

I like to MOVE IT

The prospect of moving house is fairly daunting and the concerns and considerations concomitant with private property moves are presented in a magnified fashion when one is considering moving premises for commercial purposes: is it affordable, what is the right location to maximise custom, how best to use space when space is increasingly at a premium etc.? IMI Magazine's 'moving' special seeks to answer these questions and provide you with a plan of action if you are considering a relocation.

Businesses looking to upgrade or relocate premises may, like Phil and Kirsty, be focused on 'location, location, location', but those who ignore other key factors when deciding upon a new site could end up with a property headache that even the dynamic duo can't cure. Whilst a property may be suitable in physical terms there are many issues that a site inspection won't necessarily reveal.

PLANNING

For example, planning consent may be required for building work but also for a change of use which, with traditional stock in short supply, is an obstacle many are

having to traverse. Current legislation requires that changing a property into a car showroom or workshop will almost always need planning consent. This will need a planning application and whilst a decision should be available within three months this can, in some cases, take longer. A relocation plan should always include an appraisal of whether planning consent is required at any stage and, if so, a timeline introduced which factors in delays and mitigates any potential risk to business.

THE LIE OF THE LAND

It has also been known for some businesses to take properties without taking a survey which, whilst less of an issue for a new property, can add a significant cost if repairs are required on older facilities. For example, if a roof needs replacing five years into occupation it is not just the cost to consider but the disruption to the business as well. Meanwhile, rights of way and title restrictions continue to be factors, but these can be navigated with the help of a good solicitor.

Businesses should, though, also be prepared to look beyond the confines of a proposed new site and keep in mind

issues and developments in the local area. A proprietor, for instance, may have just relocated to the perfect site, and invested heavily to fit out the unit, only for the site to be bypassed, or a nice quiet neighbouring unit turned into a waste centre.

RELOCATION CAN BE TAXING

Upgrading facilities is a significant investment and tax liabilities can impact on expansion plans.

However, George Osborne's 2016 Budget did contain some good news for business owners on the tax front. A new stamp duty slice system provides smaller operators a cut in their tax bill, with 0% owed on the first £150,000 and 2% on the proportion between £150,000 and £250,000 (though the largest investors and developers are hit with an increase, around 90% overall have had the bills cut or kept the same). Business rates, too, were addressed by the Chancellor and, while the root-and-branch reform many operators are hoping for hasn't materialised yet, the threshold for rates relief has doubled – giving permanent exemption to many.

The business rates system must still be navigated with care, though, when considering new premises and values. Rates charges can be appealed, but the current rates are still payable until an appeal is successful, at which point a refund will be provided.

ENERGY EFFICIENCY

2018 will see legislation restricting the letting of the most energy inefficient buildings in the UK come into force. Properties that are let today are required to have an Energy Performance Certificate (EPC) which rates how efficient the property is, but, from the

1st April 2018, landlords won't be able to let property which scores in the two lowest ratings without upgrading first.

Whilst this is unlikely to affect modern properties, facilities like workshops and valeting units could be affected; operators often do not need these to be modern or fitted out with up-to-date heating or lighting. The landlord will be responsible for the cost of bringing these up-to-standard and this will, therefore, likely be passed on in rental charges. This will be an issue beyond 2018, with the legislation extended in 2023 to cover lease renewals. Theoretically, a business could have to vacate a unit because the landlord won't install energy efficient lightbulbs.

TAKING STOCK

However, at present, perhaps the biggest problem is finding a new site at all. Lack of stock has characterised the market in recent years and, with other uses (particularly residential) often able to pay more for a site, the opportunities for motor trade units are becoming more difficult to realise – particularly inside the M25.

In the world of automotive retailing this has been offset by the growth of online sales and a good digital footprint can counter increasing property costs. The online marketplace is incredibly competitive, with platforms like Tootle, Carspring and Carsnip challenging the traditional powerbases – but smaller dealers can benefit by integrating digital with showrooms to translate web browsers into footfall and sales. This may herald a change in approach to property requirements and a greater focus on 'click-and-collect' capabilities.

Whether relocation is explored following the sale of a site to a multi-million pound residential scheme, larger premises are needed because of manufacturer brand demands, or a new sales strategy requires property diversification – it is vital to look beyond the floorplan, and the location, and consider those business-critical property issues which will drive your business into a successful and sustainable future.

Article courtesy of commercial property and planning consultants Rapleys

FIVE THINGS TO CONSIDER...



Freehold or leasehold

Choose wisely for what your business can afford and what it needs to be future-proof. Freeholders control their own property, requiring initial investment but the return is often greater; leaseholders occupy for a set period, possibly with break clauses, allowing flexibility.



Check restrictions

A listed building or conservation area will restrict changes you can make. Assess the likelihood of obtaining planning permission for a new showroom. Landlord's consent is needed to alter a leasehold property.



Choose the right advisers

It's critical to have the best business partners. A good solicitor, surveyor, accountant and fit-out crew will have as much interest in your business needs as you do.



Timing

Allow sufficient time for the legal process so you don't compromise your bargaining position.



Budgeting

Don't forget stamp duty land tax (also payable on some leases), land registry fees, professional fees, fitting out, rent deposits, service charge and insurance can apply.

Tips courtesy of automotive legal specialists HRC Law

