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Will the Conservative-Liberal Democrat coalition lift the commercial property market?

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Will the Conservative-Liberal Democrat coalition lift the commercial property market?

'No!' says Jonathan Pender, commercial property lawyer at Phillips, 'the market is hard pressed and has not recovered from the bank calamities of September 2008. Much of the market is also becalmed because of a lack of banking activity. The coalition government has several options to help refill its coffers, just two of which are to raise Stamp Duty Land Tax, on commercial property deals and secondly to increase VAT. The former will produce little return and the latter is a bigger subject of which commercial property will be an afterthought. Business rates are another more pressing commercial property burden; on balance the glass is half empty with few signs of recovery.

Property, in historic terms, is cheap but that doesn't necessarily mean that demand will increase. Growth in the rental market is small everywhere except for central London offices, supermarkets and some of the better retail parks. This is perhaps more to do with low interest rates. But beyond that there's little optimism in the occupational market, unless you are a tenant! Rents are fairly stagnant or falling and there is little indication that these markets will pick up. Companies are cautious and many are not in any condition to move. Patterns of building occupation are changing too and in some areas properties are becoming redundant and are unlikely to be occupied for the purpose for which they were built. Many are already being viewed for changes of use to residential. Alternative usage for existing buildings is now a growth subject.

What is needed from this new government is encouragement to planning authorities to give greater flexibility towards changes of use, demolition and refurbishment of properties. This would encourage greater take up of business space or even the transformation of business

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space for other activities such as housing, education, leisure or otherwise. This perhaps conflicts with a local authority's desire to raise as much income from rates as possible in the short term.

Businesses need to use their property resources efficiently and in difficult economic times landlords need to take a more flexible approach to lease terms, allowing leases to be re-negotiated or re-gearred at more economic levels. Speeding up the letting process and more realistic (shorter) leases from lawyers reluctant to depart from their historic drafts would be useful. Statistically the average length (duration) of most commercial leases is continuing to fall, unlike their average length (number of pages) which remains constant! The current market puts many tenants in a good position to dictate terms more favourable than for many years, including lease renewals.

Some small compensation, concludes Jonathan, is that we are not in the Eurozone which has a very mixed market. It is open to debate whether any government initiatives or legislation will help or hinder the real economy, but businesses can at least take steps to make most efficient use of their property resources, examine their lease liabilities and become more flexible. Landlords should be forward planning 2/3 years and tenants reflecting upon bettering their existing position at present.'

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