

Insights

MY COMPANY OCCUPIES TWO SUITES OF OFFICES SEPARATED BY A FIRE CORRIDOR. CAN THEY BE VALUED TOGETHER?

BUSINESS RATES – PROPERTY IN COMMON OCCUPATION

Feb 26, 2020

No. The fire corridor is the problem.

In the rental valuation of business premises, there can be increased costs or savings depending on whether two or more units of property are valued individually or together. Examples might be two non-adjoining floors in an office building, or two suites of offices on the same floor of that building. Or perhaps an occupier occupies two floors of the same building which are adjoining apart from the ceiling/floor void between the two floors, which contains cabling, ducts, fire and sound proofing.

Sometimes, the rental valuation will recognize that the tenant should have a discount because of the fragmentation of the space that is occupied. Sometimes, the rental evidence demonstrates that the occupier can achieve a discount to what otherwise would be the rental value to recognize the size of the space it occupies.

A rateable value is a special rental valuation using criteria that appear in the business rates legislation. For rating purposes, when are premises treated individually and when are they aggregated?

There is a legal test and a valuation aspect. First, apply the legal test to determine whether the premises are treated individually or together. A specialist valuer can then advise on appropriate value (s) to apply.

THE LEGAL TEST

From 1 April 2010, where premises are in common ownership, they are aggregated if they are “contiguous”.

Premises are contiguous if:

- They share a wall, fence or other means of enclosure; or

- They are on consecutive storeys of a building and one, some or all of one unit lies directly above some or all of the other; or
- They are on consecutive storeys of a building and some or all of the floor of one unit lies directly above all or part of the ceiling of the other unit. A space between two units owned by the lessor does not stop the floors being contiguous. However, the fire corridor is an independent unit of space which prevents the two suites from being contiguous.

The outcomes you should expect are that two units on non-adjoining floors are separate. Also, two units on the same floor separated by a fire corridor controlled by the lessor are separate. But two units on adjoining floors separated by “void” space containing services would be treated as one for rating valuation.

These outcomes are not guaranteed and specialist advice should be sought if there is any lack of clarity.

This insight was originally authored by Roger Cohen.

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MEET THE TEAM



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