



PROPERTY – INDUSTRIAL & COMMERCIAL

The UK has one of the most dynamic and transparent property markets in Europe, with a wide range of property options, stable rents and flexible short-lease arrangements.

PROPERTY OPTIONS

There are several property options available to businesses throughout the UK (including leased offices, serviced offices, industrial properties, land for development and science parks). Importantly, there are no restrictions on overseas companies buying or renting property.

– LEASED OFFICE OPTIONS

There is a wide selection of leased office options in the UK, ranging from standard office accommodation to leading-edge international headquarters.

Typical costs for offices vary across the UK (see Appendix 1). The basic rent on a conventional office lease usually ranges from £100–£650 per square metre per annum (approximately £10–£65 per square foot per annum), depending on location and facilities. Annual rents are typically subject to “upwards-only” rent reviews at the end of each fifth year.

In addition to annual rental charges, service charges are also typically charged at around £40–£75 per square metre per annum (approximately £4–£7.50 per square foot per annum). The **service charge** is levied by the building owner or their agent, and includes the basic running costs of the building such as lift maintenance and cleaning.

– SERVICED OFFICE OPTIONS

The key advantage of serviced offices is that all costs are rolled into one monthly payment, which reduces administration and, as leases can also be as short as one month, provides maximum flexibility. Companies can usually move into a new location within a week.

Serviced offices are available in major towns and cities across the UK, and range in size from a single desk through to large corporate campuses.

Costs are usually based on the number of workstations required, and vary according to location and services included. These can typically range from £200 to more than £1,000 per person, per month.

More information on both cost and availability of serviced offices can be found at:

www.instantoffices.co.uk

www.regus.com

www.hqeo.co.uk

– INDUSTRIAL PROPERTY OPTIONS

There is a wide choice of industrial and distribution properties across the UK, with approximately 20 million square metres of space available (Source: King Sturge, UK Industrial and Distribution Floor Space, 2004).

The average rentals on new industrial and distribution units typically range from around £50 to £100 per square metre per annum (approximately £5 to £10 per square foot per annum), depending on location. Please see Appendix 2 for details of typical industrial rents across the UK.

– LAND OPTIONS: DEVELOPMENT SITES

For businesses intending to build their own premises, the UK offers a wide variety of greenfield and brownfield sites in every region (please see Appendix 3 for details of typical industrial land prices across the UK).

In certain areas, government assistance is available in the form of either tailored development packages or financial grants.

– SCIENCE PARKS

There are approximately 100 science parks in the UK. These support the start-up and development of knowledge-based businesses. Most have formal links with universities, institutes and research organisations (facilitating both commercial opportunities and business support).

For more information on science parks, please see www.ukspa.org.uk

PROCUREMENT OPTIONS – LEASEHOLD OR FREEHOLD ?

For companies setting up in the UK, the key property decision is whether to rent premises (known as “leasehold”) or to buy premises (known as “freehold”). Typically, leasehold is more usual for office premises, whilst freehold is more common for industrial premises.

– LEASEHOLD (renting property)

Commercial leases typically run for 15 years with reviews every five years. However, shorter terms are becoming more common. It may be possible to negotiate “break clauses” at set times throughout the lease (enabling the occupier to serve notice on the landlord).

Companies can either rent premises that are already available, or enter into what is known as a “pre-let” (an agreement with a developer to lease premises before construction is completed, enabling prospective tenants to specify the design, layout and fittings of the building).

The majority of leases on commercial premises are let on “full repairing and insuring terms”, which places the responsibility and costs for all upkeep, decoration and repairs onto the tenant.

In addition, most leases over three years in length will have a provision to increase the rent in line with the market conditions at pre-determined points throughout the lease. The standard clause allows for “upwards-only” rent reviews at five-yearly intervals (this means that, should the market rent rise, so does the rent payable).

For more information on legal issues for a business tenant, see:

www.urban.odpm.gov.uk/property/tenancy/index.htm

Businesses selecting the leasehold property option must also pay "stamp duty land tax", which is calculated using the "net present value" of all rental payments due over the term of the lease. For more information (including an online lease calculator), please see:

http://www.inlandrevenue.gov.uk/so/sdl_t_index.htm

– FREEHOLD (buying property)

Buying property in the UK is a straightforward process and, importantly, there are no restrictions on overseas companies.

In addition to the price of the property, purchasers must also pay "stamp duty land tax" which is calculated using the size of the transaction and the location of the property. For more information, please see:

http://www.inlandrevenue.gov.uk/so/current_sdl_t_rates.htm

TIMESCALE

Although it is possible to occupy a new building within a few weeks, it is prudent to allow, on average, three to four months from initialising the property search to taking occupation of an existing property. This covers searching locations and identifying buildings, negotiation of lease terms and the drafting of documentation.

LEGAL FEES

Legal fees, including conveyancing fees, stamp duty (on purchases), local authority searches and bank transfer fees are applicable. As legislation changes frequently, an experienced property solicitor is usually necessary to assist in the preparation of all required documentation.

AGENT FEES

A reputable property agent can assist in the property search and, subsequently, to negotiate the main terms of the lease or purchase. An agent typically costs approximately 10 per cent of one year's rental.

For more information on surveyors and property agents in the UK, please see:

<http://www.rics.org.uk/dir/index.html>

BUSINESS RATES

Business rates are a local tax that business occupiers pay towards the costs of local government services. Business rates typically range from £20–£130 per square metre (approximately £2–£13 per square foot) – the business rate levels are reviewed every five years.

Details of variations between England, Wales, Scotland and Northern Ireland can be found at:

<http://www.voa.gov.uk>

<http://www.scotland.gov.uk/library2/doc14/lgl1-00.asp>

<http://www.dfpni.gov.uk/rca/index.htm>

PLANNING SYSTEM

UK planning regulations are administered by the local authority covering the area in which the building or land is located. Prior to making any commitments to amend an existing building, construct a new building, or change the usage of a building, businesses must make contact with their local authority planning department. Further details about the UK planning system can be found at www.planningportal.gov.uk.

CONTACT

This information sheet provides only a summary of details about the UK property system as at May 2004. Information changes from time to time and you should contact the organisations/associations or UK trade & investment, to confirm any item on which you intend to rely –and to obtain any necessary information.

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APPENDIX 1

Office rental costs, 2004	
Location	Prime office rental costs (£ per square metre per annum)
North	
Warrington	£172.23
Manchester	£269.11
Liverpool	£172.23
Newcastle	£209.90
Sheffield	£166.85
Leeds	£247.58
Bradford	£158.77
South	
London – Canary Wharf	£403.66
Heathrow	£285.25
Basingstoke	£182.99
Swindon	£172.23
Bristol	£247.58
Exeter	£150.70
Plymouth	£129.17
Wales	
Cardiff	£193.76
Swansea	£118.41
Midlands and East Anglia	
Telford	£123.79
Northampton	£145.32
Birmingham	£296.02
Scotland	
Edinburgh	£279.87
Glasgow	£247.58
Aberdeen	£193.76

Source: DTZ Research, 2004

APPENDIX 2

Regional prime industrial rental values – 2004	
Area	Prime Rent (£ per m ²)
Greater London	
Heathrow	145.30
Park Royal	102.25
Croydon	91.50
South East	
High Wycombe	88.80
Slough	118.40
Dartford	78.00
East Anglia	
Peterborough	51.10
Norwich	51.10-53.80
South West	
Bristol	72.65
Plymouth	53.80
Swindon	64.80-70.00
Wales	
Cardiff	58.50
Wrexham/Deeside	45.70-48.40
Swansea	45.70
East Midlands	
Leicester	51.10
Derby	51.10
Nottingham	51.10
West Midlands	
Birmingham	59.20
Black Country	51.10
Solihull	67.30
North West	
South Manchester	56.50
Trafford Park	56.50
Warrington	56.50
Yorkshire & Humberside	
Leeds	53.80
Doncaster	48.45
Hull	53.80
North	
Newcastle	48.40
Sunderland	48.40
Stockton-on-Tees	37.70
Scotland	
Edinburgh (South Gyle)	61.90-64.50
Glasgow	59.20-64.60
Aberdeen	55.00

Source: King Sturge, 'UK Industrial Floorspace Today', 2004
(assumes a minimum size of 1000m²)

APPENDIX 3

Industrial land values, 2004	
Location	Land values (£ per ha)
North	
Warrington	£741,000
Manchester	£743,470
Liverpool	£247,000
Newcastle	£276,640
Sheffield	£494,000
Leeds	£555,700
Bradford	£444,600
South	
Heathrow	£4,446,000
Basingstoke	£1,605,500
Swindon	£802,750
Bristol	£864,500
Exeter	£666,900
Taunton	£401,375
Plymouth	£370,500
Wales	
Cardiff	£432,250
Swansea	£148,200
Midlands and East Anglia	
Telford	£370,500
Northampton	£1,111,500
Black Country	£679,250
Birmingham	£1,049,750
Scotland	
Edinburgh	£432,250
Glasgow	£308,750
Aberdeen	£321,100

Source: DTZ Research, 2004