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The *Rating (Empty Properties)* Bill

Bill 102 of 2006-07

The Bill implements a commitment in the March 2007 Budget to reform and reduce rating relief on empty non-domestic property in order to encourage owners to bring such property back into occupation. This follows recommendations in the Barker Review of Land Use Planning and the Lyons Inquiry into Local Government.

The Bill was introduced into the House of Commons on 10 May 2007 following the House's approval of a ways and means resolution. It is due to have its second reading on 7 June 2007.

The Bill extends to England and Wales only.

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Summary of main points

- At present, owners of empty non-domestic property in England and Wales are required to pay 50% of the business rates that would be required if the property were occupied. This empty property rate is imposed only after the building has remained unoccupied for three months. However, certain types of property, notably industrial and storage premises, receive full exemption for an indefinite period.

- Both Kate Barker's review of land use planning and Sir Michael Lyons's inquiry into local government recommended reform of the system of empty property rate relief in order to encourage owners to bring such property back into full occupation as quickly as possible. The Chancellor announced in the March 2007 Budget that, as from April 2008, empty properties would no longer pay 50% rates but would be subject to the full occupied rate once the initial three month rate-free period had ended. Industrial and storage premises would be subject to full rates after six months.

- The Bill paves the way for these changes. It increases liability to business rates for unoccupied properties from the current level of 50% of the occupied rate to 100% of that rate. However, the Secretary of State is given power to vary the empty property rate by any amount down to a minimum of 50% of basic liability.

- Periods of exemption and relief, and exemptions for specific types of property, are a matter for secondary legislation. Draft regulations will be subject to consultation.

- As announced in the Budget, unoccupied properties owned by charities and community amateur sports clubs are to be zero-rated for business rate purposes. Currently such property is subject to a 10% charge although local authorities have discretion to allow full exemption.

- The Bill empowers the Secretary of State to make regulations which would enable valuation officers to disregard changes to the state of a property resulting from deliberate acts. This is designed to counter actions by an owner to render a property derelict in order to avoid rate liability.

- The Bill extends to England and Wales only. Welsh Assembly Government ministers are given the power to vary empty property rate in relation to Wales.

- Reaction to the Budget announcement has been mixed with local authorities generally welcoming the move but many in the property industry condemning it as simply a revenue-raising exercise which will have a number of adverse effects on the industry, on regeneration projects and on pension funds. Ministers have emphasised that it is part of a business tax package aimed at renovation and redevelopment of land and property, and say that it will bring social, economic and environmental benefits.

- The financial nature of the Bill meant that its introduction required the prior approval by the House of a ways and means resolution. This was debated on 10 May 2007 and the debate is summarised in this paper. The Bill was introduced immediately afterwards and is due to have its second reading on 7 June 2007.

CONTENTS

I Introduction

There has been provision for some form of rating on empty property since 1966 although, until the 1980s, the system was a discretionary one. Dixon and Heath, writing in 2003, noted:

> It might be argued under the pure 'occupation' theory of the property tax that unoccupied property should not attract rates at all. However, this principle has been changed over the last 35 years in the United Kingdom, as a result of the view that it is socially undesirable to operate a system that encourages owners to keep properties empty.[1]

An historical note on the rating of empty property appears at section VIII of this paper.

Under the terms of the *Local Government Finance Act 1988*, empty property relief is currently set at 50% of the full rate and this becomes payable after an initial 'grace period' of three months. However, empty industrial and storage premises as well as certain other categories of property are given full exemption from rates for an indefinite period. The reports of the Barker Review of Land Use Planning and the Lyons Inquiry into Local Government recommended reform of the system, primarily in order to encourage owners to bring vacant property back into use. This was taken up in the March 2007 Budget, the Chancellor announcing that full rates would be charged on empty property after the initial three month period. Full rates on empty industrial and storage premises would become payable after six months.

The *Rating (Empty Properties) Bill 2006-07* was introduced into the House of Commons on 10 May 2007 following approval of a ways and means resolution. The Bill seeks to amend the framework for the rating of empty non-domestic property. In particular, it provides for 100% rating for empty property but also gives the Secretary of State power to vary the rate by order. Exemptions and 'grace periods' will be a matter for regulations which will be subject to consultation. The changes are to take effect from April 2008.

This paper summarises existing legislation with regard to the rating of unoccupied property and maps out the background to the proposed changes. It describes the main aspects of the Bill and some of the reactions to the proposals, as well as providing additional information on specific issues raised. Statistics showing the vacancy rates for commercial and industrial property within each local authority are given in an appendix.

II The rating of empty property: current situation

A. Unoccupied property

Since the introduction of the uniform business rate, or national non-domestic rate, in 1990, unoccupied hereditaments (rateable premises) have been subject to an unoccupied property rate of 50% of the normal bill. This becomes payable only after the

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1 Tom Dixon and Gordon Heath, *Business rates: your guide*, IRRV, 2003, p44

property has remained unoccupied for three months. However, certain types of property – notably industrial and warehouse buildings, listed buildings and smaller premises – are exempt from empty property rate and continue to receive full exemption from rates after the three month period has ended.

The exemptions from empty rate, and the rate-free period of three months, are specified in the *Non-Domestic Rating (Unoccupied Property) Regulations 1989*[2] which were made under section 45(1) of the *Local Government Finance Act 1988*. The exemptions are:

- Where the owner of the property is prohibited by law from occupying it or allowing it to be occupied;
- Where the property is kept vacant owing to action by or on behalf of the Crown, or any local or public authority;
- Where the property is subject to a building preservation notice (listed building);
- Where the property is an ancient monument;
- Where the property is a qualifying industrial hereditament;[3]
- Where the property has a rateable value of less than £2,200 for the 2005 rating list;
- Where the owner is entitled to possession only in his capacity as personal representative of a deceased person;
- Where there subsists in respect of the owner's estate a bankruptcy order;
- Where the owner is entitled to possession in his capacity as trustee under a deed of arrangement;
- Where the owner is a company subject to a winding-up order;
- Where the owner is entitled to possession in his capacity as liquidator.

B. Partially occupied property

A general principle of rating is that occupation of part is occupation of the whole.[4] However, section 44A of the *Local Government Finance Act 1988* gives billing authorities discretion to grant unoccupied property relief where it appears that part of a property is unoccupied and will remain so for a short period only. The authority may ask the valuation officer to apportion rateable value between the occupied and unoccupied parts of the property, the latter parts qualifying for the relief.

Departmental guidance states that it is not intended that section 44A be used where part of a property is temporarily not used or where use is reduced, for example, because a factory reduces its output capacity. It is aimed at situations where perhaps there are

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2 SI 1989/2261

3 Defined as "...any hereditament, other than a retail hereditament, in relation to which all buildings comprised in the hereditament are (i) constructed or adapted for use in the course of a trade or business; and (ii) constructed or adapted for use for one or more of the following purposes, or one or more such and one or more purposes ancillary thereto: (a) the manufacture, repair or adaptation of goods or materials to any process; storage (including the storage or handling of goods in the course of their distribution); (c) the working or processing of minerals; (d) the generation of electricity.

4 *Non-domestic rates practice notes C: Rating of unoccupied and partly occupied property*, para 5.1.1, taken from *Ryde on rating and the council tax*, Lexis Nexis (loose-leaf)

practical difficulties in occupying or vacating a property in one operation, or where a building or buildings on a manufacturing site becomes temporarily redundant.[5] It is for the local authority to determine in the light of circumstances what constitutes "a short time only" although this is often interpreted as less than one year.

C. Charities

Where the ratepayer is a charity or the trustees for a charity and it appears that, when next in use, the premises will be wholly or mainly used for charitable purposes, the charge is 10% of the full rate.[6] The *Local Government Act 2003* provided for the same level of rates to be paid by community amateur sports clubs on unoccupied property that they own and which, when next in use, would be wholly or mainly used for the purposes of the club. In both cases, local authorities have discretion under section 47 of the *Local Government Finance Act 1988* Act to allow full exemption from relief.

D. Empty property relief in Scotland, Wales and Northern Ireland

Scotland and **Wales** have broadly similar business rate systems to that currently in force in England. Moreover, provisions concerning the rating of empty property largely mirror the English ones. There is 100% mandatory rates relief for the first three months after which a 50% discount applies. Exemptions include:

- Industrial and storage premises;
- Listed buildings and ancient monuments;
- Smaller premises with a low rateable value;[7]
- Other minor categories including where occupation is prevented by law, properties undergoing probate or insolvency proceedings etc.[8]

In **Northern Ireland**, properties used for manufacturing purposes have been fully exempt from rates (i.e. "de-rated") for many years but this policy is being changed and de-rating is being phased out over a six year period which commenced in April 2005. The treatment of unoccupied non-domestic property was brought broadly into line with policy in Great Britain in April 2004. Vacant property is fully exempt for a period of three months after which a rate of 50% is payable.[9] Exemptions from rating include:

- Industrial property (i.e. factories, mines, quarries) but <u>not</u> storage premises (i.e. warehouses);
- Listed buildings and ancient monuments;

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5 ODPM, *Non-domestic rates: guidance on rate reliefs for charities and other non-profit making organisations*, chapter 8, http://www.local.communities.gov.uk/finance/busrats/nndr/index.htm
6 *Local Government Finance Act 1988* sections 45(5) and (6)
7 Less than £1,500 (Wales); less than £1,700 (Scotland)
8 Scottish exemptions are set out in the *Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 1994*, SI 1994/ 3200
9 The *Rates (Amendment) (Northern Ireland) Order 2004*, SI 2004/703 (N.I. 4), http://www.opsi.gov.uk/legislation/northernireland/ni-oic04.htm;

- Smaller premises with a rateable value of less than £2,000;
- Other minor categories including where possession is prevented by law or by public bodies, properties undergoing probate or insolvency proceedings etc.[10]

Unoccupied property owned by charities in Northern Ireland is exempt from business rates.

III The Barker and Lyons reports

A. The Barker Review

The final report of the Barker Review of Land Use Planning was published in December 2006 at the time of the Chancellor's Pre-Budget Report.[11] Ms Barker considered business rates relief in her analysis of fiscal incentives to achieve more efficient use of land. She noted the theory that empty property relief helps to share the risk, between owner and government, of a property not being able to earn a return. However, she also remarked that the extent of that risk can be significantly influenced by the behaviour of the owner. The property may be allowed to fall into disrepair, the owner may be uninformed about better uses to which it can be put, or may keep it empty for speculative reasons. While she accepted that such behaviours were not the norm, and that most commercial property is actively employed, she considered there was "...a particular concern about this speculative effect to the extent it is caused by interaction between the planning and the local taxation systems." The report continued:

> **2.25** A closer look at where empty property is found suggests that vacancies are not only found in former industrial areas (see Table 2.5). Accepting that there is a natural rate of vacancy, these data nonetheless suggest that there are parts of the country where significant amounts of land and property are not in use. This seems at odds with the joint environmental and economic objectives of efficient use of developed land and efficient markets for commercial property.[12]

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[10] The *Non-Domestic Rating (Unoccupied Property) Regulations (Northern Ireland) 2004*, SR 2004/153, http://www.opsi.gov.uk/sr/sr-2004-index.htm

[11] Barker Review of Land Use Planning, *Final Report – Recommendations*, TSO, December 2006, http://www.hmtreasury.gov.uk/independent_reviews/barker_review_land_use_planning/barkerreview_land_use_planning_index.cfm

[12] Barker para 2.25

Table 2.5: Highest-ranked local authorities by rate of vacancy (% of property vacant),

	2002-03	2003-04	2004/05
Hackney	22	20	28
Slough	17	18	20
Birmingham	14	15	19
Ealing	18	18	18
Manchester	16	17	18
Hyndburn	12	13	17
City of London	9	14	16
Brent	19	16	16
Sandwell	13	14	16
Wolverhampton	12	14	13

Source: Commercial and Industrial Vacancy Statistics, DCLG

Ms Barker concluded that there was good reason for reform of empty property relief as well as for the introduction of a charge on vacant and derelict previously-developed land and buildings. Such reforms would help to reduce rents, to the benefit of new and existing business tenants, and to reduce the holding of land for speculative purposes. The relevant recommendation in the report was worded as follows:-

> **Recommendation 8**
> The Government should make better use of fiscal interventions to encourage an efficient use of urban land. In particular, it should reform business rate relief for empty property and consider introducing a charge on vacant and derelict brownfield land. This reform could be considered in the context of the broader set of issues in relation to local government finance being examined by the Lyons Inquiry.
>
> In parallel with the introduction of the proposed Planning-gain Supplement, the Government should consult on reforms to Land Remediation Relief to help developers bring forward hard-to-remediate brownfield sites.[13]

B. The Lyons Report

The final report of the independent inquiry into local government, conducted by Sir Michael Lyons, was published on the same day as the 2007 Budget. Lyons looked at empty property relief as part of his consideration of business taxation. He said:

> **8.84** Demand for land for development is growing as a result of economic change and household growth, and it is clear that, more than ever, need to ensure that all previously developed land is used most effectively. Analysis shows that vacant property is found in areas of high demand as well as in areas of low demand and former industrial areas. Finding ways to raise the opportunity cost of holding unused land and property in areas of high demand at such a time would be desirable. Reforming the empty property relief would help to provide this, and thus assist local authorities in their place-shaping role.[14]

[13] Op cit p57
[14] Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government, - Final Report*, March 2007, p307, http://www.lyonsinquiry.org.uk/

He stated his belief that reducing and simplifying empty property relief would force owners to find better uses for an empty property, either by reducing rents to secure occupation or by redeveloping the site for an alternative use. This policy might lead to a general fall in rent levels, which would benefit occupiers, and a fall in capital values, which would have no impact on current owner-occupiers but would be a positive benefit to future purchasers. Moreover, such a policy could raise "potentially significant additional resources" which could be used to cut the overall rate of tax or fund additional spending.

The following table is taken from the Lyons Report[15]:

Costs of business rate reliefs and exemptions

	2006-07 cost/estimated cost (£m)
Reliefs	
Empty property	1333.1
Charity (mandatory relief)	724.3
Partly occupied property relief	40.8
Community Amateur Sports Clubs	7.1
Rural shops (mandatory relief)	5.9
Former agricultural premises	0.9
Transitional relief	Revenue neutral over revaluation cycle
Small Business Rate Relief	Revenue neutral
Exemptions	
Agricultural land and buildings	300-450
Derelict/ brownfield land	Uncertain

Other smaller uncosted exemptions include places of religious worship, fish farms, sewers, and public parks.

Source: Table 8.4 Lyons Inquiry into Local Government - Final Report

Lyons remarked that the £1.3bn was the single most significant relief in the business rate system. While no overall breakdown existed of how much of the £1.3bn of empty property relief was accounted for by the different elements of the relief, he said that, in the case of a sample of local authorities which had provided data to the Inquiry, some 80% of the relief represented full relief for factories and warehouses and partial relief on longer term empty property. A detailed breakdown of figures relating to this sample of local authorities is given in a supplementary volume to the main report.[16]

He also commented on the effects of different levels of empty rate relief for different types of property:

[15] Op cit p306

[16] Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government, Annexes - Annex D: Background to Support Chapter 8*, pp 87-9

> **8.85** The existence of different levels of relief for different types of property distorts the market. It creates a sectoral imbalance within the system, providing a greater level of benefit to one sector than to others, and it does not provide any pressure from within the tax system to encourage the reuse of such land or the property for alternative uses, including redevelopment of the site and conversion to another use. This imbalance should be rectified by balancing the relief currently provided to factories and warehouses with that available for office and retail premises.

However, in recommending reform of empty property relief, Lyons was very concerned that some owners might find dereliction “an attractive route to escape taxation.” He warned against applying any rate of tax greater than 100% of liability to empty property, and he took up the recommendation that the Government consider a tax on derelict property and previously developed land in order to close the “loophole”. He accepted that such a tax might be somewhat problematic to implement, and would be unlikely to generate substantial revenue. However, its purpose was “...rather to provide proper incentives for re-use and to prevent some owners exploiting the loophole in the system that would otherwise exist.”[17]

Finally, Lyons considered the “myriad other reliefs and exemptions” in the business rates system including those applied to agricultural land and buildings and charities. He accepted that there might be merit in some new ones which had been suggested, for example, those supporting the environmental agenda.

The recommendations from this part of the Lyons Report were worded as follows:

> **Recommendation 8.4**
> The Government should reform and reduce the empty property relief by:
> - Retaining the existing 100% relief for short term empty property (up to three months);
> - Reducing the rate of empty property relief;
> - Providing factories and warehouses with the same level of relief as other properties.
>
> **Recommendation 8.5**
> The Government should develop proposals for the taxation of derelict property and brownfield land and consult on those with stakeholders.
>
> **Recommendation 8.6**
> The Government should conduct a review of exemptions and reliefs to consider the scope for removing inappropriate subsidies and distortions and to simplify the system.

IV Budget announcement, March 2007

The Chancellor announced in the Budget on 21 March 2007 the Government’s intention to:-

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17 OP cit para 8.91

- Reform empty property relief from 1 April 2008 so that office and retail premises receive 100% relief for a three month period and industrial and warehouse premises receive 100% relief for a six month period when first falling empty. Relief will end for property remaining empty beyond these periods;
- Award complete exemption to empty properties held by charities (they currently pay 10% of the full rate);
- Consider the merits of extending rates to include derelict and vacant previously developed land;
- Assess other reliefs and exemptions.[18]

The rationale for this change was set out in the *Economic and Fiscal Strategy Report*, as follows:

> **3.140** The system of business rates includes a number of reliefs and exemptions. The [Lyons] Inquiry recommends that some of these should be reformed. In response to these recommendations and those of the Barker Review of Land Use Planning, as described above, **the Government today announces its intention to modernise empty property relief from business rates.** These reforms will reduce the duration of the existing empty property relief to three months for all properties and six months for industrial and warehouse properties. These reforms will reduce the current distinction between different types of property. The duration of empty property relief (EPR) will be limited to three months for all property when they first fall empty with a further three months for industrial and warehouse properties only. Complete exemptions from rates will be awarded to empty properties held by charities.
>
> **3.141** This will enhance the supply of commercial property, reducing rents and improving access for new and existing firms. Downward pressure on rents will have significant benefits for UK business and wider UK competitiveness with particular benefits for new starters, and companies investing in additional property, in addition to all companies – especially SMEs – who rent their premises. The Government will consult on the various additional exemptions that are currently offered. This measure will also enhance the supply of brownfield sites for redevelopment, helping to meet the Government's commitment to use brownfield land for new housing and commercial property developments wherever possible.
>
> **3.142** The Inquiry recommends that the other relief and exemptions in business rates be subject to review. The Government accepts this recommendation, with the exception of the relief for charities, which will remain in its current form. The Department for Communities and Local Government will consider the merits of extending rates to include derelict and vacant previously developed land, and assess other reliefs and exemptions in business rates.[19]

[18] HM Treasury, *Financial Statement and Budget Report, chapter A: Budget policy decisions, A47* (p216), http://www.hm-treasury.gov.uk/budget/budget_07/report/bud_budget07_repindex.cfm

[19] HM Treasury, *Economic and fiscal strategy report, Chapter 3: Meeting the productivity challenge*, March 2007, http://www.hm-treasury.gov.uk/budget/budget_07/report/bud_budget07_repindex.cfm

Treasury estimates of **revenue** from rationalisation of empty property relief were £950m in 2008-09 and £900m in 2009-10.[20] The explanatory notes to the present Bill state that

> ...this estimate reflects the increase in yield from rates, offset against reduced corporation tax yield (because rates are a legitimate deduction from corporation tax) and changes in other tax yields resulting from increased transactions and associated behaviour. Any spending decisions related to this yield will be considered as part of the Comprehensive Spending Review 2007.[21]

V The Bill

A. Introduction

The *Rating (Empty Properties) Bill* amends part III of the *Local Government Finance Act 1988* and paves the way for the Government's proposed changes to the system of business rate reliefs on empty property. As a financial measure, it required the prior approval by the House of a ways and means resolution before it could be introduced. As *Erskine May* states:

> The authority of a resolution of the House must be obtained before a charge on public funds or on the people can be considered in the form of a bill or a clause of a bill.[22]

The resolution was debated on 10 May 2007 and the Bill was introduced immediately afterwards. The new measure was accompanied by a regulatory impact assessment which set out the rationale for Government intervention, the costs and benefits involved and a note on stakeholder views.[23]

B. Main provisions

This is a summary of the main provisions only. Readers may wish to refer to the explanatory notes which accompany the Bill for a full explanation of clauses.[24]

1. Unoccupied rate

Clause 1(1) changes the formula in section 45 of the *Local Government Finance Act 1988 Act* so that the rate chargeable on unoccupied property is the same as that payable on occupied property rather than 50% of it. The same subsection provides a power for the Secretary of State (or Assembly Government ministers in relation to Wales) to vary the rate by order by any amount down to 50% of basic liability. Such an order would be subject to affirmative resolution procedure.

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20 Ibid, table A1 (p209)

21 DCLG, *Rating (Empty Properties) Bill: Explanatory Notes*, para 29, http://www.publications.parliament.uk/pa/cm200607/cmbills/102/en/07102x--.htm

22 *Erskine May's Treatise on the Law, Privileges, Proceedings and Usage of Parliament*, Lexis Nexis Butterworths, 23rd ed, 2004, p853

23 DCLG, *The Rating (Empty Properties) Bill: regulatory impact assessment*, May 2007, http://www.communities.gov.uk/index.asp?id=1510357

24 http://www.publications.parliament.uk/pa/cm200607/cmbills/102/en/07102x--.htm

2. Charities and CASCs

Clause 1(2) makes provision for certain types of unoccupied property to be zero-rated for business rate purposes. These are:

- Properties owned by charities which, when next in use, are likely to be wholly or mainly used for charitable purposes;
- Properties owned by registered community amateur sports clubs which, when next in use are likely to be used wholly or mainly for the purposes of the club.

3. Partly unoccupied hereditaments

Alignment of the unoccupied rate with the occupied rate has implications for the rating of partially occupied property. Paragraph 1 of schedule 1 amends section 44A of the 1988 Act and provides that, where a property has been apportioned, a rates reduction on the unoccupied parts would be available a) if the property is one which, if completely empty, would not be liable to the unoccupied rate, or would be zero-rated, or b) if the Secretary of State has exercised the power to lower the unoccupied rate from 100%.

4. Anti-avoidance measures

As stated in the explanatory notes, new section 66A of the 1988 Act, inserted by schedule 1 para 4(1), empowers the Secretary of State, and Assembly Government ministers in Wales, to make regulations:

> ...to deal with steps that owners might take (or omit to take) in an attempt to avoid unoccupied rates through causing or allowing the state of their property to change. Such regulations may provide that the state of any property forming part of an unoccupied hereditament shall be deemed not to have changed since before any prescribed event or as the result of an act or omission by or on behalf of a prescribed person.

The regulations may make provision for:

- The circumstances in which, and the length of time for which, the change of state of a property may be disregarded;
- The prescribing of assumptions to be used in determining whether, or to what extent, the state of a property has changed compared to an earlier point in time;
- The circumstances in which an act is to be treated as having been carried out on behalf of a prescribed person.

5. Commencement

Clause 3 stipulates that the provisions of the Bill will come into effect on the day it is passed. The new rates for unoccupied property and zero-rated property will apply from the beginning of the financial year 2008-09. However, the power to make regulations under new section 66A (i.e. to counter the risk of deliberate dereliction) may be exercised so that the regulations apply in financial year 2007-08.

6. Territorial extent

The Bill extends to England and Wales only. As noted above, the power to vary the unoccupied property rate by order (down to a minimum of 50%) is extended to Welsh Assembly Government ministers in relation to Wales, and any such order must be approved by resolution of the National Assembly of Wales. Similarly, Assembly Government ministers are empowered to make regulations to prevent deliberate vandalism of properties by owners. Such regulations must be laid before, and approved by, the National Assembly.

VI Reactions

The Budget announcement caused something of an outcry in the press from the property industry. The main arguments put forward were that:

- There was no evidence that property owners were deliberately holding back buildings from the market;
- There would be a return to 'constructive vandalism' of properties by their owners to avoid tax;
- Development projects which were only marginally profitable would be shelved;
- Lease terms would be made more restrictive;
- The measure would adversely affect the value of pension funds.

David Room, a partner at **GVA Grimley LLP**, wrote in *Estates Gazette*:

> ...what evidence is there that vacant buildings and brownfield land are deliberately being withheld from reuse or development? The Barker Report suggested that the City of London is one of the highest ranking local authorities by rate of vacancy. However, this is not an area in which property owners are normally viewed as standing in the way of the beneficial use of their premises.

He continued:

> Is there really widespread evidence that landlords are keeping their properties vacant? Individual exceptions may arise, but in the majority of cases empty property is still a consequence of the market. In other words, there is no demand for that property in that locality at that time. Imposition of additional tax will not increase that demand.[25]

Paul Rabbette, Director and Head of Rating at **CB Richard Ellis** in Birmingham told the *Birmingham Post* that the move would lead to more unoccupied properties being "partially deconstructed to be taken out of the rating list." He said:

[25] David Room, "Treasury taking the Lyons' share", *Estate Gazette*, 7 April 2007, p102

> The justification appears to have complete disregard for the economic cycle and impact on investors and developers...Most developers need to sell their product as quickly as possible. I cannot see many sitting on empty properties. [26]

The **Royal Institution of Chartered Surveyors** said in response to the Budget announcement that the policy had been decided without consultation and was "...purely a revenue raising exercise" which was likely to have a number of unfortunate consequences including deliberate damage to properties, an increased volume of rating appeals and higher service charges.[27] After publication of the Bill, a spokesman commented:

> The Government's decision to restrict empty property rate relief could have significant adverse effects on commercial property. Properties are not left vacant deliberately and placing a charge on empty property will not be an effective way of encouraging the redevelopment of vacant sites. The risk premium attached to developing secondary properties will rise, reducing developer and investor appetite for such sites. As such the perverse effect may occur than that which was intended through this legislation."[28]

A **British Property Federation** briefing on the Bill said that:

> ...by removing relief from rates the Chancellor is likely to achieve the opposite of what he intends. Speculative developments will be deterred and instead property companies will place even more emphasis on pre-letting before developments are completed. Lease terms themselves are likely to be tightened because property owners will perceive the risk of 100% empty property rates and seek to protect themselves from its impact. This in particular is likely to penalise SMEs, especially in the tertiary property markets.[29]

The briefing predicted that landlords would be reluctant to grant shorter leases or concede break clauses at a time when the Government was keen to see greater flexibility in this area.

As to the effect on pension funds, **Lord Oakeshott** of Seagrove Bay made the following comment in a debate on the Lyons Report:

> This will seriously affect the net yield that British pension funds get from their property. Typically, about 6 per cent or 7 per cent of their properties are empty; it is not difficult to calculate that that will cut pension funds' income from property by about 2 per cent to 3 per cent, with a consequent effect on capital values. I do not expect the Minister to give the answer today, but I would like to see a considered reply from her, because I believe that that could hit British pension funds for anything up to £5 billion on the capital value of their holdings. Given the effect of the dividend tax credit withdrawals and many other problems, that is the last thing pension funds need. This has not been thought through properly.[30]

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[26] "Tax relief to be abolished", *Birmingham Post*, 5 April 2007
[27] *RICS View: Empty property rate relief*, 23 March 2007, available via www.rics.org
[28] RICS comment on empty property relief, received on 10 May 2007
[29] British Property Federation, *Rating (Empty Property) Bill 2007: BPF Briefing*, May 2007
[30] HL Deb 26 April 2007 c829

Voices in favour of the policy included the **Federation of Small Businesses** which congratulated the Chancellor on accepting its proposals for a reduction in empty property relief.[31] However, it has also expressed concern for those who genuinely cannot utilise a building:

> The Federation of Small Businesses supports the principle of reducing rate relief on empty commercial property, because it will improve local economic vibrancy and open up opportunities for small businesses to expand. It will also discourage large companies and supermarkets from sitting on empty commercial property as a way of stifling small business competition. However, the FSB is keen to ensure that small businesses who are unable to use or sell empty property for legitimate commercial reasons are not punished by the new rules. There should be exemptions in such cases.[32]

Sir Michael Lyons noted that "many local authorities" had felt that there would be advantages in changing the rules governing empty property relief, and quoted a statement from **Leeds City Council**:

> Leeds supports the case for reform of empty property relief...and agrees that reform could be used to encourage early redevelopment and re-use particularly in urban areas.[33]

The **Local Government Association's** spokesman on regeneration, Cllr David Sparks, said:

> "Measures to get empty offices, shops and buildings back in to circulation will be a real boost to many areas. Reducing rate relief on empty properties is good news for local economies and will act as a real incentive for regeneration in town centres.
>
> "This additional money must stay in the local economy so that it can be ploughed backed into benefiting both business and local people. Councils create places where people can thrive. They are best placed to decide how and where the additional money should be spent."[34]

The Independent on Sunday reported comments by Phil Woolas, Local Government Minister, that the current system of rate relief was "...a barrier to the Government's drive to create thriving and vibrant town centre." The article continued:

> "No one wants to live or work next to an empty property, and it is frankly daft for the state to subsidise it when commercial rents are so high," the minister said. "That is why a package of reforms that will drive down those rents, encourage business growth and promote brownfield development is needed."

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31 Federation of Small Businesses, "Budget speech dismays small businesses", *Press release* 2007/20, 21 March 2007, http://www.fsb.org.uk/news.asp?REC=3982
32 FSB comment received on 11 May 2007
33 Lyons Inquiry into Local Government, *Final report – annex G*, p142, http://www.lyonsinquiry.org
34 Source: Local Government Association, 11 May 2007

> "As well as reforming empty property rate, from this month new capital allowances are available to renovate or convert unused businesses in deprived areas. [The reforms] will ensure the UK remains an excellent place to do business and to invest."[35]

The *Dewsbury Reporter* acclaimed the Chancellor's decision as evidence of the success of its own campaigning in association with local councillors and Shahid Malik MP. It said:

> Landlords will no longer be able to get away with not paying tax on derelict buildings in Dewsbury after Chancellor Gordon Brown put forward new measures in this week's budget – thanks to the Reporter's Stop the Rot campaign. For years, owners of empty, run-down properties and industrial buildings have escaped paying full business rates, offering no incentive to improve or refurbish them. Instead, landlords have been sitting on property, making a healthy profit due to rising values while the building fell into a deeper state of repair. Our Stop the Rot campaign, launched in March last year, highlighted how Kirklees Council was losing out on thousands of pounds in business rates and town centres missing out on regeneration opportunities because many buildings, such as the old Co-op funeral parlour in Dewsbury, were exempt.[36]

VII The debate on the resolution, 10 May 2007

The debate was opened by **Ed Balls**, Economic Secretary to the Treasury. **Michael Gove**, Conservative Shadow Minister for Housing, and **Vincent Cable**, Liberal Democrat Shadow Chancellor, spoke but viewed the debate primarily as a pre-legislative opportunity to question the Government on its proposals rather than the point at which to make forceful assertions. Three Conservative backbenchers, **Robert Key**, **Anne Main** and **Stewart Jackson** also spoke in the debate and **Phil Woolas**, Local Government Minister, wound up for the Government.

Ed Balls set out the **background** to the proposals. He spoke of existing reliefs for different types of empty property and said that two changes had occurred to make reform necessary: firstly, dramatic growth in the demand for, and price of, land after a period of sustained economic growth; secondly, Kate Barker's finding that there is little difference between the risks of different types of property falling empty. He said that the comparatively high level of UK rents was a "key driver" of reform, with cities such as Birmingham and Manchester having both high rents and high levels of vacancy. In addition, the proposals sought to improve the efficiency of the commercial market.

Mr Balls mentioned representations made to the Lyons Inquiry in support of empty property relief reform, and quoted the recommendations of the Inquiry. He outlined the Government's proposals and emphasised other related initiatives including:

- The introduction of Business Premises Renovation Allowance;
- Government consultation on extension of land remediation relief;

35 "Tax reforms to revitalise town centres", *The Independent on Sunday*, 29 April 2007
36 "The rot stops here", *The Dewsbury Reporter*, 23 March 2007

- Proposed consultation on the tax treatment of payments made by leaseholders;
- The forthcoming planning white paper;
- Other measures in support of the property industry including the launch of real estate investment trusts (REITS).

Issues raised in the debate included the following:

Regeneration: Michael Gove said that alteration of existing reliefs could “throw into uncertainty” various developments that might be expected to bring economic growth and regeneration where it was most needed. Vincent Cable agreed that the measures were likely to have an impact on “entrepreneurial risk taking and development” unless properly thought through. Stewart Jackson asked whether urban regeneration organisations had been consulted. Phil Woolas, in reply, confirmed that there had been consultation, and highlighted the existence of renovation funds in assisted areas. He said: “We do not believe that there will be a negative impact on business confidence as a result of this measure.”

Economic recession: Some concern was expressed about the adverse impact of the measure of businesses in the event of an economic recession. Phil Woolas replied that a new power for the Secretary of State to vary the empty property rate provided some flexibility.

Planning delays: Several Members commented on the interplay of the planning system with the empty property situation. Robert Key and Anne Main provided examples from their constituencies of lengthy delays in the planning process over change of use applications. Dr Cable asked whether those who were genuinely trying to do something about their properties would be treated differently from those who wilfully keep their properties empty. The Minister said that the present proposals would need to be seen in conjunction with the Government’s planning reforms to be outlined in the forthcoming white paper.

Pension funds: Michael Gove asked whether the Government had considered the knock-on effects on pension fund values. Vincent Cable echoed this, asking if the Government had attempted to estimate the size of the “hit” on funds. Phil Woolas did not accept this, arguing that actively managed property portfolios have low levels of voids, and that funds would benefit from reductions in corporation tax and, over time, from reduced rents.

Deliberate dereliction: Michael Gove asked about the creation of a “perverse incentive” for owners to damage property in order to avoid rate. The point was also raised by Anne Main in the context of listed buildings. Phil Woolas said that there would be consultation on measures to prevent that happening but added that it was not viewed as a likely consequence because economic circumstances were very different from those of the 1970s.

Rural areas: Robert Key cited constituency examples of a hard-to-let village premises, redundant farm buildings and a converted former military establishment, in all of which genuine efforts were being made to secure utilisation or development of the property. He considered that there was a need for “rural proofing” of the measure.

Time lags in occupation: Stewart Jackson said that the policy demonstrated a "...fundamental ignorance of the fluctuations and cycles of the commercial property market" and that time lags in occupation were inevitable at certain times. Michael Gove quoted figures from the British Retail Consortium showing that substantial periods often elapse between one business winding up and another becoming economically active on the same site.

VIII Historical note: rating of unoccupied property

Prior to 1966, empty properties were not subject to rates.[37] *Hart's Introduction to the Law of Local Government and Administration* commented that "...because the basis of rating is occupation, it is perhaps an illogical, though practical measure, to provide for rating the owners of unoccupied property."[38] A discretionary power to charge 50% rate on empty property (both residential and non-residential) was introduced by the ***Local Government Act 1966***, partly in response to the activities of developers such as Harry Hyams who were alleged to have deliberately kept properties empty during a period of rising rents. Richard Crossman, Minister for Housing and Local Government, said at second reading:

> I do not regard the rating of empty property as a revenue raiser, and I have not made it mandatory on every authority. Its main purpose is to discourage owners from keeping their property vacant and thus to reduce the waste of accommodation. [39]

The power to charge empty rate was incorporated into the ***General Rate Act 1967***. It should be borne in mind that the fixing and levying of rates was then a matter for local authorities, not for Government, and that rates applied to all types of property including domestic dwellings. The legislation required that, where an authority resolved to bring the empty rating provisions into effect, it must continue to operate them for a minimum period of seven years. The ***Local Government Act 1974*** amended the 1967 Act and gave local authorities a much greater degree of flexibility in this area. Geoffrey Rippon, then Secretary of State for the Environment, referred at second reading to the constraints of the seven year minimum period, to the fixed empty rate of 50% and to the fact that an empty rating scheme, once in force, must apply to all properties or none. He said that these restrictions had meant that fewer then 10% of rating authorities were actually using their powers. "We need", he said, "a more flexible system better adapted to local needs."[40]

The 1974 legislation abolished the seven year period of application. Authorities could now choose not only whether or not to apply the empty rate but could also (a) set the figure at any percentage up to 100% (b) vary the treatment for different classes of property, and (c) treat one area differently from another. A circular from the Department

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[37] Although in the City of London there was a longstanding provision in the legislation for charging rates on empty property

[38] Sir William Hart and Professor J.F. Garner, *Hart's introduction to the law of local government and administration*, Butterworths, 9th ed, 1973, p190

[39] HC Deb 14 June 1966 c1266

[40] HC Deb 12 November 1973 c50

of the Environment, published in May 1978, gave advice to authorities on how they might exercise this power. Above all else, authorities were exhorted to take account of market conditions in making their decisions:

> The Secretaries of State consider it important that rating authorities should apply the provisions flexibly in the light of the circumstances of their area. An important consideration to be taken into account in judging whether the rate can be justified in a particular class of property would be the state of the market in that class. A sensitive approach will be required where the market in property, or in certain classes of property, is stagnant or slow or where demand is variable. A high empty property rate in these circumstances, uniformly applied, may lead to longer term difficulties in the supply of new buildings through its effects on developers. Moreover, in such circumstances sellers of second hand property may find through no fault or lack of effort on their part that it takes a considerable time to dispose of their property, and the empty property rate may therefore impose a considerable burden on them. This underlines the need for a flexible approach, balancing the importance of empty property being brought into use as quickly as possible against the constraints imposed by market conditions.[41]

The economic recession of the early 1980s caused the Conservative administration to reconsider the rating of empty property. The ***Local Government, Planning and Land Act 1980*** empowered the Secretary of State to vary both the ceilings on rates chargeable on empty property and the extent of the initial rate-free period. These powers were used to reduce the ceiling on non-domestic property to 50% of the occupied rate as from 1 April 1981. The *Rates* White Paper, published in August 1983, stated that empty property rates, which were designed to encourage owners to bring their buildings back into occupation, served no purpose when there was no market for a property. It further stated:

> ...Fewer than half the local authorities currently exercise their power to rate empty properties. In view of the particular problems being faced by industry throughout the country, the Government consider that it would be right to remove local authorities' discretion entirely in relation to empty industrial property. They will therefore suspend local authorities' powers to levy rates in respect of empty industrial property with effect from 1 April 1984.[42]

The suspension of rates on empty industrial property was extended in 1985 to unoccupied warehouse premises.[43]

The ***Local Government Finance Act 1988*** abolished rating on domestic property, replacing it with the community charge, and effectively nationalised non-domestic rates by introducing the centrally-controlled Uniform Business Rate. Mandatory relief on unoccupied non-domestic property was set at 50%, and a set of exemptions was retained including that for empty factories and warehouses. Existing legislation is based on the 1988 Act and is as set out in section II of this paper.

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41 DOE/ Welsh Office, *Empty property rate*, Circular 34/78, 9 May 1978

42 *Rates: proposals for rate limitation and reform of the rating system*, Cmnd 9008, August 1983

43 The *Rating (Exemption of Unoccupied Industrial and Storage Hereditaments) Regulations*, SI 1985/258

During the recession of the early 1990s there were calls for an easing of the empty property regime. For example, a committee established to review the future of rating, chaired by Jeremy Bayliss of the Royal Institution of Chartered Surveyors and representing some 16 business and rating organisations, stated in its report:

> There is, however, a widespread feeling that the level of empty rates is onerous. Its impact has been particularly severe during the recession and it is continuing to lead to the demolition or stripping out of unlettable properties which can be wasteful of the property resource.

The Bayliss Committee recommended:

- An extension of the period of nil charge from three to six months "...to bring it into line with the council tax provisions";
- An empty property rate of 25%;
- No distinction between industrial and commercial property.

The Committee also set out an alternative policy of allowing billing authorities greater discretion to remit rates payable on empty property. It added: "If local authorities were able to retain a slice of the rates they collect...they could choose to channel it in this way."[44]

It may be worth noting that, while long term **empty residential property** is exempt from council tax for up to six months, local authorities were given discretion, following the *Local Government Act 2003,* to reduce or completely remove the 50% discount which formerly applied to such dwellings once council tax becomes payable. The Government's consultation paper, issued in 2001, set out the reasoning as follows:

> **14.** There are also concerns about the number of homes that have been empty for long periods. These properties can cause considerable blight to local communities and act as a honey pot for crime and anti-social behaviour. They deny homes to those in housing need, are a drain on local resources (e.g. environmental health, policing) and in large concentrations can create ghost towns. Empty homes also increase pressure for new house building on green fields. Government policy is to encourage owners to bring long-term empty homes into use. One of the ways it can do this is to increase the costs associated with owning an empty home through the council tax.[45]

Authorities were not permitted to retain the additional revenue raised because the Government wanted to ensure that decisions on discount should be based "...purely on whether the measure is likely to make owners consider bringing their properties back into use."[46]

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[44] National Committee on Rating, *Improving the rating system [the Bayliss Report]*, RICS, 1996

[45] DTLR, *Council tax: a consultation paper on proposed changes to second homes and long term empty homes*, 20 November 2001

[46] Written ministerial statement by Nick Raynsford, Local Government Minister, HC Deb 19 November 2002 cc12-13WS

IX Aspects of empty property relief

A. Some pros and cons

Arguments deployed **in favour** of empty property rating relief include the following:

It shares the risk between owner and government of a property not being able to earn a return. Barker summarises this as follows:

> The principle behind this relief is to create a broadly symmetrical tax, given uncertainty: when property earns a positive revenue, it is taxed; when it does not, relief is granted.[47]

Additionally:

- It helps to promote an active property market because owners do not have to pay tax (or pay a reduced amount) while tenants move;
- It reduces the incentive for owners to make their properties derelict in order to avoid taxation.[48]
- Owners of empty property make fewer demands on local services.

Arguments **against** empty property relief include the following:

It lessens the incentive for an owner to secure occupation of a property or to find an alternative use for it. Economically, empty property represents an inefficient use of resources, and a restricted supply of property can help to drive up rents. Socially, empty property can reduce the safety and attractiveness of a neighbourhood while still imposing costs such as the cost of policing and fire protection.

Additionally:

- It represents revenue forgone on the part of the Government;
- It is argued that it is unfair to exempt empty residential property from taxation (i.e. council tax) for six months but give indefinite relief or exemption to commercial and industrial property.

A policy paper on industrial rating, published by the Department of Finance & Personnel (NI) in 2003, argued that allowing no relief on empty property would be a “substantial deterrent” to those deliberately leaving a property unoccupied, and should result in many properties being brought back into use. However, it added that such an approach does not recognise the many other reasons why a property may lie vacant, for example:

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47 Op cit, p55

48 Both this and the previous point made in the Lyons report (op cit) para 8.82

- The property is in a poor condition and is awaiting refurbishment or redevelopment;
- It is caught in a property chain;
- The current owner does not have the financial resources to bring the property back into use;
- There is no market for the property in its existing state and form;
- Planning permission may not be available for change of use;
- Vacant properties are a symptom of neighbourhood decline reflecting wider social and economic problems.[49]

B. Specific types of property

Exemptions for specific types of property are set out in regulations made by the Secretary of State. Amended regulations giving effect to the new proposals will be subject to consultation. The following points may help to provide some additional perspective on existing exemptions.

a. Industrial and storage premises

The regulations which suspended the rating of empty industrial buildings from 1 April 1984 defined the latter quite simply as any hereditament which:

> (a) comprises a factory, mill or other premises of a similar character constructed or adapted for use wholly or mainly for industrial purposes, and
> (b) If previously used was last used wholly or mainly for an industrial purpose.[50]

The exemption was extended the following year to include unoccupied warehouse premises.[51]

The 2003 Northern Ireland rating policy paper, quoted above, had the following to say about exemptions on industrial and storage buildings:

> The rationale for exempting manufacturing in Great Britain is due to the specialist nature of many industrial buildings (which means they are difficult to let or sell) and the desire not to encourage premature demolition during an economic downturn...The rationale for extending this to warehouse property is less clear, however, and it would seem to be one of administrative convenience because of the difficulty in distinguishing industrial property from warehouse property.[52]

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[49] Department of Finance and Personnel (NI), *The rating of vacant property and the removal of industrial derating*, April 2003, pp8-9, http://www.ratingreviewni.gov.uk/index/nondomestic/non-domestic-background.htm#industrial-derating

[50] The *Rating (Exemption of Unoccupied Industrial Hereditaments) Regulations 1984*, SI 1984/221

[51] The *Rating (Exemption of Unoccupied Industrial and Storage Hereditaments) Regulations 1985*, SI 1985/258

[52] Department of Finance and Personnel (NI), *The rating of vacant property and the removal of industrial derating*, April 2003, p11, http://www.ratingreviewni.gov.uk/index/nondomestic/non-domestic-background.htm#industrial-derating

Kate Barker questioned whether the existing structure of reliefs was still appropriate:

> **2.23** One justification for the variation in relief payments by bulk class might be that office and retail space is of lower market risk than industrial property. In fact, comparing annual volatility of property values in the different sectors over 1981-96, we find that while retail properties display the lowest volatility, the office sector has the highest. On this basis alone it would be difficult to justify offices receiving the least relief. Conversely, some industrial property may be so specific to its current use that the scope for immediate sale or re-letting is lower than, say, for a relatively standard office or retail unit. Assessed from this point of view, there may be a case for some sectoral differences in the form of the relief.[53]

Sir Michael Lyons was quite clear in his view that a policy of differential rating distorted the market. He recommended that factories and warehouses should be given the same level of relief as other properties.[54]

b. Listed buildings

The special nature of listed buildings and the restrictions which may prevent the building from being changed and adapted, are an important reason for their exemption from rating. This exemption was also in force under the *General Rate Act 1967*. Lord Justice Fox offered the following explanation when giving his judgement in a relevant court case. He said:

> In resolving this matter it is, I think, necessary to begin with the policy of para 2(c) of schedule 1 to the General Rate Act 1967. What is the reason for giving exemption to a building included in the list of buildings of special architectural or historical interest? It must, in my view, be the fact that such buildings are subjected to a statutory control which seriously affects the power of the owner to make full economic use of them. Thus, by section 55(1) of the 1971 Act:
> "...if a person executes or causes to be executed any works for the demolition of a listed building or for its alteration or extension in any manner which would affect its character as a building of special architectural or historic interest, and the works are not authorised under this part of the Act, he shall be guilty of an offence."[55]

However, it has been argued that allowing the owners of listed buildings to keep them empty without any penalty "...often results in the opposite of what listed building status is trying to achieve – the preservation of the building in all its glory."[56]

C. Deliberate dereliction

A building must be capable of beneficial occupation for it to be classed as a rateable hereditament. Buildings which are "...rendered incapable of beneficial occupation due to

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[53] Op cit p55
[54] OP cit p307
[55] "Debenhams PLC v Westminster City Council", *Rating Appeals* [1986) pp 121-2
[56] "Stop the rot", *The Dewsbury Reporter*, 3 March 2006

a fire, bomb, storm, flood, or other similar ‘external’ factor” will cease to be rateable hereditaments and should be removed from the rating list.[57] A building which has suffered damage but which is still capable of beneficial occupation may yet gain exemption from rating if the repairs that would be required to bring it back into use would be considered by any reasonable landlord to be uneconomic.

Dixon and Heath state that a policy of charging rates on empty properties can lead some occupiers to:

> ...take steps to make the property incapable of being occupied, usually by vandalising the interior, ripping out fitments, staircases, electrical installations and so on. This is because only property that is capable of being occupied can be charged for empty rate. Of course, this means that the property cannot be let, but in a very weak market it can be cheaper for some owners to keep the property empty in a vandalised state and not pay any rates. There are, however, considerable risks to this course of action, and in any event there may well be a substantial delay before the Rating List is altered [even if the valuation officer is completely satisfied with the proposed deletion.] In Scotland, unoccupied properties continue to be liable for the empty rate, regardless of whether or not they are capable of being occupied.[58]

Villis and Plimmer, writing in 1994, noted that, whilst the process of constructive vandalism was “...far from an exact science”, it would normally involve the systematic dismantling of a building, leaving virtually only the external walls standing. There are then problems of disposal of debris (possibly including dangerous substances such as asbestos), insurance requirements, obligations to maintain publicly accessible areas, servicing of safety and fire prevention systems, and so on. Despite these complications, the authors go on to give examples of constructive vandalism undertaken by property owners during the recession of the early 1990s.[59]

Under existing legislation, a valuation officer is not concerned with *why* the premises are in a particular state but he must be satisfied that the building is either incapable of beneficial occupation or that the necessary repairs would be uneconomic. A Valuation Office Agency note for practitioners states that “...it will need to be borne in mind that the carrying out of such deliberate damage may, in itself, indicate that repairs are unlikely to be economic.”[60]

57 This wording taken from the Valuation Office Agency’s *Rating Manual, Vol 4, section 4, Practice Note on the Rating (Valuation) Act 1999*, pp4-5, available at: http://www.voa.gov.uk/instructions/chapters/rating_manual/vol4/frame.htm

58 Tom Dixon and Gordon Heath, *Business rates: your guide*, IRRV, 2003, pp 44-5

59 Simon Villis and Frances Plimmer, “Unoccupied rating: the case for reform”, *Property Management*, Vol 12, No 2, 1994, pp28-33

60 VOA, *Rating Manual, Vol 4, section 4, Practice Note on the Rating (Valuation) Act 1999*, p5

Appendix: vacancy rates by local authority

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
North East	**7**	**7**	**7**	**9**	**8**	**7**	**7**
North West	**7**	**8**	**7**	**10**	**10**	**10**	**10**
Yorkshire & the Humber	**7**	**7**	**6**	**8**	**8**	**8**	**8**
East Midlands	**7**	**7**	**6**	**8**	**8**	**7**	**8**
West Midlands	**7**	**7**	**7**	**9**	**10**	**10**	**11**
East of England	**8**	**8**	**7**	**7**	**8**	**8**	**8**
London	**10**	**10**	**9**	**8**	**9**	**11**	**11**
South East	**7**	**6**	**6**	**7**	**8**	**9**	**9**
South West	**6**	**6**	**5**	**6**	**6**	**7**	**6**
England	**7**	**7**	**7**	**8**	**8**	**9**	**9**
Adur	8	6	5	12	9	5	5
Allerdale	7	6	5	5	5	5	5
Alnwick	8	7	5	7	6	3	2
Amber Valley	10	7	10	10	9	8	9
Arun	5	4	4	6	6	6	5
Ashfield	6	8	8	8	8	7	9
Ashford	13	11	9	10	10	9	8
Aylesbury Vale	9	6	8	6	8	9	11
Babergh	5	6	6	5	6	6	6
Barking and Dagenham	9	9	12	10	12	10	11
Barnet	6	6	4	6	5	6	5
Barnsley	5	6	6	7	6	6	6
Barrow-in-Furness	5	4	4	4	7	4	5
Basildon	5	6	7	7	7	8	8
Basingstoke and Deane	8	8	11	17	14	14	12
Bassetlaw	2	3	2	4	5	4	5
Bath & North East Somerset	6	6	5	6	6	7	6
Bedford	6	6	6	6	6	6	7
Berwick-upon-Tweed	7	10	12	11	10	6	6
Bexley	8	6	4	4	6	8	8
Birmingham	18	16	16	15	14	15	19
Blaby	5	7	4	6	6	4	5
Blackburn with Darwen	6	6	7	8	9	9	11
Blackpool	6	6	6	7	6	6	5
Blyth Valley	12	8	13	11	18	10	10
Bolsover	4	3	5	6	8	7	10
Bolton	14	12	11	13	16	11	8
Boston	10	9	10	10	11	10	11
Bournemouth	6	6	5	4	3	5	2
Bracknell Forest	10	6	9	12	10	22	15
Bradford	10	10	11	12	12	12	11
Braintree	11	11	9	9	8	10	8
Breckland	9	8	9	9	7	7	6
Brent	12	12	15	18	19	16	16
Brentwood	6	6	4	4	8	6	6
Bridgnorth	7	6	7	7	7	7	7
Brighton and Hove	8	7	6	6	5	4	3
Bristol, City of	12	11	11	11	11	11	11
Broadland	7	5	4	6	5	4	3
Bromley	6	7	6	5	4	3	4
Bromsgrove	4	8	-	-	-	-	8
Broxbourne	11	9	7	7	9	7	9
Broxtowe	9	12	10	9	14	12	7

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Burnley	9	8	9	10	10	12	10
Bury	7	7	7	9	9	9	8
Calderdale	9	9	10	11	13	11	12
Cambridge	3	5	5	5	7	10	9
Camden	12	11	6	5	8	11	10
Cannock Chase	6	4	4	4	5	6	5
Canterbury	7	6	4	4	4	4	4
Caradon	6	6	4	5	4	4	3
Carlisle	6	6	5	4	4	5	5
Carrick	5	5	4	3	3	2	2
Castle Morpeth	2	2	2	3	3	2	3
Castle Point	12	12	10	10	11	9	6
Charnwood	6	8	8	8	8	7	7
Chelmsford	5	5	5	4	4	5	6
Cheltenham	8	9	9	8	10	8	8
Cherwell	6	7	6	7	5	8	9
Chester	10	6	7	8	7	7	6
Chesterfield	6	7	7	7	8	8	8
Chester-le-Street	4	4	4	4	3	2	3
Chichester	4	4	3	4	5	4	4
Chiltern	5	5	5	5	6	7	7
Chorley	10	8	4	6	8	7	5
Christchurch	5	5	5	5	5	4	6
City of London	8	8	9	6	9	14	16
Colchester	10	11	10	10	11	10	11
Congleton	5	6	9	8	8	12	12
Copeland	2	4	2	2	2	2	2
Corby	6	6	7	8	7	8	10
Cotswold	7	7	6	5	6	7	5
Coventry	7	8	7	7	8	8	9
Craven	3	2	3	4	4	4	5
Crawley	4	3	3	10	9	11	11
Crewe and Nantwich	9	8	7	8	7	5	6
Croydon	9	8	7	8	8	10	10
Dacorum	5	12	16	8	9	11	12
Darlington	9	13	8	6	7	6	9
Dartford	16	6	6	8	9	7	11
Daventry	8	4	4	5	6	8	7
Derby	3	5	6	6	7	7	7
Derbyshire Dales	5	5	4	6	6	6	6
Derwentside	10	12	13	12	12	10	9
Doncaster	10	11	7	9	12	11	10
Dover	6	7	5	6	6	5	4
Dudley	7	8	8	9	10	11	11
Durham	4	6	6	6	7	6	4
Ealing	12	18	18	19	18	18	18
Easington	8	9	12	9	10	13	13
East Cambridgeshire	6	6	5	5	6	10	10
East Devon	3	3	4	4	4	3	4
East Dorset	4	4	3	3	5	4	3
East Hampshire	5	4	4	5	6	7	7
East Hertfordshire	7	7	5	5	6	6	8
East Lindsey	5	4	3	3	4	4	3

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
East Northamptonshire	6	7	4	4	4	5	6
East Riding of Yorkshire	6	6	5	5	6	5	6
East Staffordshire	5	6	7	6	6	5	6
Eastbourne	7	5	4	4	3	3	3
Eastleigh	5	5	5	4	3	5	5
Eden	2	2	2	3	3	2	2
Ellesmere Port & Neston	6	6	7	7	5	5	6
Elmbridge	5	5	4	8	9	8	10
Enfield	9	8	7	7	7	6	9
Epping Forest	7	8	6	5	6	8	6
Epsom and Ewell	4	2	8	6	6	7	5
Erewash	7	6	2	4	3	2	3
Exeter	7	6	5	5	4	4	5
Fareham	5	5	4	4	5	6	9
Fenland	1	3	6	6	5	4	4
Forest Heath	8	7	8	7	9	9	9
Forest of Dean	8	9	9	7	10	9	9
Fylde	3	3	3	3	5	4	4
Gateshead	7	8	8	8	8	7	10
Gedling	7	10	7	3	5	7	8
Gloucester	8	7	7	9	9	8	8
Gosport	6	4	2	2	3	3	5
Gravesham	5	5	5	5	5	5	5
Great Yarmouth	9	10	11	11	13	7	9
Greenwich	9	9	8	9	9	7	8
Guildford	4	4	6	7	8	9	9
Hackney	30	28	24	21	22	20	28
Halton	6	9	11	9	10	9	10
Hambleton	4	4	4	4	4	5	5
Hammersmith and Fulham	7	7	7	5	7	10	11
Harborough	5	4	2	5	4	5	4
Haringey	14	11	11	13	12	12	12
Harlow	10	11	8	8	11	9	12
Harrogate	5	6	6	4	5	6	5
Harrow	7	7	7	6	5	5	5
Hart	8	7	6	7	5	8	8
Hartlepool	10	9	8	7	8	9	9
Hastings	10	8	8	6	7	5	5
Havant	4	3	4	4	3	4	5
Havering	10	8	8	8	7	8	9
Herefordshire, County of	4	5	5	5	6	6	6
Hertsmere	9	9	8	9	10	13	14
High Peak	4	3	5	5	4	4	5
Hillingdon	6	6	5	5	8	9	9
Hinckley and Bosworth	4	4	7	10	9	7	6
Horsham	5	5	4	6	5	6	6
Hounslow	14	11	9	9	15	17	15
Huntingdonshire	7	6	5	5	6	7	8
Hyndburn	7	10	6	9	12	13	17
Ipswich	10	9	7	8	8	8	8
Isle of Wight	4	4	7	7	7	7	6
Isles of Scilly	0	1	0	1	1	0	0
Islington	12	10	9	8	11	11	13

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Kennet	5	6	4	4	5	7	8
Kensington and Chelsea	2	2	2	2	3	5	6
Kerrier	12	13	11	5	5	5	6
Kettering	8	7	7	6	6	7	7
King's Lynn and West Norfolk	8	7	6	8	6	5	8
Kingston upon Hull, City of	9	9	7	7	8	8	7
Kingston upon Thames	7	13	7	5	7	7	7
Kirklees	7	7	8	9	9	8	8
Knowsley	9	9	8	9	10	10	9
Lambeth	10	10	6	6	8	8	9
Lancaster	7	6	4	4	4	4	4
Leeds	9	10	9	10	11	11	11
Leicester	10	11	10	10	10	10	11
Lewes	5	6	7	6	4	4	4
Lewisham	13	12	12	12	12	13	13
Lichfield	6	5	8	7	8	8	9
Lincoln	7	8	8	9	8	8	7
Liverpool	16	12	14	13	12	11	11
Luton	7	7	6	7	11	11	12
Macclesfield	6	5	6	6	6	7	8
Maidstone	8	6	8	7	8	7	7
Maldon	9	9	7	8	6	7	8
Malvern Hills	8	8	7	6	6	6	6
Manchester	21	22	22	21	16	17	18
Mansfield	7	7	7	8	7	6	7
Medway	15	10	5	8	8	11	9
Melton	7	5	3	5	7	5	4
Mendip	6	6	6	6	8	8	7
Merton	7	7	6	6	7	7	7
Mid Bedfordshire	8	7	6	10	10	10	8
Mid Devon	4	4	4	4	4	3	2
Mid Suffolk	4	5	6	5	5	5	6
Mid Sussex	11	9	6	5	6	6	7
Middlesbrough	14	14	17	15	14	15	13
Milton Keynes	5	5	4	6	7	8	8
Mole Valley	5	7	8	8	11	9	9
New Forest	4	4	4	6	5	4	3
Newark and Sherwood	4	9	3	9	9	8	7
Newcastle upon Tyne	8	9	9	10	7	6	6
Newcastle-under-Lyme	5	7	7	10	8	8	8
Newham	16	15	14	14	14	14	14
North Cornwall	5	4	3	3	3	3	2
North Devon	2	3	2	4	3	4	4
North Dorset	2	5	5	7	6	7	6
North East Derbyshire	7	8	9	9	10	10	10
North East Lincolnshire	5	4	5	7	7	7	6
North Hertfordshire	8	7	9	9	10	9	10
North Kesteven	9	9	8	6	5	5	5
North Lincolnshire	4	4	6	5	4	4	4
North Norfolk	4	5	5	5	4	5	4
North Shropshire	8	8	7	9	8	7	7
North Somerset	6	6	5	5	7	9	10
North Tyneside	15	11	6	12	9	7	8
North Warwickshire	5	5	5	5	5	5	5
North West Leicestershire	6	5	7	7	5	5	6

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
North Wiltshire	4	4	4	5	7	10	7
Northampton	16	12	10	13	14	11	10
Norwich	12	11	10	7	9	7	8
Nottingham	9	9	8	9	10	9	10
Nuneaton and Bedworth	7	7	8	8	7	7	8
Oadby and Wigston	7	5	5	8	9	8	9
Oldham	8	8	8	10	9	9	9
Oswestry	5	5	5	4	5	7	7
Oxford	3	3	2	3	4	3	3
Pendle	10	6	6	7	7	7	7
Penwith	7	2	3	3	4	2	3
Peterborough	9	7	8	6	7	7	8
Plymouth	13	11	7	8	8	9	6
Poole	4	4	5	4	6	5	6
Portsmouth	6	5	5	4	4	4	4
Preston	7	7	6	7	6	6	6
Purbeck	2	3	3	2	3	3	3
Reading	12	11	8	9	8	12	12
Redbridge	8	8	8	7	7	7	8
Redcar and Cleveland	1	2	5	2	3	3	2
Redditch	10	12	10	10	10	9	9
Reigate and Banstead	17	15	12	9	9	9	9
Restormel	3	4	3	3	3	3	5
Ribble Valley	2	2	2	2	2	2	3
Richmond upon Thames	6	6	4	5	6	7	6
Richmondshire	9	8	5	5	4	5	3
Rochdale	7	8	9	8	9	10	11
Rochford	7	6	6	6	6	6	6
Rossendale	10	9	10	11	12	14	15
Rother	6	6	5	5	4	4	5
Rotherham	7	8	14	8	8	4	5
Rugby	4	5	5	8	6	7	7
Runnymede	6	7	6	7	13	14	14
Rushcliffe	0	7	3	6	6	5	8
Rushmoor	5	5	4	8	12	15	15
Rutland	4	4	4	4	4	4	2
Ryedale	4	4	3	3	3	3	3
Salford	11	11	12	14	14	13	12
Salisbury	0	6	4	3	3	3	3
Sandwell	10	11	11	12	13	14	16
Scarborough	3	3	3	5	5	4	5
Sedgefield	9	9	11	13	13	14	14
Sedgemoor	5	5	5	5	6	6	6
Sefton	8	9	8	8	7	7	8
Selby	6	6	3	2	3	3	3
Sevenoaks	5	5	4	5	6	7	7
Sheffield	9	10	9	9	9	9	9
Shepway	7	7	4	4	4	5	4
Shrewsbury and Atcham	7	6	6	4	6	6	6
Slough	12	10	13	14	17	18	20
Solihull	3	3	2	2	3	5	9
South Bedfordshire	9	8	7	8	11	12	14
South Bucks	3	10	7	7	12	15	13
South Cambridgeshire	2	1	11	3	2	10	8
South Derbyshire	3	3	4	4	6	6	6

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
South Gloucestershire	5	4	3	4	5	6	6
South Hams	7	3	3	4	4	4	4
South Holland	7	4	7	7	7	6	6
South Kesteven	7	6	6	6	6	6	5
South Lakeland	3	3	2	3	3	2	3
South Norfolk	5	6	7	8	8	8	7
South Northamptonshire	5	4	5	5	5	7	6
South Oxfordshire	11	12	6	6	8	8	9
South Ribble	4	6	5	5	4	5	5
South Shropshire	8	8	7	8	6	4	4
South Somerset	5	5	5	6	6	6	5
South Staffordshire	5	5	4	5	6	9	6
South Tyneside	5	5	6	8	9	9	8
Southampton	9	9	9	6	6	6	6
Southend-on-Sea	9	9	10	9	8	9	8
Southwark	11	9	8	9	10	12	9
Spelthorne	9	7	9	7	6	7	9
St Albans	10	10	7	8	9	10	9
St Edmundsbury	6	6	4	4	5	5	5
St. Helens	7	8	11	11	10	10	10
Stafford	3	4	3	4	5	6	7
Staffordshire Moorlands	5	6	6	7	9	11	10
Stevenage	7	8	8	6	6	6	7
Stockport	15	12	12	13	13	13	13
Stockton-on-Tees	5	6	6	7	7	6	6
Stoke-on-Trent	7	8	6	10	12	11	13
Stratford-on-Avon	3	5	4	7	7	7	8
Stroud	11	11	11	14	17	15	15
Suffolk Coastal	3	4	2	6	3	3	6
Sunderland	9	9	4	3	3	3	2
Surrey Heath	6	6	4	5	18	17	7
Sutton	7	6	8	8	8	4	10
Swale	12	11	9	11	12	12	11
Swindon	5	5	8	6	9	11	11
Tameside	8	8	8	9	10	9	8
Tamworth	4	7	4	4	6	7	7
Tandridge	8	6	7	7	8	8	5
Taunton Deane	5	7	5	7	6	6	6
Teesdale	3	5	4	4	4	5	4
Teignbridge	4	4	3	2	3	3	3
Telford and Wrekin	7	7	8	9	10	9	9
Tendring	15	10	6	5	4	4	4
Test Valley	6	0	7	7	7	7	10
Tewkesbury	9	7	6	5	6	5	7
Thanet	9	9	9	7	6	5	4
Three Rivers	23	14	5	9	17	16	12
Thurrock	5	4	8	6	4	6	6
Tonbridge and Malling	4	4	3	5	7	8	9
Torbay	3	3	3	3	5	4	3
Torridge	6	6	8	6	5	6	8
Tower Hamlets	21	13	10	8	9	13	12
Trafford	7	6	6	5	6	6	10
Tunbridge Wells	6	5	5	6	6	6	8
Tynedale	0	3	4	4	4	4	4
Uttlesford	9	9	9	9	9	7	8

Commercial and industrial property estimated vacancy rates: Local authority districts (% of property vacant)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Vale of White Horse	5	5	5	9	7	8	9
Vale Royal	5	6	4	5	11	11	9
Wakefield	6	11	7	7	7	6	7
Walsall	9	9	9	9	10	10	9
Waltham Forest	18	16	11	14	14	13	14
Wandsworth	7	6	5	4	5	5	5
Wansbeck	4	3	3	5	5	4	6
Warrington	6	7	8	9	11	12	10
Warwick	7	6	8	8	9	10	11
Watford	14	9	9	9	9	9	12
Waveney	8	9	7	8	8	8	8
Waverley	7	5	4	8	9	10	7
Wealden	6	5	6	6	5	6	6
Wear Valley	6	8	10	10	12	16	15
Wellingborough	6	7	6	8	10	9	7
Welwyn Hatfield	10	11	11	11	9	11	9
West Berkshire	4	5	7	4	10	11	9
West Devon	3	4	3	3	3	3	3
West Dorset	5	6	5	4	4	4	4
West Lancashire	6	7	7	7	10	8	10
West Lindsey	15	16	9	13	11	12	9
West Oxfordshire	5	4	5	5	4	5	5
West Somerset	1	1	1	1	1	1	1
West Wiltshire	9	7	5	7	7	7	6
Westminster	10	10	5	7	9	11	10
Weymouth and Portland	27	11	11	7	8	8	8
Wigan	6	7	7	8	8	8	9
Winchester	6	7	4	3	6	6	6
Windsor and Maidenhead	8	8	0	7	9	14	15
Wirral	9	10	9	11	11	11	11
Woking	6	8	11	10	8	10	14
Wokingham	5	11	6	6	10	16	15
Wolverhampton	13	13	12	13	12	14	15
Worcester	7	6	5	5	5	4	4
Worthing	10	6	6	5	6	6	6
Wychavon	6	7	6	7	8	9	9
Wycombe	7	6	7	7	10	11	10
Wyre	2	7	7	8	8	7	7
Wyre Forest	5	5	5	8	8	11	11
York	6	5	3	4	4	6	6

Source: Commercial and Industrial Property Estimated Vacancy Statistics: England 2004/05