GENERAL PRACTICE NEWSLETTER
SUMMER 2022

Vickery Holman
Property Consultants

General Practice Surveying

IN THIS ISSUE

News from General Practice Surveying team at Vickery Holman

I am delighted to report it has been another positive quarter for the General Practice service and Vickery Holman. The initial challenges brought by the pandemic seem a distant memory, evolving into new ones with increased demand for our services, which has brought with it significant growth in both staff numbers and profit which we contribute to the Company.

The property market continues to adapt, as you will read in some of the following articles, with landlords and tenants adjusting to and embracing the new normal. Confidence levels remain high with demand continuing to exceed supply in certain sectors. The economic picture brings with it some uncertainty, with the Bank of England vowing to bring down inflation. This comes as mainstream banks report house prices hitting record highs, which is unsurprising based on activity levels and the number of transactions we have seen over the last 18 months to 2 years.

The Southwest property market is well placed for continual growth, matching that seen within General Practice in Vickery Holman. We continue to provide support to our graduate surveyors, with 1 achieving qualification since our last newsletter and 3 candidates heading for their assessment this autumn.

I hope you will find the articles in this newsletter of interest and please feel free to contact any member of the team if we can be of assistance.

Rebecca Cook
Associate
07515 993325
rcook@vickeryholman.com

LEASE ADVISORY

Lease lengths: 20, 10, 5, 3 and counting

As busy commercial property surveyors, we see a lot of leases. Once thing that has struck me in recent years is a general move to shorter lease lengths.

At the moment we are dealing with several renewals of 15-20 year leases. The first point up for negotiation, sometimes even before the issue of rent, is the lease length. This is especially true for retail leases, which traditionally have been up to 20 years duration, often with no tenant break options.

Tenants demand greater flexibility and want to be able to leave a property should they need to downsize or change location. Whilst they have always had options in a longer lease, such as subletting or assigning their lease, they vastly prefer to be able to cut ties entirely and leaving at the end of a lease is the simplest way of doing this.

For landlords and investors, this is not a particularly welcome trend. A longer term certain is attractive as there will be a secure income from the property. However, there are some positives for landlords, despite being faced with only 3 or 5 years term certain. It allows the landlord to revisit the market rent for a property on a more regular basis, in the absence of rent reviews. In buoyant markets, such as industrial units and grade A offices, this will still provide an opportunity for rental growth.

For less well performing markets, such as secondary retail, options are limited for landlords and it is a case of agreeing a shorter term to attract a good tenant, who may well decide they want to stay beyond the initial period.

It has been accepted by landlords, tenants and property professionals that, generally, the shorter your lease the more rent you pay to account for the added flexibility. However, now we are seeing shorter and shorter leases as standard, this concept may not be the norm for too much longer.

Amy Durkin
Head of Lease Advisory
01174 286555
adurkin@vickeryholman.com

DEVELOPMENT SERVICES

The Infrastructure Levy – a better way forward?

Following on from last month's Queen Speech and the subsequent publication of the draft Levelling Up and Regeneration Bill, we now have the first proper details of how the much-trailed Infrastructure Levy, intended to largely replace Section 106 and CIL, will work.

The Bill confirms the new levy will be charged on the value of property when it is sold and applied above a minimum threshold, with levy rates and minimum thresholds being set by local authorities, rather than a flat rate levy set nationally, as proposed in the original Levelling up White Paper.

In-kind payments will be possible which will allow the delivery of on-site affordable housing, however, a new 'right to require' will remove the need for negotiation in determining the portion of the Infrastructure Levy local authorities receive in-kind as on-site affordable homes. The Bill also requires local authorities to prepare Infrastructure Delivery Strategies (IDS) to plan effectively for spending Levy proceeds and delivering infrastructure.

While the Bill provides the framework for the new levy, the government has said much of the detail will be set out in future regulations. The Infrastructure Levy has the potential to be more flexible and respond to market conditions so payments reflect actual increases (and decreases) in gross development value, however, there continues to be widespread concern over how it will work in practise and weather these measures will deliver the desired levels of affordable housing and infrastructure, particularly in areas of low value.

We continue to monitor the Bill at is passes through the House of Commons and Lords to obtain Royal Assent and await further detail on the regulations.

Steve Maycock
Head of Development Consultancy
01872 242720
smaycock@vickeryholman.com

RATING

What does the 2023 Revaluation mean for you?

The long-awaited 2023 business rates revaluation is fast approaching – but what does this mean for ratepayers?

This Autumn, the Uniform Business Rate (UBR) multiplier for 2023/24 will be announced ahead of the publication of the draft rating list, which will be issued no later than 31 December 2022. Equipped with both the UBR multiplier and your draft rateable value, you will be able to estimate your business rates liability for 2023/24. This is a key moment in time to have your rateable value checked for factual errors, as appeals can be submitted after the new rating list comes into force on 1 April 2023 to correct any mistakes and ensure you are paying only what you should.

We predict some ratepayers will experience a greater change in their business rates liability than others. Current rateable values are based on an antecedent valuation date of 1 April 2015. The valuation date for the new rating list, which will come into force on 1 April 2023, is 1 April 2021 and rateable values in each sector will therefore reflect the open market rental value as estimated by the Valuation Office Agency (VOA) on that date.

As with previous rating revaluations, we feel that some commercial property owners and occupiers will benefit from the introduction of the 2023 rating list, whilst others will not. Undoubtedly key sectors such as retail have been impacted at a fundamental level in the years since the last revaluation; we therefore predict rateable values in the traditional retail sector, which historically represented over a third of the rateable value pool, will likely fall behind both the office and industrial sectors.

We have seen the industrial and logistics sector go from strength to strength during the pandemic, so we expect to see this reflected in increased rateable values within this sector. We are of the opinion office rateable values will remain largely unchanged.

It will be very interesting to see how the leisure industry is handled, as accounts for the three years leading up to the valuation date are customarily analysed by the VOA to determine rateable values. This of course means the 2020 season, during the height of the pandemic, will be a formative year. It remains to be seen what the VOA will do with 2020 trade information, but we suspect the previous two summer seasons in 2019 and 2018 will be more formative than 2020 in giving a fairer indication of normal levels of trade.

Please get in touch if you have any questions about the upcoming revaluation and remember Vickery Holman can help you to review your rateable value before the new rating list comes into force on 1 April 2023.

Jordan Kennedy
Head of Business Rates Consultancy
01872 245525
jkennedy@vickeryholman.com

VALUATION

Charities Act 2022

The Charities Act was last amended by way of Charities Act 2011 which sets out how all charities in England and Wales are registered and regulated.The new Charities Act 2022 received Royal Asset on 24 February 2022. It aims to reduce the administration required by Charities, to save time and money. The provisions of the Act are to be implemented on a staggered basis from Autumn 2022 to 2023.

How does this impact Charities who own property?

The Act seeks to protect charity land in support for charitable objects. This enables trustees to deal with charity land in a way which is proportionate and appropriate. There has been the removal of the requirement for trustees to advertise a property in the manner advised in the surveyor's report, but that disposal advice is to be covered within the Surveyors report. The provision of a valuation report is designed to ensure the value of charity assets is maximised and trustees do not make unwise decisions. A charity, therefore, still needs to obtain a valuation report for any acquisition or disposal of property or lease on a property owned or occupied by the charity.

How can Vickery Holman help?

Vickery Holman have an experienced team across the region who can provide charities with valuation advice for all property types; from residential property, charity shops through to development land and industrial units. We act for several charities, both large and small, across the region including Hospiscare, Guinness Trust and Salvation Army. I am also a trustee of a local charity who provide Almshouses in Exeter, so I understand how these changes impact charities on the ground, as well as the importance of gaining professional RICS qualified surveyor advice.

Samantha Johnson
Head of Valuation
07921 058088
sjohnson@vickeryholman.com