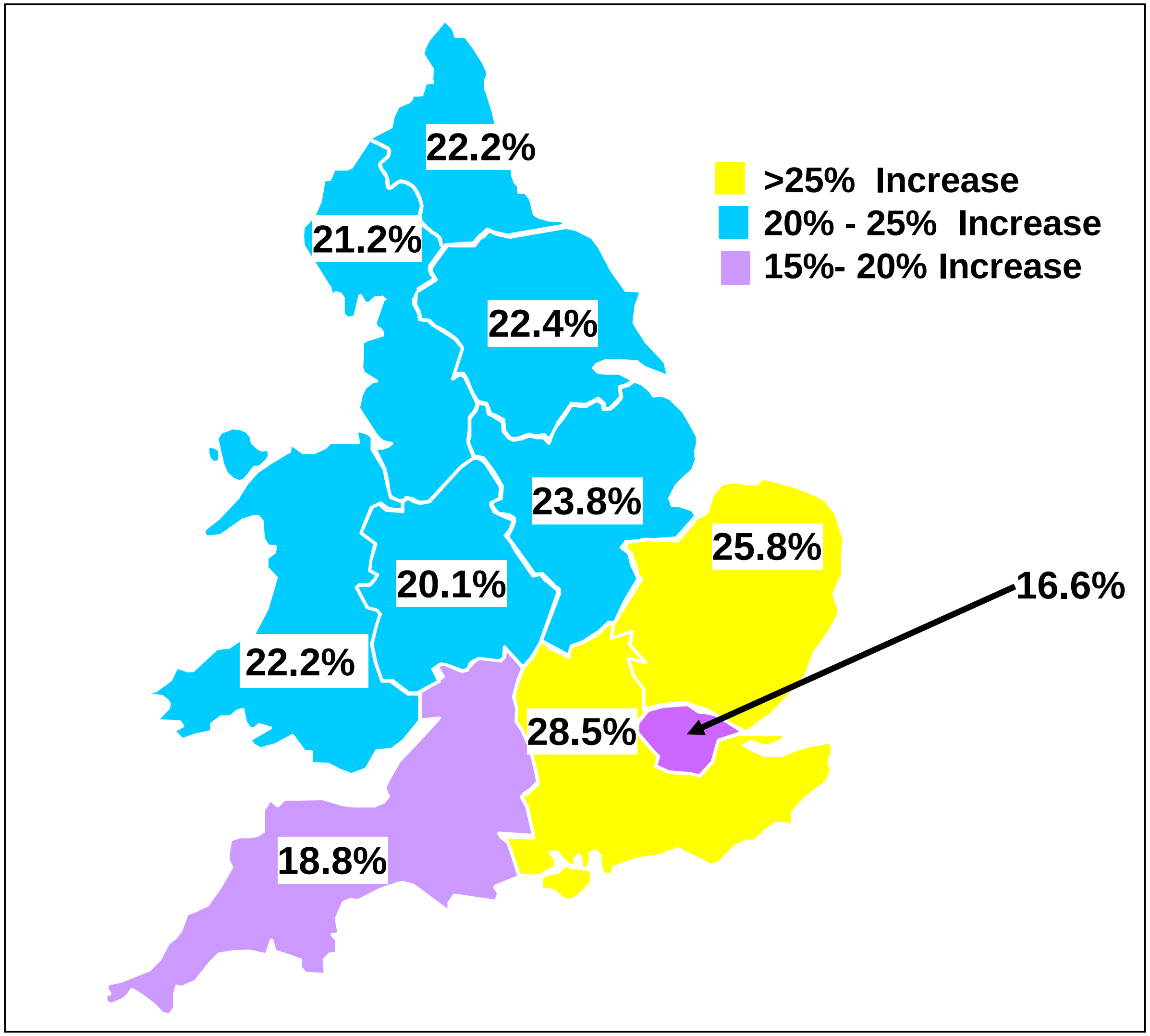
- Estimated Change in Liability by Sector (E&W average)

Sector	Overall Rental Growth 01/04/03-31/03/08*	Change in Rate Liability 2009/10 to 20010/11**	Change in Rate Liability 2009/10 to 20010/11**
		Before Transition	After Transition
All Property	11.5%	0%	0%
Office	7.5%	5%	1%
All Retail	19.8%	1%	1%
Retail Warehouse	22.4%	-4%	0%
Industrial	5.8%	-9%	-3%

*GL Hearn / IPD

** DCLG figures and before inflation and other reliefs

Retail Warehouse Growth 2003 to 2008



Source GLH / IPD 08

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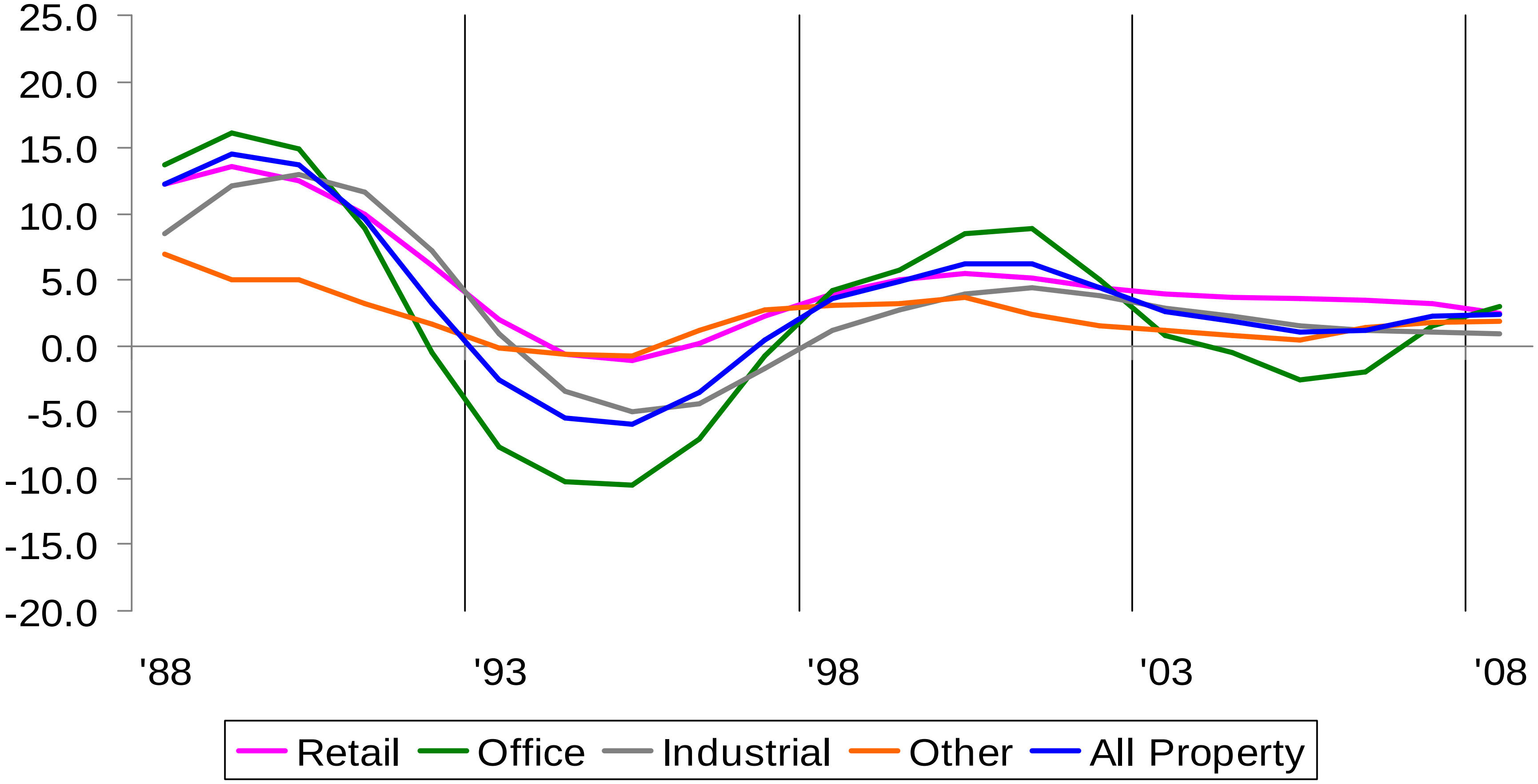
All Sectors 5-year rental change, % pa



IPD

Source IPD 09

Gallagher Retail Park Waterlooville, Hants

- Average Increase 126%

- Average unit :

2009/10 - £81,108	
2010/11 - £92,771	+14.3%
2011/12 - £110,875	+19.5%
2012/13 - £135,380	+21.2%
2013/14 - £164,729	+21.7%

Short term winner

Long term loser

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Changing Retail / Development

- Two Retail Warehouse units surplus to requirements following the opening of a new development
- A Material Change in Circumstances
- Demand for the old units is limited
- 50% drop in 2010 Rateable Value
- Average Rate Liability remains

2009/10	£114,000
2010/11	£109,000


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How it affects others ?

- FA Cup Finalists in 2003/4
- Dropped from Premiership 2005
- League One in 2009
- Rateable Value 2005 £1.16m
- Rateable Value 2010 £545k
- 53% fall in Rateable Value
- You'd think they were finally winners?
- Option 3 Transitional Scheme a surcharge cap applies for five years
- Transitional Surcharge of £1.15m over five years. Net Losers !

Winners or Losers ?

- Top flight Premiership Team
- Rateable Value 2005 £3.8 m
- Rateable Value 2010 £7.6 m
- 99% increase in Rateable Value
- Potentially benefits from Transitional Relief of over £2m in the first three years.
- Net Gainers ?

Rate Liability

2009/10	£1.84m
2014/15	£3.43m

Nothings fair in this game !

Nor is anything certain until the final announcement in around mid November

What’s around the corner

- Business Rates Supplements
  - Only confirmed Supplement is Crossrail

  - Cost to London over an estimated 24-30 years
  - Scheme Cost £15.6 billion
  - Business Rates Supplement amounts up to 25% of the project cost
  - 5% increase with a proposed 2p in £ charge for all properties over £50,000 Rateable Value

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What's around the corner

- Business Rate Supplements
  - Can also apply in other areas
  - No other announced schemes yet !
  - Applies to 'Upper Tier' authorities(Unitary Authorities, County Councils)
- Car parking tax
  - A new "shopping tax" for parking spaces
  - Whilst aimed at encouraging walking or public transport and the green agenda would it merely be passed on by retailers ?

Next Steps

- Announcement Mid November:
  - Transitional Arrangements
  - Uniform Business Rate
  - Small Business Rate Relief
- Draft List Representations
  - Can be made now until end of March 2010
- Appeals
  - Can only be submitted from 1st April 2010
- Demands
  - Expecting them to arrive mid February onwards

Summary

- 2005 Appeals are not finished yet
- Appeals through your advisor before 31st March 2010
- 2010 Revaluation is just around the corner
- Across all sectors there is a mixed picture
- Some winners, some no change, but also some significant losers
- Transitional arrangements will impact on liability
- Alert your business
  - Businesses have become used to increases being limited to RPI
  - A revaluation resets the process