



# **SOUTH COAST COMMERCIAL PROPERTY SHOW 2019**



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# **The South Coast Commercial Property Show 2019**

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First presentation:

**Wilkins Kennedy**

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# VAT – PROPERTY AND CONSTRUCTION

Mark Doherty – VAT Director

Wilkins Kennedy

# VAT – REVERSE CHARGE ON CONSTRUCTION SERVICES



# WHY IS CHANGE NEEDED IN THE CONSTRUCTION SECTOR?

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“HMRC will be introducing a VAT Reverse Charge from October 2020 to tackle est.£100m losses each year due to fraud and incorrect VAT remits in the construction industry”

# THE SOLUTION

- Remove VAT from the supply chain to remove fraud or temptation of evasion
- Legislation introduced from 1 October 2020 (postponed from 2019)
- Certain supplies' of construction services/goods will become subject to "Reverse Charge"
- Both supplier and customer must be VAT registered
- Supplies to an 'end user' will not be caught by changes - VAT charged as normal

# HOW WILL IT WORK?

- From 1 October 2020 VAT registered suppliers in a chain of construction services will no longer charge VAT on certain “specified” goods and services
- Customer/contracting party will take on responsibility for VAT accounting
- Reverse Charge is a mechanism whereby customer/contractor effectively “self accounts” for VAT on behalf of supplier

# REVERSE CHARGE: UNTIL 30 SEPTEMBER 2020

Sub-contractor		Contractor	
Sale	£100	Purchase	£100
VAT	£20	VAT	(£20)
Pay HMRC	£20	Reclaim from HMRC	(£20)



# REVERSE CHARGE: AFTER 1 OCTOBER 2020

Sub-contractor		Contractor	
Sale	£100	Purchase	£100
No VAT (box 1)	-	RC VAT due on sale (box 1)	£20
RC VAT recovered on purchase (box 4)			(£20)
Pay HMRC nil	-	Reclaim nil	-



# SPECIFIED SUPPLIES

- Reverse charge rules are aligned to established CIS rules – if work is in scope of CIS, it potentially falls in scope of reverse VAT charge (with some exceptions).

These are called specified supplies:

Services Affected	Services Unaffected
General construction of buildings – repair, alteration, demolition etc.	Making, installing and repairing artworks, e.g. sculptures, murals
Groundworks, installation of powerlines, pipelines	Architectural services, surveyors and other consultants
Heating, ventilation and air conditioning – complete systems	Installation of seating, blinds and shutters
Cleaning services carried out in course of construction	Installation of security systems, alarms, CCTV and PA systems
Painting and decorating of buildings or other structures	Signage

# MIXED SUPPLIES

- Legislation ensures if there is a reverse charge element of a supply then the whole supply is subject to the reverse charge
- Easier for both the supplier and customer to avoid requiring to split out the supply
- If there has already been a domestic reverse charge supply on site, if both parties agree, any subsequent supplies on that site between same parties can be treated as domestic reverse charge supplies
  - Reduces doubt and speeds up decision making for parties
- If in any doubt, provided the recipient is VAT registered and payments are subject to CIS, it is recommended that the reverse should apply

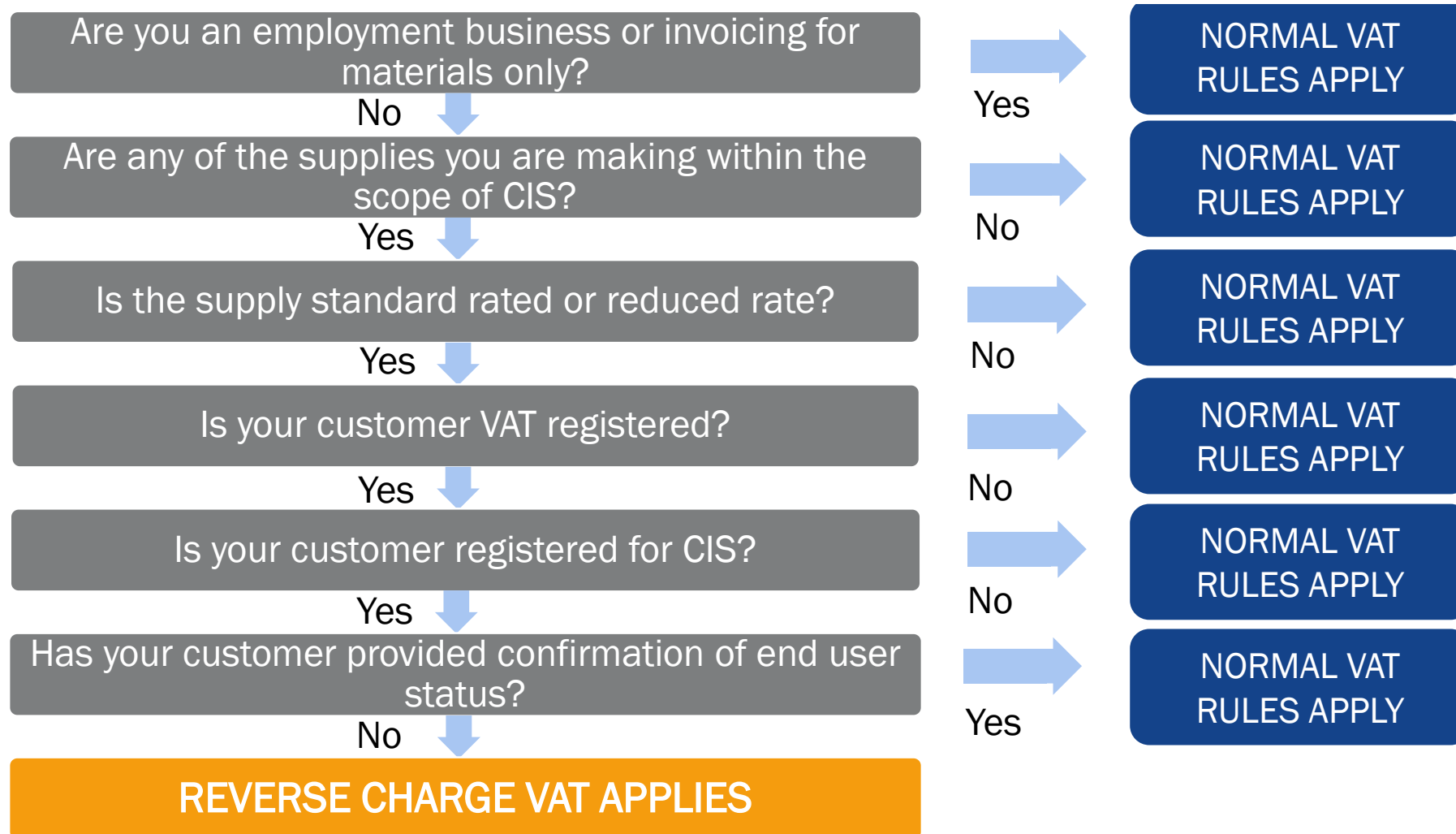
# WHEN DOES THE REVERSE CHARGE APPLY?

- From 1 October 2020, the reverse charge will apply to ‘specified supplies’ of construction services/goods unless:
  - Customer is not VAT registered
  - Customer not registered for CIS
  - Services supplied to ‘end user’ – for example, a property owner or developer that is selling the building
  - Customer makes an onward supply of services to a connected company
  - Supplier and customer are landlord and tenant or vice versa
  - Supplies are zero rated (e.g. construction of new dwelling)
  - Supplier is an employment business supplying construction works – supplies of staff for VAT purposes – not construction services

# “END USERS”

- Those receiving construction services but not supplying those services on with other construction services
  - e.g. Developer selling or letting a newly completed building
- End users responsibility to make supplier aware they are end user and VAT should be charged as normal
  - Should be recorded in written form, clear to understand and retainable for future reference
- If end user does not provide supplier with confirmation of status it will still be responsible for accounting for reverse charge
- Domestic customers, non VAT registered or not CIS registered will be charged VAT as normal

# “END USERS”



# HMRC: SOFT LANDING PERIOD

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- HMRC will apply soft landing period to errors in first six months of implementation
  - Only where visible compliance has been attempted
- Businesses will be liable to penalties where:
  - No effort has been made to comply
  - Knowingly incorrect invoices are raised
  - End user status is falsely claimed

# THE IMPACT ON YOUR BUSINESS



New ways of invoicing



Cashflow winners & losers



Staff training



VAT return completion



Software and changes to procedures

# INVOICING

- From 1 October 2020 the invoices should:
  - Continue to show all information normally required
  - Show clear annotation of where reverse charge applies and customer accounting for VAT
- Amount of VAT due under reverse charge must be stated on the invoice, but not included in the 'total VAT charged'
  - If the system cannot show amount of VAT due under reverse charge, then wording should state VAT is to be accounted for by customer at standard or reduced rate
  - Every invoice must include an appropriate statement such as:
    - "Reverse charge: Customer to pay VAT to HMRC"
    - "Reverse charge: VAT Act 1994, Section 55A applies"

# SELF BILLING & AUTHENTICATED RECEIPTS

- Must show supplier's name, address and VAT registration number as well as the usual VAT invoice details (customer's address and VAT number)
- Self billing invoices must be clearly marked as such
- Clearly state amount of VAT due under reverse charge or rate of VAT
- Wording must be included along the lines of '**reverse charge: we will account for and pay output tax due to HMRC**' or, '**as the UK customer we will pay the VAT due to HRMC**'

# VAT RETURN

## SUPPLIERS

Under reverse VAT charge must not enter in box 1 of VAT return any output tax on sales to which the domestic reverse charge applies.

Must enter net value of these sales in box 6.

## CUSTOMERS

Must enter in box 1 of VAT return the output tax on purchases to which VAT reverse charge applies, but not enter the net value of purchases in box 6.

May reclaim input tax on reverse VAT charge in box 4.

Include net value of purchases in box 7.

# CASHFLOW: WINNERS & LOSERS

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- ✓ Lead contractors will pay less VAT and have cashflow gain
- × Sub contractors will collect less VAT and have cashflow deficit
- Impact will be keenly felt around changeover from charging to not charging VAT
- Need to consider if you will have sufficient funds to pay historic VAT bill from last quarter under old rules if no VAT is paid to business after 1 October 2020

# CASHFLOW: WINNERS & LOSERS

- If you buy substantial amounts of materials to use in your work, all or almost all of your services fall under reverse charge – you may find you are in a repayment position with HMRC (your VAT return is a repayment from HMRC rather than payment)
  - Consider requesting monthly VAT returns to recover the VAT spent on materials each month rather than waiting for quarterly repayment
- **Wilkins Kennedy Banking & Finance Team can assist with cash flow implications**

# TO SUMMARISE

- Review your software
- Preparations if your business is likely to be in cashflow deficit or at risk of supply chain failure
- Advise sub-contractors of changes
- A monitoring system for customers that are VAT or CIS registered
- Look into VAT monthly repayment trading
- Customer responsibilities for identifying the correct VAT treatment of a service provided by a subcontractor - may not always be simple to determine
- **Talk to your advisor, Wilkins Kennedy Partner or Manager**

# VAT AND TRANSFERS OF A GOING CONCERN

# TRANSFERS OF A GOING CONCERN

- Complex area for property rental businesses
- Subject to HMRC scrutiny currently (transactions are high value and “VAT free”)
- Conditions for both buyer and seller to attain VAT free status
- Warranties/undertaking in contract are vital on both sides
- Errors = VAT, plus potentially more Stamp Duty, plus penalties and interest
- Take advice !

# CONTACT US



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# Service Charge from a Transactional Perspective

**Rachel McNulty**  
Solicitor, Commercial Property  
Thursday 31<sup>st</sup> October 2019



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# The Basics

## What is service charge?

- It is a mechanism by which a landlord is able to recover its running/operational costs of a building/centre/facility PROVIDED that the lease to the tenants includes appropriate service charge provisions.

## What is the purpose of service charge?

- Landlord - to have a clear rent profit!
- Tenant - they look at the service charge provisions set out in the lease and consider this to be an itemised list of the landlord's duties and obligations to be provided for their benefit throughout the term of the lease.

## Regulations / statutory legislation

- There are none for commercial property - beware of mixed use commercial/residential buildings
- S.17 of the Landlord and Tenant (Covenants) Act 1995 - 6 months from when payment was due
- RICS 2018 Professional Statement - came into effect on 1 April 2019

# Matters to consider before drafting

- Demised Premises
- Services to be provided - now and potentially in the future
- Calculation of the tenant's proportion

# Demised Premises

- **A unit on an estate is relatively straightforward**
  - FRI lease of whole subject to service charge for common parts
- **A floor in an office building**
  - IRI lease of part subject to service charge for the common parts and maintenance and repair to the building
  - Who should be responsible for the windows forming part of the main structure?
  - Examples of terms in lease relating to windows:
    - Tenant to be responsible for the glass in the windows - consider practicalities (and expense) where the glass cannot be replaced from inside the demised premises
    - Tenant to be responsible for the window frames (excluding the external surfaces) and window furniture
    - Landlord to be responsible for the windows in the exterior walls and their frames and fittings
- **Consider whether any parking areas or external parts are to form the demised premises or remain common parts**

# Landlord's liability to provide services

- Services a landlord covenants to provide
  - The Court may imply an obligation on a landlord to provide certain services in the absence of an express covenant to do so.
- Services a landlord is under no obligation to provide
  - A tenant will be under an obligation to pay for any such services where provided by the landlord.
  - The Court will not imply an obligation for a landlord to carry out a particular operation if this is not specifically provided for in the lease.
- If it is intended that payment of the service charge is a pre-condition to the landlord's obligation to provide the services then this should be made clear in the lease.
- If a landlord fails to act in a timely fashion they may be unable to recover the full cost of repairs.

# Landlord's liability to provide services

- It is fair that the landlord should be relieved from its obligation to provide services to the extent that there are circumstances reasonably beyond its control and tenants will agree this subject to ensuring that the landlord agrees to take all reasonable care to prevent, and to use reasonable endeavours to minimise, any periods of interruption ('force majeure' clauses).
- If the landlord should have carried out the works earlier but delays until the tenant's service charge cap has expired, then they will only be able to recover to the extent of the cap.
- While there is still some uncertainty, it seems that the Unfair Contract Terms Act 1977 may not apply to covenants to pay service charges.
- A landlord must think carefully as to whether to seek a release under the Landlord and Tenant (Covenants) Act 1995 when assigning its reversion as, while this may release them from the obligation to provide services, it may also mean that they are not entitled to payment of service charges.

# Expenses that can be recovered by a landlord

- A tenant will not generally be expected to pay for the landlord to upgrade or improve its property as opposed to repairing it.
- Remember though that a covenant to provide a service imposes a wider and potentially more onerous obligation than a covenant to repair and may entitle a landlord to recover costs of work going beyond repair.
- If the lease requires the landlord to consult tenants before carrying out major works there can be no recovery of the cost of works carried out without consultation.
- A landlord cannot recover the cost of items which are not clearly included in the lease and which are of no benefit to the tenants.

# Expenses that can be recovered by a landlord

- *Sadd v Brown* LRX/4/2012 - Upper Tribunal (Lands Chamber) held that, under the terms of the lease, a landlord could not recover the cost of the insurance premium from the tenant where the lease contained no specific ability for the landlord to recover it.
- Items such as Business Improvement District levies and the compliance costs associated with legislative or regulatory requirements should be referred to specifically.
- *Christopher Moran Holdings v Carrara-Cagni* [2016] UKUT 152 (LC) - the tenant was liable to pay for the repair of conservatories enclosing sections of a roof terrace via the service charge even though they had been added to the building in breach of an absolute covenant on alterations by the landlord's predecessor in title.

# Practical Guidance - Heads of expenditure

- When reviewing the list of services the tenant should approach the task by asking the following questions:
  - are the listed services all correct and appropriate both for the premises and the length of the term?
  - does the landlord agree to act reasonably throughout?
  - can the landlord vary the services and what protections are there for the tenant if it does so?
  - is there a 'sweeper clause' and what is its effect?
  - has the landlord received any income or other sums which should be credited to the service charge?
  - what exclusions are appropriate?

# Practical Guidance - Heads of expenditure

- Tenants should check that all services listed are available and of benefit to them and also review them against service charge budgets and accounts provided to check the items match.
- Key questions re whether the charges are correct and appropriate:
  - are the utilities separately metered or are they included in the service charge and billed out by the landlord?
  - do the services dovetail with the tenant's repairing obligation?
  - what is the interplay between the service charge and insurance?
  - does the landlord limit the provision of some services to defined business hours and, if so, do these fit with the tenant's operating hours?

# Practical Guidance - Heads of expenditure

- The service charge is one place in the lease where tenants should be liberal with their requests for ‘reasonable and proper costs’ throughout, which should in turn be ‘reasonably and properly incurred’.
- Key amendments for tenant to try to include:
  - if the clause permits renewal, replacement and rebuilding of items then this should be **‘by way of repair only’**, **‘only where reasonably necessary’** or only where the item is **beyond economic repair’**;
  - the expenditure should be **‘reasonably, properly and competitively incurred’**;
  - a requirement for the landlord to provide the services in a reasonable and efficient manner and in accordance with the principles of good estate management;
  - deletion of references to **‘amending and altering’** as this is not repair;
  - services should be supplied **‘from time to time where reasonably necessary’** and **‘to such standard as may be reasonably adequate’**.

# Practical Guidance - Heads of expenditure

- Tenants should make sure that any amendments they make to the lease as a whole and any due diligence issues identified are picked up in the service charge schedule. For example:
  - if the landlord agrees that it shall take the risk of uninsured damage then the service charge should exclude the costs of remedying uninsured damage;
  - costs of complying with planning agreements;
  - costs of remedying title defects;
  - costs relating to contamination;
  - is the property in a Business Improvement District area?
  - whether the landlord can recover the cost of works done to allow the premises to be let lawfully following the implementation of the Energy Efficiency (Private Rented Property)(England and Wales) Regulations 2015 on 1 April 2018.
- Landlords tend not to operate sinking/reserve funds as they are cumbersome and not tax efficient.
- The usual limitation on managing agents' fees is that they should not exceed 10% of the service charge costs.

# Service Charge - Sinking Funds or Reserve Funds

- **Sinking Fund** - accumulation of monies to be used where major works and/or replacement of plant and machinery are required e.g. boiler, lifts, road/pavement surfaces
- **Reserve Fund** - this is to be used to pay for expenditure that occur every few years, such as internal and external decorating.
- Unless the lease clearly states otherwise, a landlord cannot demand advance payments for a sinking or reserve fund nor can they profit from the services.
- Monies collected and held in either Fund should be held in a separate account with payments and deductions clearly recorded on a ledger.
- What happens to the unused funds following the end for the lease or assignment of lease.

# Service Charge - Reasonableness

- There does not seem to be a general implication that the expenses recovered through a service charge must be fair and reasonable.
- *Finchbourne v Rodrigues* [1976] 3 All ER 581 - though it was not necessary to decide the case, the court decided that, on the facts, a term should be implied that the costs claimed by the landlord were to be 'fair and reasonable' because it could not have been intended that the landlord should have 'an unfettered discretion to adopt the highest conceivable standard and to charge the tenant with it'.
- If a lease expressly provides that the service charge must be 'reasonably and properly' incurred then, even if the works are within the scope envisaged by the lease, the landlord may not be able to recover the whole of the expenditure.
- Where the lease requires the landlord to act reasonably the court has previously found relevant factors to include:
  - adherence to the RICS Code of Practice on Service Charges in Commercial Property; and
  - Whether the landlord has made adjustments to meet the concerns of the tenant if they are of substance.

# Calculation of tenant's proportion

- It is usual for a lease not to refer to a specific percentage of service charge costs but instead provide for the tenant to pay a 'fair and reasonable' proportion of the costs or some similar discretionary wording, often based on floor area.
- Key questions re proportion of costs:
  - What is the actual percentage of costs attributed to the premises currently and how is it calculated in practice?
  - Are there costs which should not be attributed to the premises?
  - Is the proportion fair, reasonable and properly determined?
  - In which circumstances may the landlord vary the service charge proportion?
  - Have any weightings, concessions or caps been agreed with other tenants within the development?
  - If the landlord is deciding what proportion is due and the decision is stated to be final and binding, can the tenant reserve the ability to refer this for expert determination by an independent surveyor if there is a dispute?
- It is usual for the landlord to specify an on account service charge to be reserved as rent and payable quarterly with the rent, with the landlord carrying out a reconciliation shortly after the expiry of the service charge year.

# Calculation of tenant's proportion

- Key questions - timing and calculation/notification:
  - What will the first payment be and is it to be collected on completion or invoiced later?;
  - Is there a grace period to allow for payment of any balancing charge at the expiry of the service charge year?
  - Will any overpayment be refunded to the tenant promptly?
  - Will the landlord agree to notify the tenant if there are any changes to the service charge budget during the year?
  - If a service charge cost has been omitted from the service charge accounts, will the landlord seek to pick it up in a subsequent service charge account?
  - Where will the service charge monies be held?
- Leases will often state that the landlord should produce the service charge accounts as soon as possible after the expiry of the service charge year.
- Key questions re reconciliation and provision of accounts/certificate:
  - Who will prepare the service charge certificate?
  - Is the service charge certificate conclusive?
  - What opportunities are there to verify payments and receipts

# Service Charge Caps

- If the tenant is taking a short term or is in a strong bargaining position, they might be able to negotiate a service charge cap.
- Clearly, if a cap is agreed, this is immensely helpful to the tenant and reduces the concern to ensure that the service charge drafting is fair and reasonable.
- If the cap is index-linked, the tenant's solicitor should check that the drafting accords with the heads of terms and it is advisable to check the formula using sample figures to make sure it achieves what the parties intend.

# Implementation of Service Charges

- Either by the landlord directly or through a managing agent.
- The RICS Professional Statement on Service Charges in Commercial Property, 1<sup>st</sup> edition is effective for all service charge periods commencing from 1 April 2019.
- The main aims of the Statement are to:
  - ensure the activities of landlords and their agents are better regulated by improving general standards and promoting best practice, uniformity, fairness and transparency in the management and administrative of service charges in commercial property;
  - ensure budgets and year-end certificates are issued in a timely fashion;
  - reduce the causes of disputes and provide guidance on the resolution of any disputes that arise; and
  - provide guidance to solicitors, their clients and managers of service charges in the negotiation, drafting, interpretation, understanding and operation of leases, in accordance with best practice and effective management of services.

# RICS Professional Statement of Service Charges in Commercial Property (1<sup>st</sup> Edition) - Status

- Commercial service charges are not subject to statutory control.
- The Statement contains mandatory requirements for RICS members and firms regulated by RICS (as well as core principles and general statements of best practice). The Service Charge Code, by contrast, had the status of a guidance note intended to embody best practice but was not mandatory - though surveyors who departed from it without good reason were vulnerable to claims of professional negligence.
- The Statement does not override the provisions of existing leases and is not binding on the parties to lease negotiations or their lawyers, but it is likely to be increasingly difficult not to have regard to its provisions due to the professional implications for any surveyor involved in a failure to do so.

# RICS Professional Statement of Service Charges in Commercial Property (1<sup>st</sup> Edition) - Mandatory Requirements

- The most significant difference between the Service Charge Code and the Service Charge Statement is the introduction of mandatory requirements.
- Professionals involved in the management of service charge accounts must now act in accordance with the following nine requirements, most of which are not new but are, now, mandatory:-
  - all expenditure that the owner and manager seek to recover must be in accordance with the terms of the lease;
  - subject to instances where the amount of the overall service charge costs the occupier pays are fixed at the time the lease is granted, owners and managers must not seek to recover more than 100% of the proper and actual costs of the provision or supply of the services;
  - owners and managers must ensure that service charge budgets, including appropriate explanatory commentary, are issued annually to all tenants;
  - owners and managers must ensure that an approved set of service charge accounts, showing a true and accurate record of the actual expenditure constituting the service charge, are provided annually to all tenants;
  - owners and managers must ensure that a service charge apportionment matrix for their property is provided annually to all tenants;
  - service charge monies must be held in one or more discrete bank accounts;
  - interest earned on service charge accounts - or where separate accounts per property are not operated, a proper and reasonable amount of interest calculated on normal commercial rates - must be credited to the service charge account after appropriate deductions have been made;
  - where acting on behalf of a tenant, practitioners must advise their clients that if a dispute exists any service charge payment withheld by the tenant should reflect only the actual sums in dispute; and
  - when acting on behalf of a landlord, practitioners must advise their clients that following resolution of a dispute, any service charge that has been raised incorrectly should be adjusted to reflect the error without undue delay.

# RICS Professional Statement of Service Charges in Commercial Property (1<sup>st</sup> Edition) - Core Principles

- The nine mandatory requirements are supported by 24 core principles which reinforce and add a little more practical detail to the mandatory requirements. The following are covered:
  - service costs;
  - allocation and apportionments;
  - duty of care;
  - financial competence;
  - occupiers responsibility;
  - right to challenge/alternative dispute resolution;
  - timeliness;
  - transparency;
  - value for money; and
  - exclusions
- RICS has acknowledged that some of the core principles may be difficult to quantify and, on rare occasions, strict compliance may not always be possible.

# Thank you Any Questions?

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# **QA Business Tax Relief Expert**

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# Capital Allowances

What's in it for the Commercial Property Owner?

25 November 2015

11.30am - 12.30pm



# What are Fixed Plant Capital Allowances?



## Why QA?

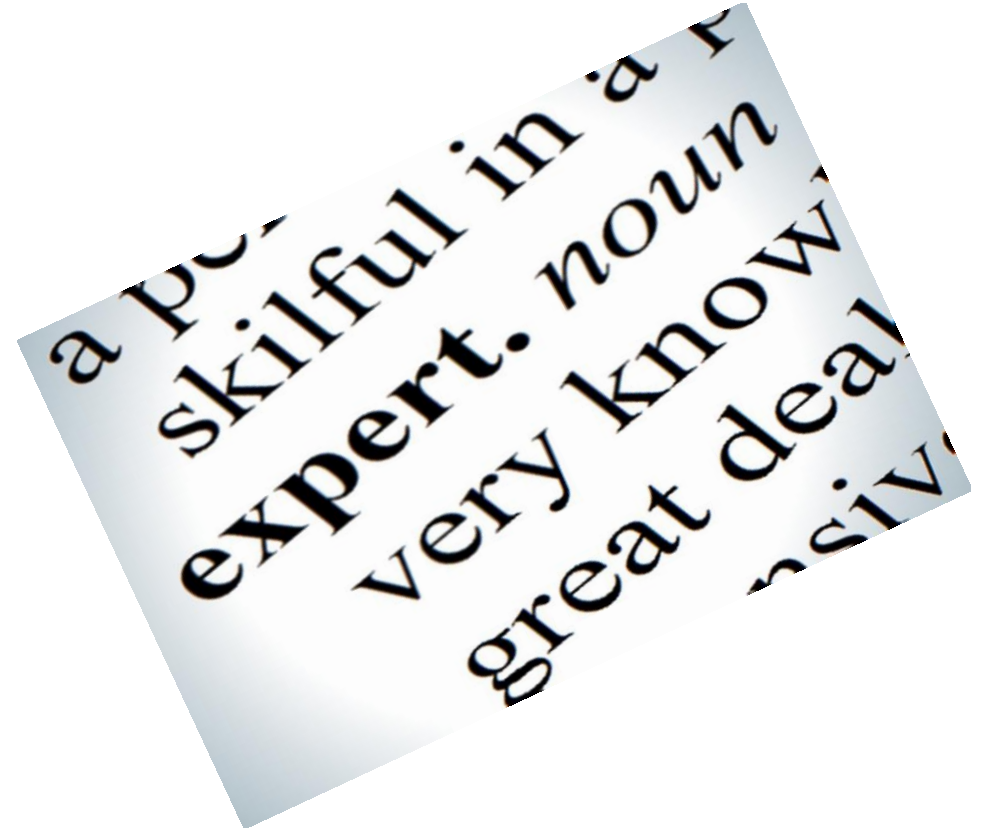


# Why QA?



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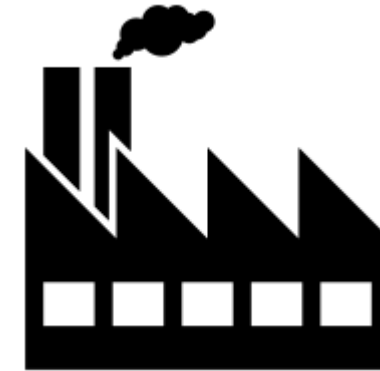
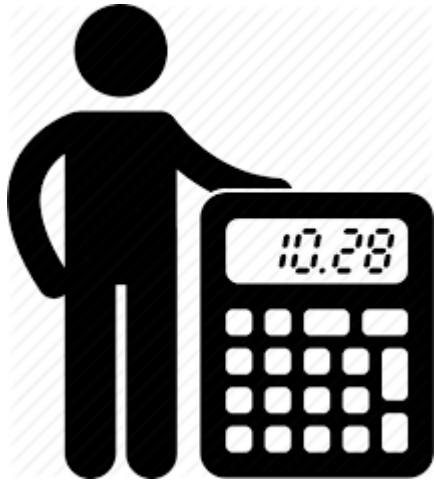
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# Who Can Claim?



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## Review of a City Centre Office Block

<b>Total Cost of Office Block</b> (including refurbishment)	<b>£4,000,000</b>
Capital Allowances (on purchase & refurb)	£1,120,000
Income Tax Saving (£1,120,000 x 45% rate)	£504,000
Net Cost after Tax	£3,496,000
<b>Annual Return on Investment</b>	
No Capital Allowances	6.75%
After Capital Allowances	7.72%



# Latest news

## AIA – Annual Investment Allowance

As from Jan 2019:

£1,000,000

## £2 Million Capital Allowance Claim

(Based on fixed plant items - investor paying tax at 45%)



Tax year	Annual Investment Allowance/ Writing Down Allowance	Amount Claimed £	Balance £	Tax Saving £
		2,000,000		
2019/20	AIA/18%	1,180,000	820,000	531,000
2020/21	18%	147,600	672,400	66,420
2021/22	18%	121,032	551,368	54,464
2022/23	18%	99,246	452,122	44,661
2023/24	18%	81,382	370,740	36,622
Savings to date		1,629,260		733,167
Balance due			370,740	166,833
Total Tax Savings				<b>900,000</b>

## New Structures and Buildings Allowance

- Non-residential structures and buildings, including costs for new conversions or renovations.
- Relief available at an annual rate of 2% on a straight line basis over 50 year period.
- Available where the contracts for the physical construction were entered into on or after 29 October 2018.

## ***“My Accountant will do the claim”***



- Niche Area
- Complex Rules
- Specialist Surveyors and Capital Allowance Experts
- Often overlooked
- Unclaimed
- QA work alongside existing Accountants
- No Claim, No Cost, No Risk

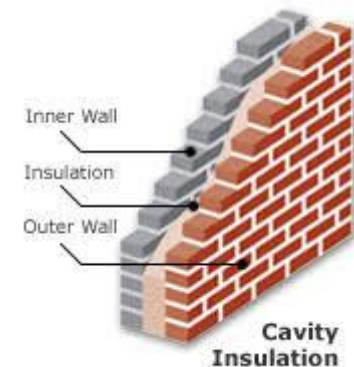
# How to maximise your Capital Allowances

- Consider at early stage of Purchase or Sale
- Include in Heads of Terms
- Government Incentive
- Free review - No Claim, No Cost, No Risk



## Other claims for allowances

- Enterprise Zones (accelerated allowances to 1 April 2020)
- Land Remediation Relief (asbestos, Japanese Knotweed)
- Thermal insulation
- Energy saving and water efficient expenditure (to 1 April 2020)
- Gas refuelling stations (biogas etc to 1 April 2021)
- Electric charging points (to 1 April 2021)



# Case Studies

## Hotel Purchase



- QA negotiated directly with vendor before exchange of contracts

### Result:

- Agreed Capital Allowances election of £1.3m on purchase of £8.5m
- Subsequent to completion QA surveyed property & made additional claim for integral features of £762k
- Total Claims £2.1m

## Office Building



Purchase from Public Body  
Client purchased for £6m

### Result:

- Claim £1.2m
- £1.036m immediately available for relief at 45% reducing client tax bill by £466k
- Residue of £164k will be relieved at 18% per annum saving our client a further £74k
- Increased internal rate of ROI from 6.75% to 7.42%

## Receivers



Business Premises purchased in receivership

- HMRC rejected claim on grounds unable to prove expenditure
- QA considered HMRC incorrect - took case to First Tier Tax Tribunal

### Result:

- Jan 2019 Judge accepted QA were correct
- Client has successful claim of £318,792
- Tax refund received £41k plus £23k going forward

# Case Studies

## Care Home



- QA instructed by purchaser prior to contract for care home purchase of £1.4 million

### **Result:**

- Disposal value statement from the past owner obtained, enabling an amount of £300k allowances not previously claimed by the vendor to be added to the vendors pool.
- Allowed Capital Allowance to be available to our client by inclusion in s.198 election
- Fixed plant expenditure claimed and separate claim for pre April 2008 integral features of £140k, final claim £440k

## Car Showroom



- QA introduced by property agents to owner of land
- QA established claim £2m
- Property completed & leased to tenant
- Property then sold to pension fund

### **Result:**

- Within 2 years QA client received £2m FPCA producing tax saving at 19% of £380k
- Client could also claim full relief on expenditure against sale proceeds. So.... Effectively had tax relief twice of £2m

## Caravan & Holiday Park



New Client, park purchased several year ago at £775k. Decided to sell

QA negotiated with purchaser for Capital Allowances to be included into sale contract for £2

### **Result:**

Our client received immediate relief on full claim of £80k  
Client was 47% taxpayer & received immediate cash saving of £38k



[www.qahub.co.uk](http://www.qahub.co.uk) CAPITAL ALLOWANCES HELPLINE 01202 307989





**SOUTH COAST**  
**COMMERCIAL PROPERTY SHOW 2019**



Next presentation:

# Council Update

**S**  
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**TRU**  
**M.**

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Bournemouth Property Association



**PPA**  
portsmouth property association

# Big agendas and potential game changers.....creating the conditions for future economic prosperity in Hampshire

David Fletcher  
Assistant Director  
Economic Development

---

**HAMPSHIRE 2050**

VISION FOR THE FUTURE



BUSINESS  
HAMPSHIRE



# Big agendas.....

---

**HAMPSHIRE 2050**

VISION FOR THE FUTURE



Economy



# Adaptable, knowledge intensive economy

---

**HAMPSHIRE 2050**

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Economy



“Innovation in the 21<sup>st</sup> century is a competitive sport”





# BASINGSTOKE A BOOMING “SILICON SUBURB” – TECH NATION REPORT

Posted by ADRIAN BRAINE | Jun 1, 2018 | 5G, Adrian Braine, Articles



# Vibrant and magnetic places

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**HAMPSHIRE 2050**

VISION FOR THE FUTURE



Economy



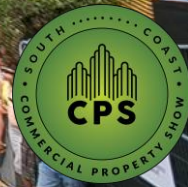


“the hyper caffeinated  
space between the  
buildings” *Bruce Katz*



<25% vs 55%









# Connected – locally, globally

---

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Economy







Platform 8 to 15  
Long term parking max 4h  
Way out North exit 12 13  
Way out South exit 14 15





# Potential game changers.....

---

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## NEWS

[Home](#)[UK](#)[World](#)[Business](#)[Politics](#)[Tech](#)[Science](#)[Health](#)[Family & Education](#)[England](#)[Local News](#)[Regions](#)[Hampshire & Isle of Wight](#)

## Derelict Southampton Toys R Us site plans unveiled

11 September 2019



Share



Offices, flats, shops and restaurants are included in the plans

Plans for a £150m redevelopment of a derelict Toys R Us site in Southampton have been unveiled by the city council.

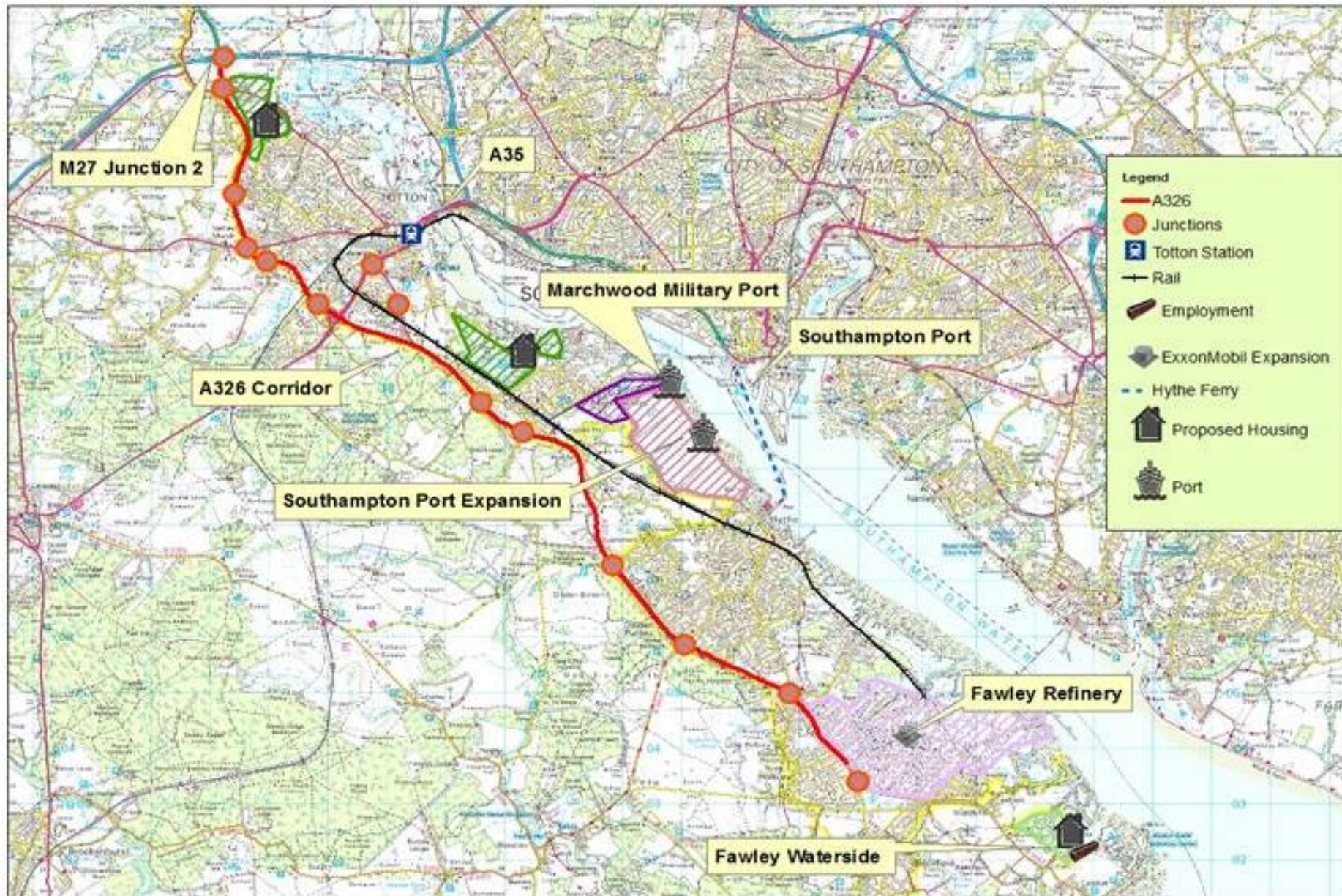
[News and Media](#) | LATEST NEWS

# Port of Southampton and Government launch UK first Port Economic Partnership



10 September 2019







# FAWLEY WATERSIDE



# Thank You

---

**HAMPSHIRE 2050**

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BUSINESS  
HAMPSHIRE





**SOUTH COAST**  
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Next presentation:

# **Bournemouth & Poole Council Update**

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Bournemouth Property Association



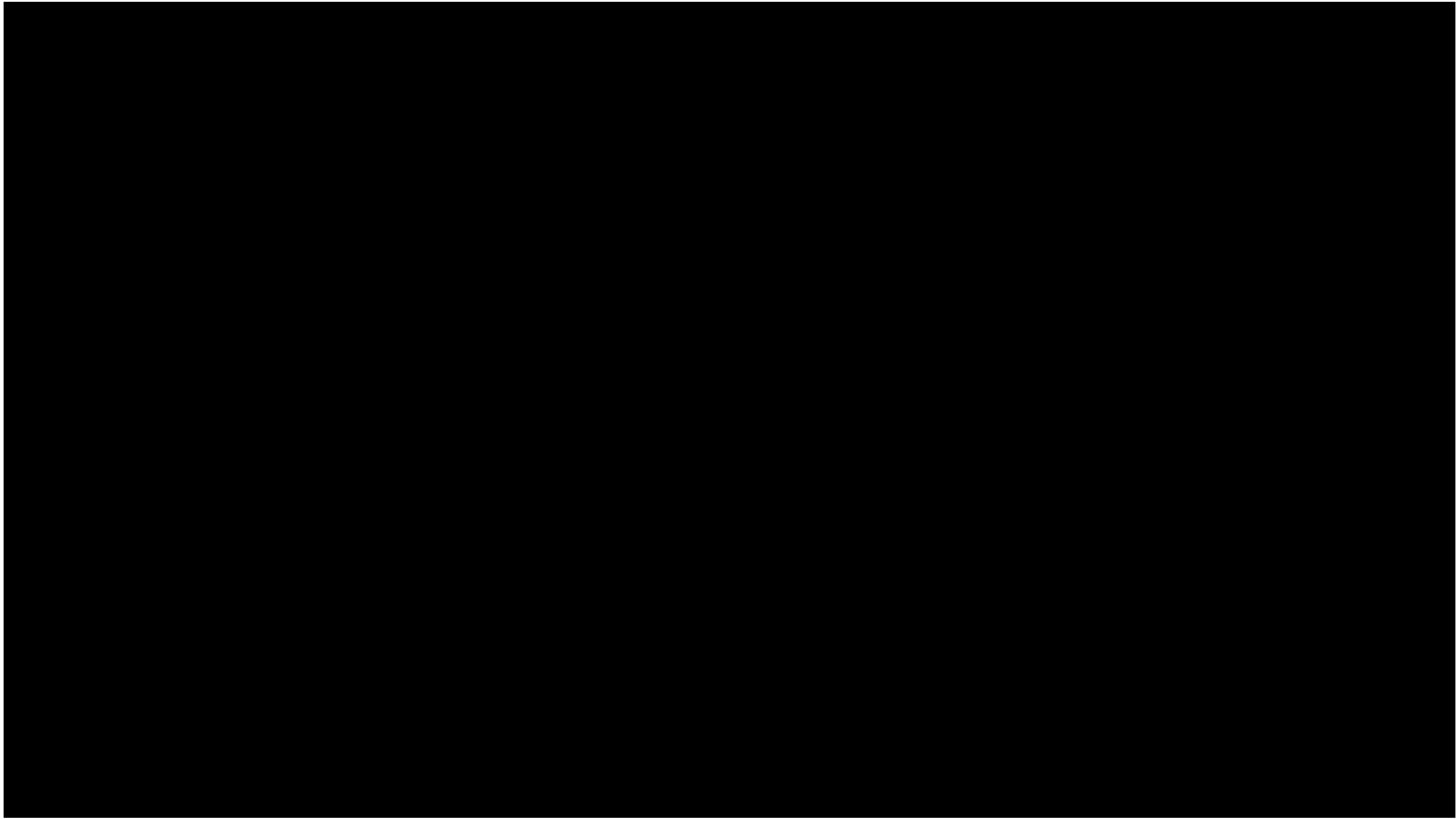
**PPA**  
portsmouth property association

An aerial photograph of Bournemouth, showing the town centre with its dense residential and commercial buildings, a large beach, and a pier extending into the sea. The text is overlaid on the image.

**BCP Council**

**Martin Tiffin**

**Town Centre Vision Programme  
Leader**





# **SOUTH COAST COMMERCIAL PROPERTY SHOW 2019**



## **Refreshment Break**

**Main Sponsor:**

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**Co Sponsors:**

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Next presentation:

# Economy Update - EY

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portsmouth property association

# Britain beyond Brexit

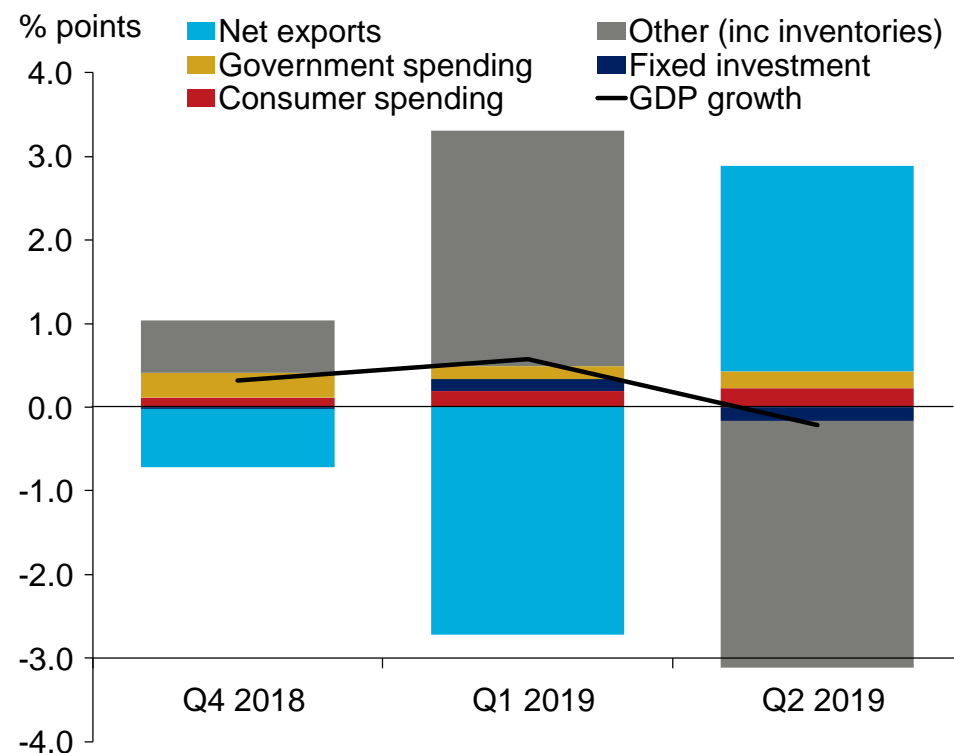
## Understanding a political economy

Mark Gregory, Chief Economist EY UK

31<sup>st</sup> October 2019

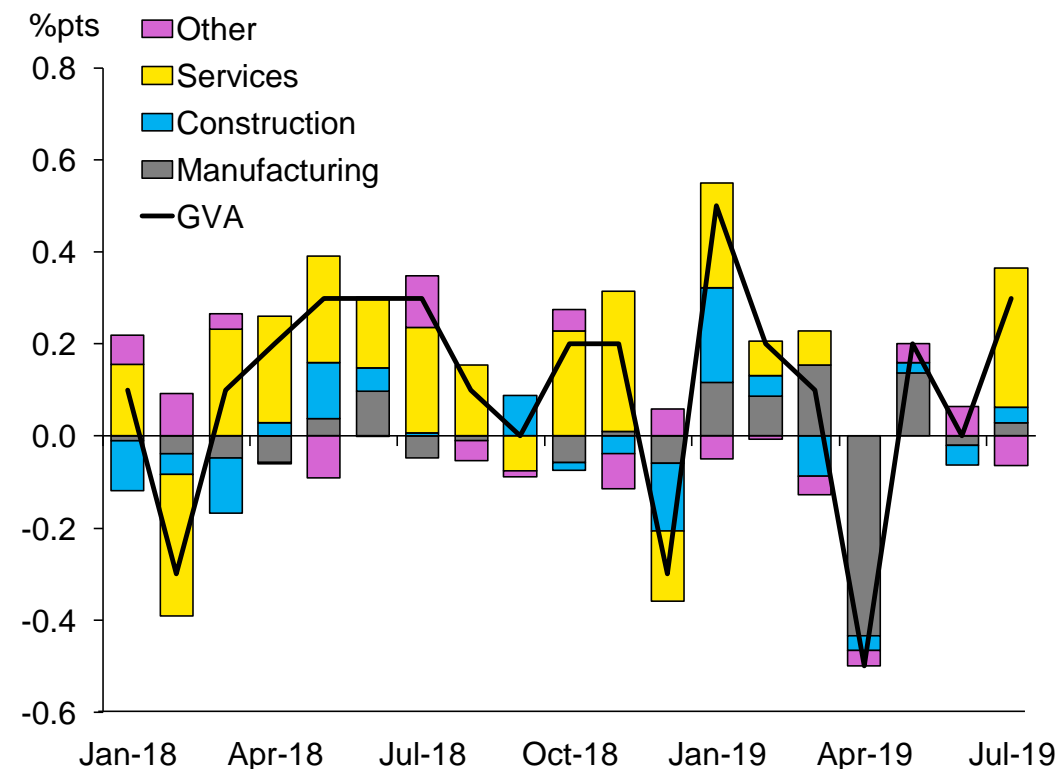
# A very difficult economy to read...

## GDP growth contributions in Q4 2018 & H1 2019



Source: EY ITEM Club

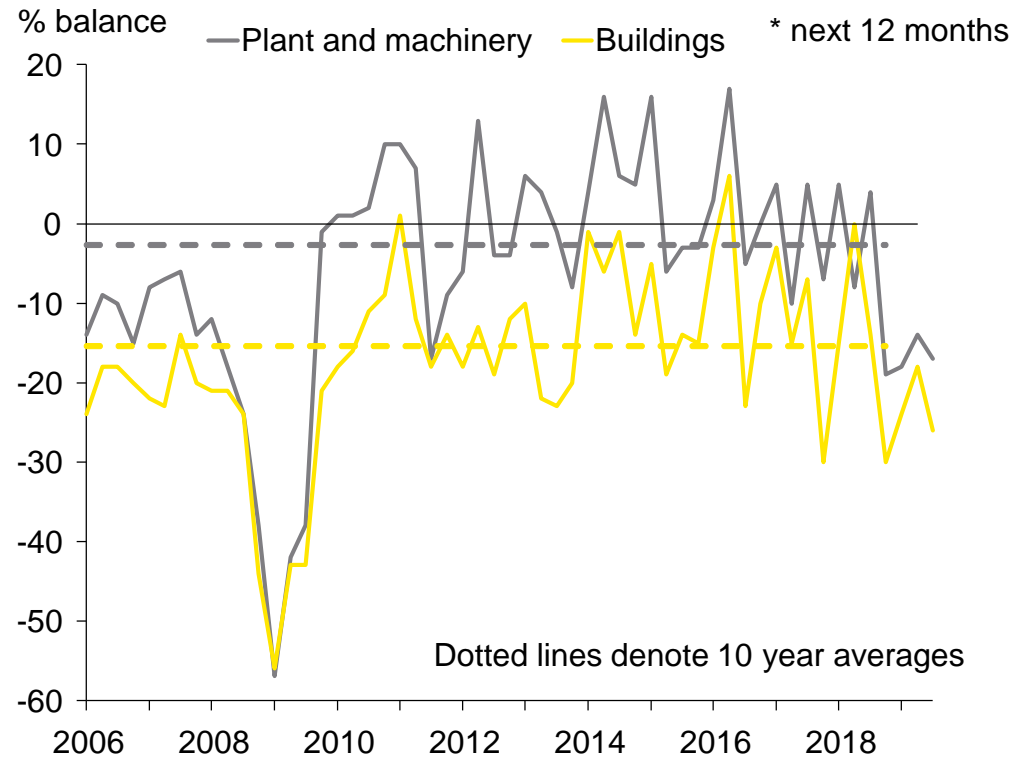
## UK: Contributions to monthly GVA growth



Source: EY ITEM Club calculations using data from Haver Analytics

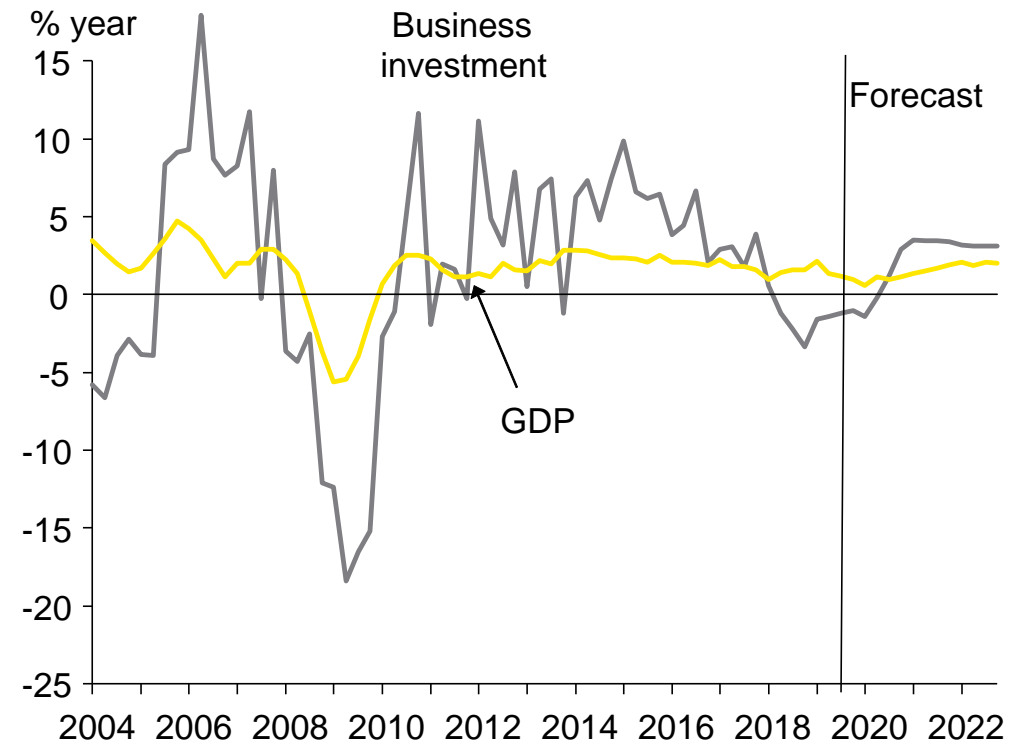
# ... but business has made up its mind ...

## UK: CBI ITS investment intentions\*



Source: Haver Analytics

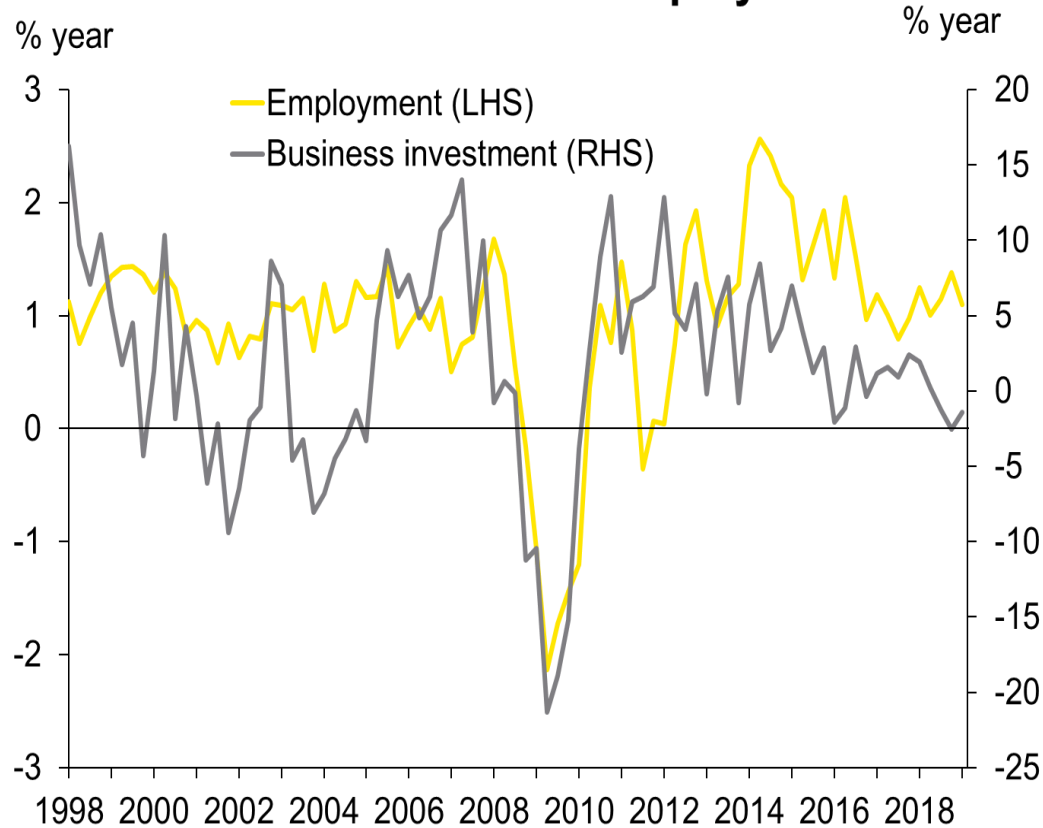
## UK: Business investment and GDP



Source: EY ITEM Club

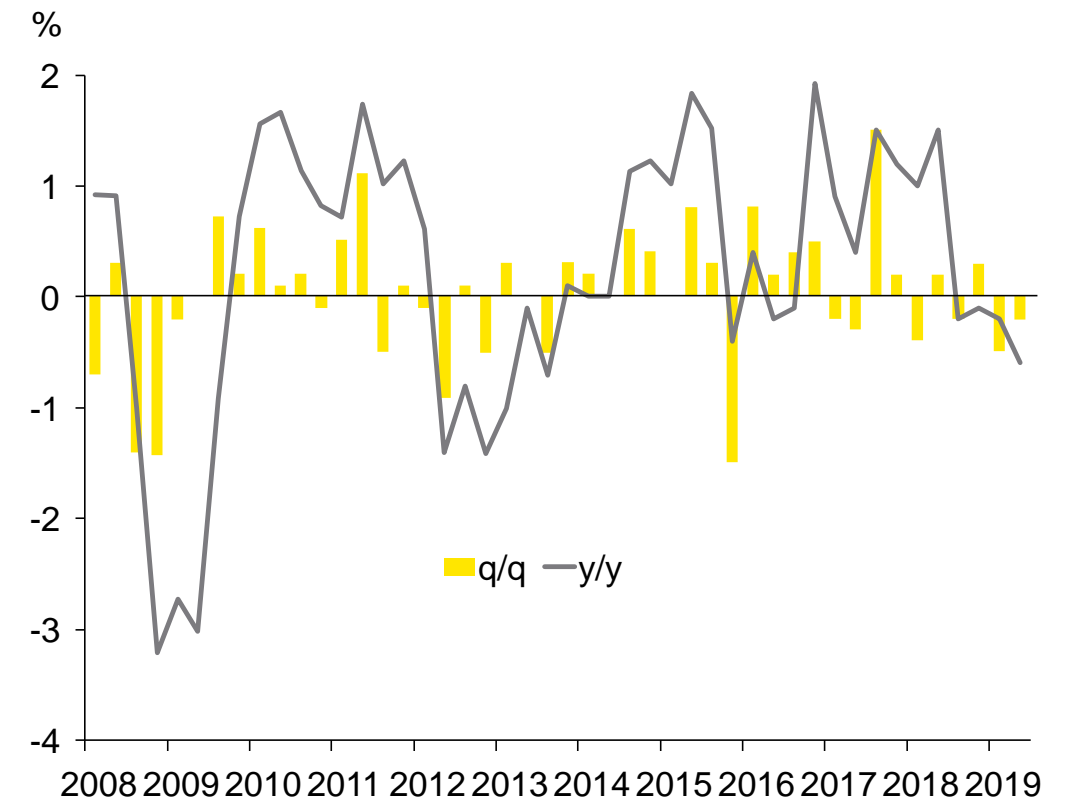
# ... which creates future challenges

## UK: Business investment & employment



Source: EY ITEM Club/Haver Analytics

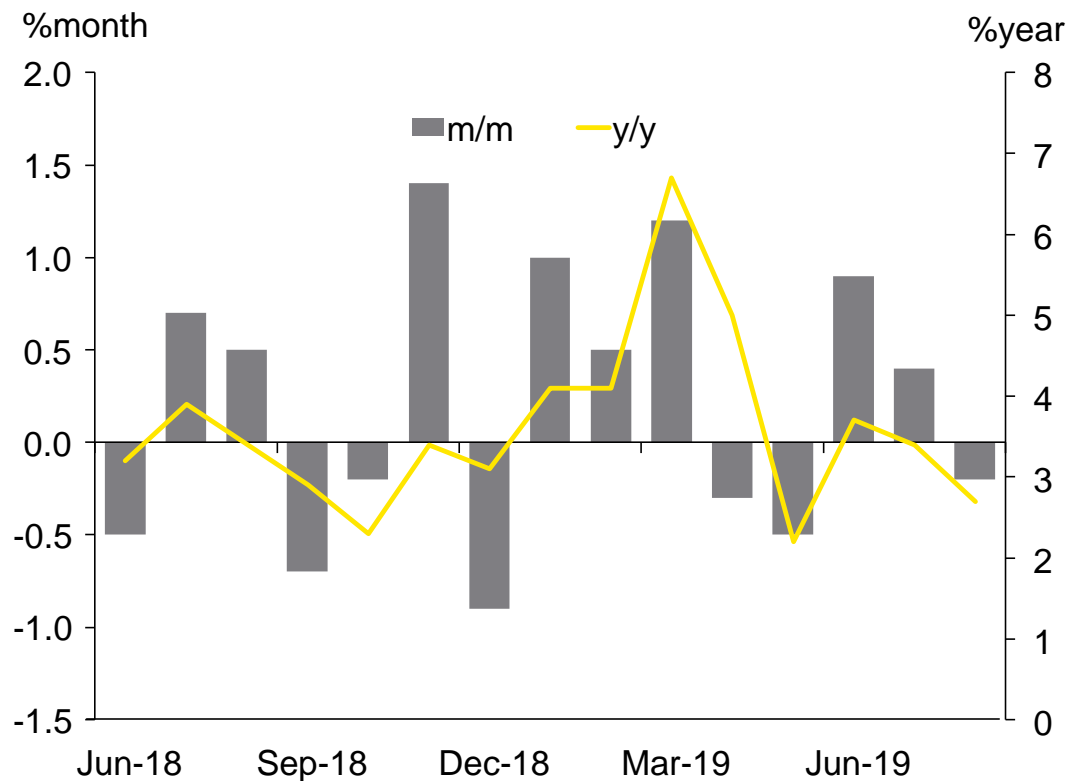
## UK: Output per hour



Source: EY ITEM Club/Haver Analytics

# Consumers have been doing their best to keep the economy going ...

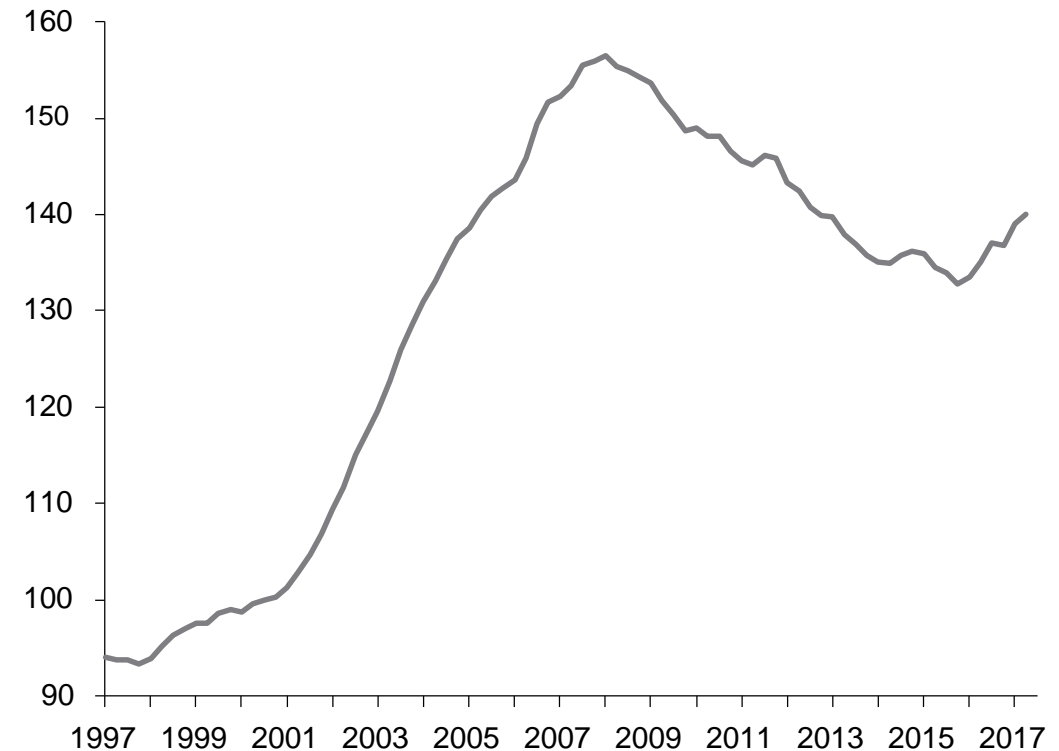
## UK: Retail sales volumes (inc fuel)



Source: EY ITEM Club/Haver Analytics

## UK: Household debt to income ratio

% of household disposable income

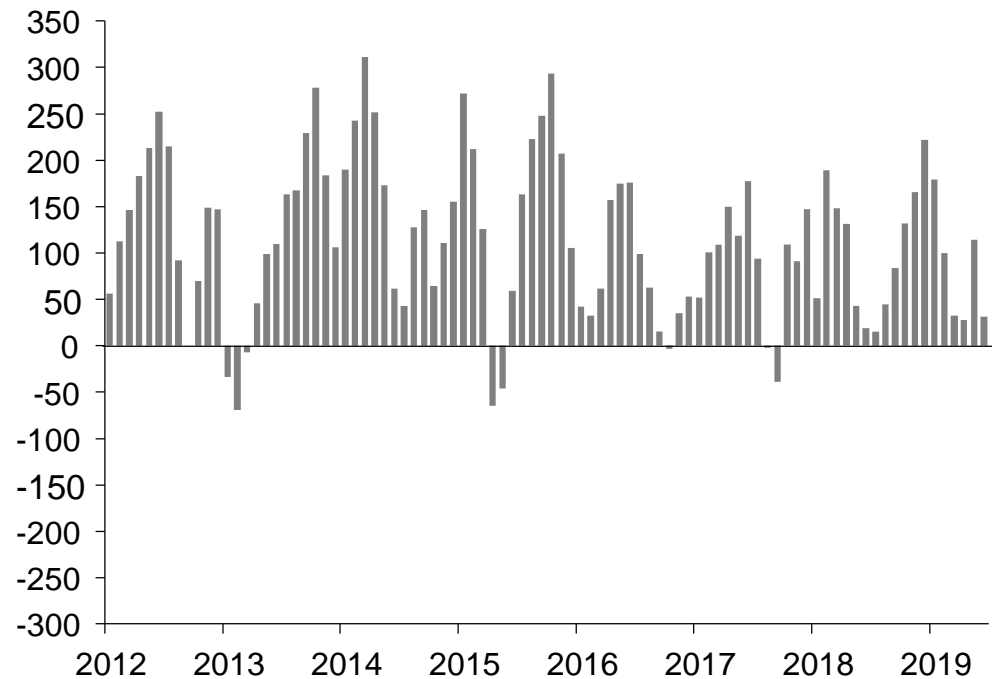


Source : Haver Analytics

# ... but the outlook depends on the labour market

## UK: Change in employment

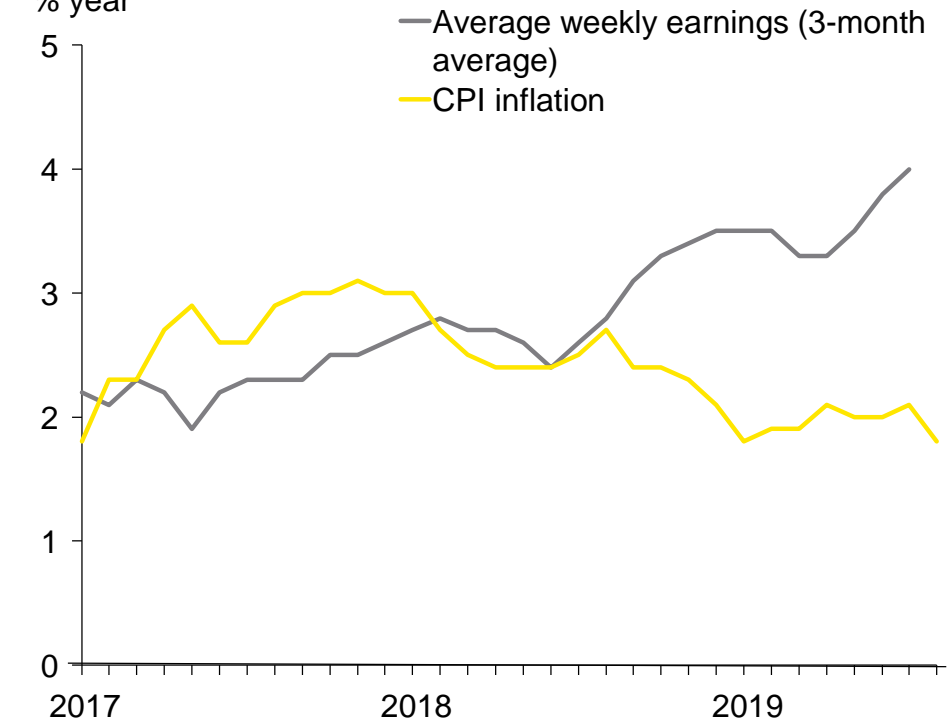
'000s over previous three months



Source: EY ITEM Club/Haver Analytics

## UK: Average earnings & inflation

% year

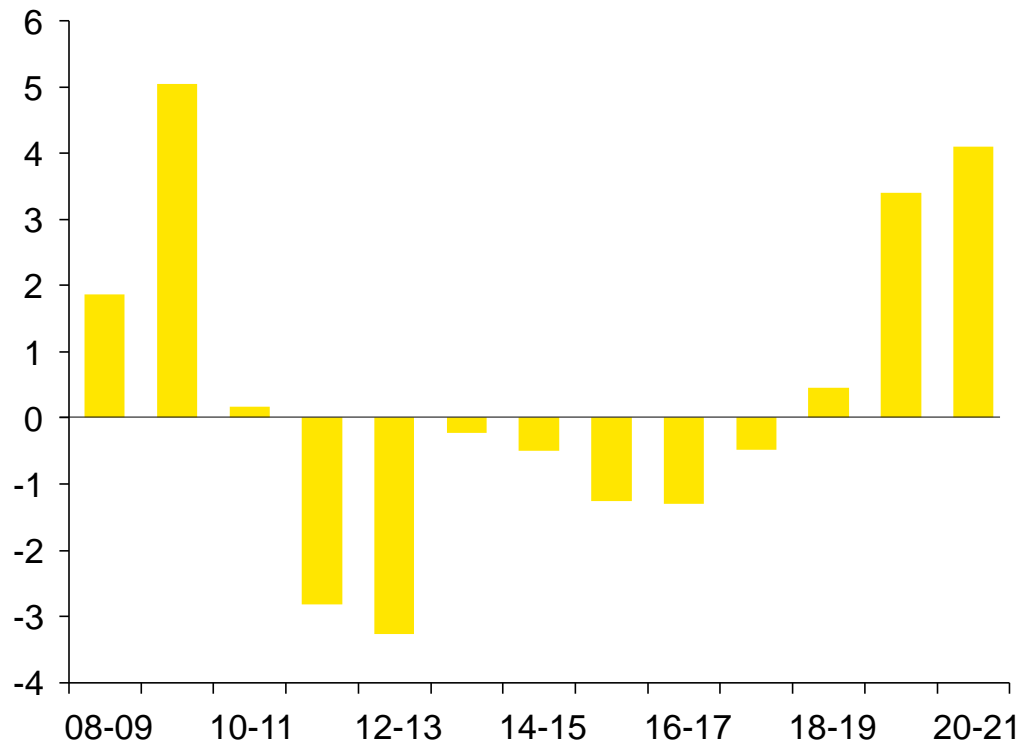


Source: EY ITEM Club/Haver Analytics

# “The Saj” is trying to help ... but it is not easy

## UK: Day to day spending by departments

% year change in real terms

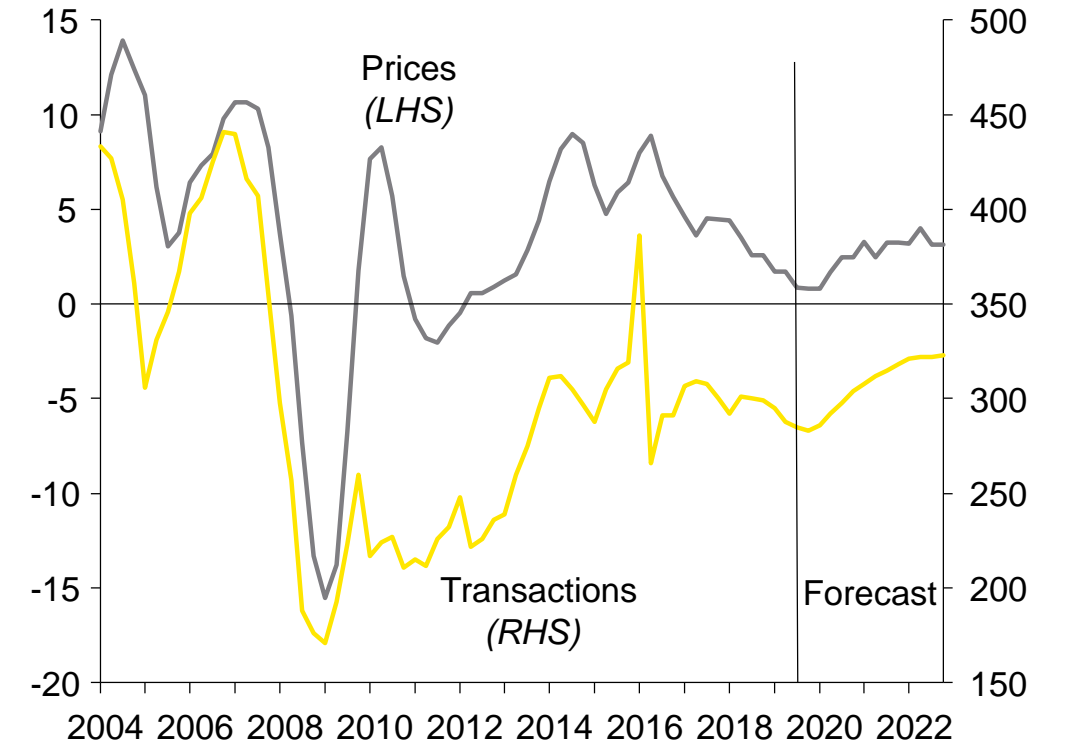


Source: EY ITEM Club/HM Treasury/OBR

## UK: House prices and transactions

Prices, % year

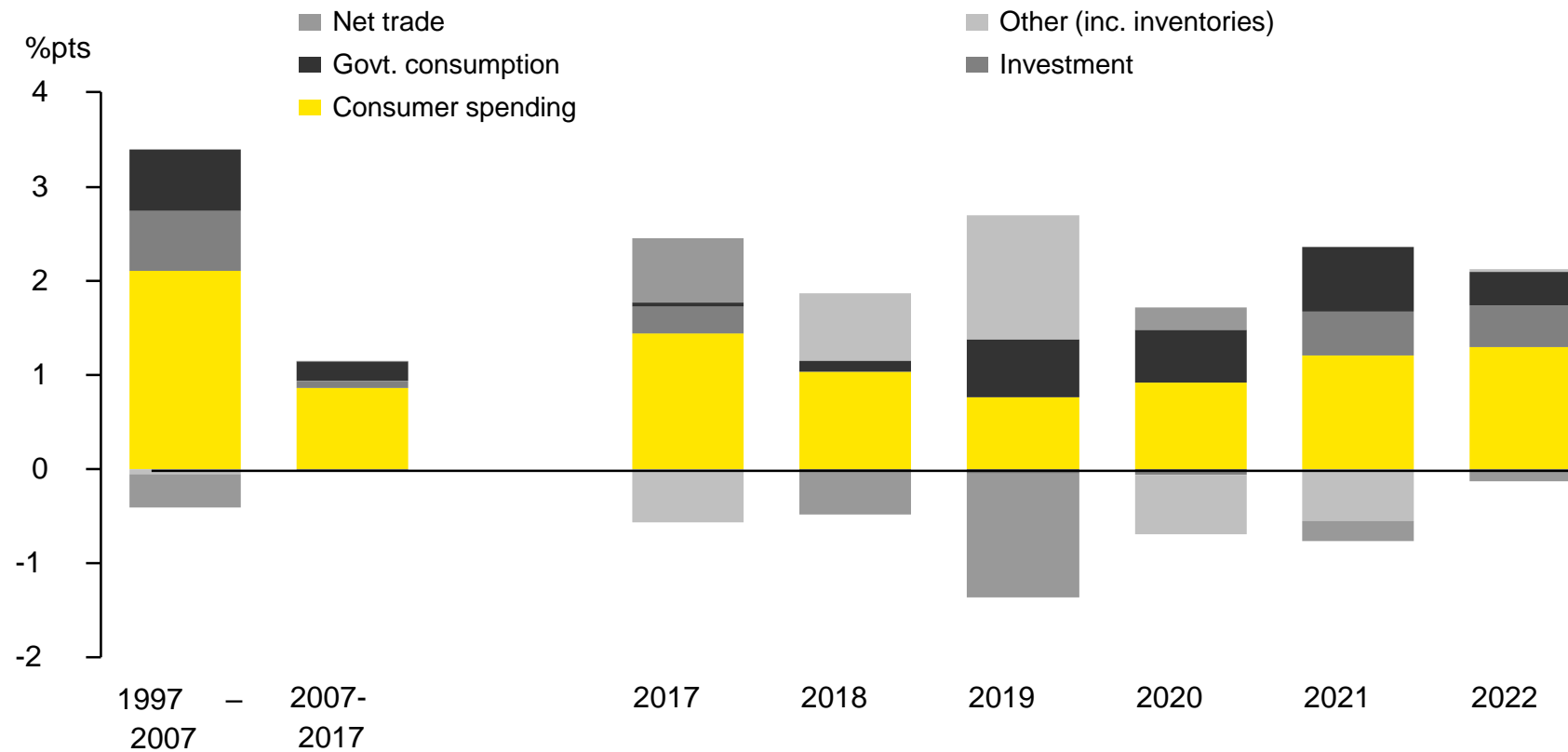
Transactions, 000s



Source: EY ITEM Club

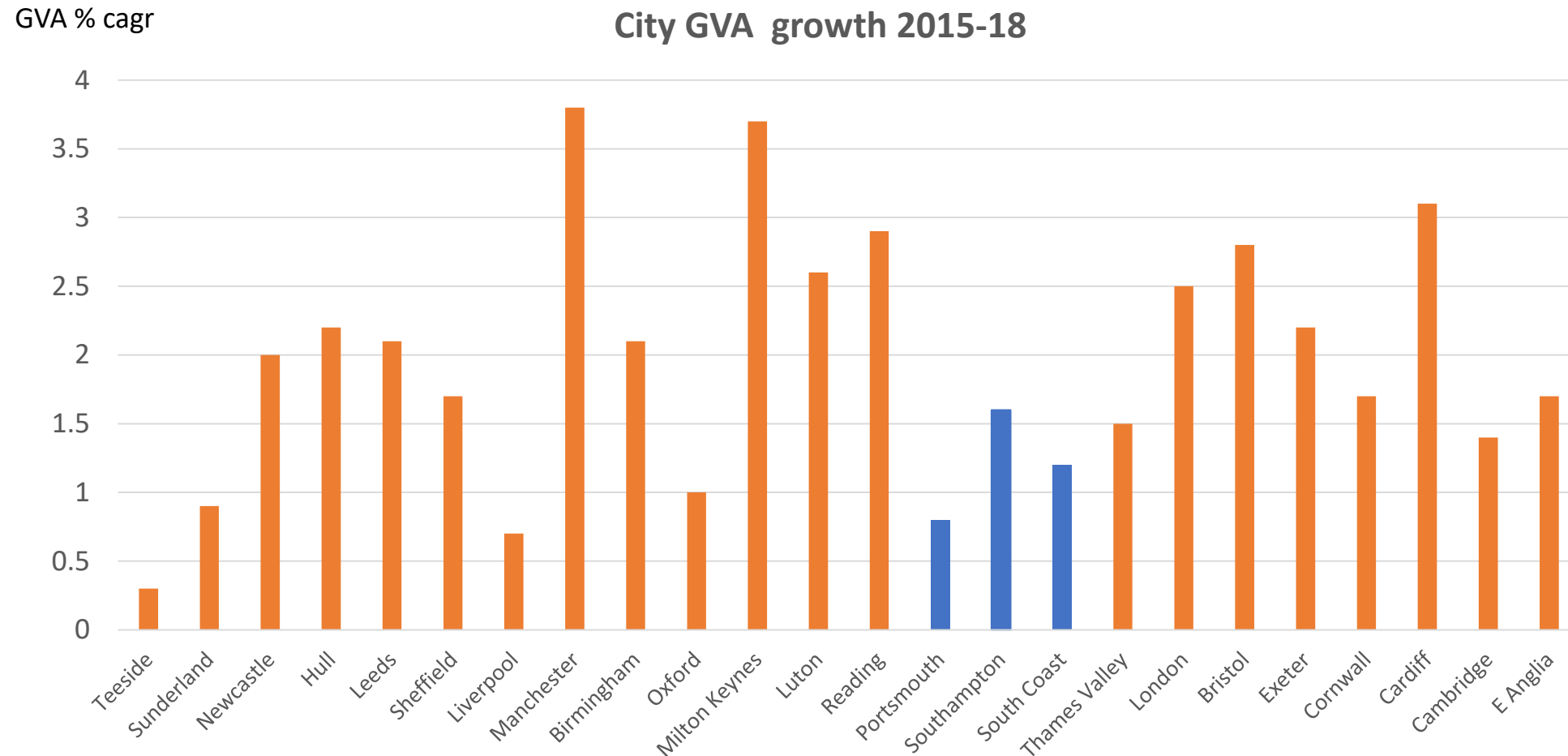
# A challenging and uncertain outlook

## UK: Contributions to GDP growth



Source: EY ITEM Club

# A wide spread of geographic performance across the UK



Source: EY ITEM Club



# South Coast FDI dominated by the digital and transport sectors



## South Coast FDI projects 2014-18

### Sectors

➤ Digital	21
➤ Transport	9
➤ Bus Servs	5
➤ Chemicals	5

### Origins

➤ USA	22
➤ Germany	8

### Types

➤ Sales/S'ware	26
➤ R&D	9
➤ Manufacturing	9
➤ Logistics	6
➤ HQ	6

### Places

➤ Southampton	14
➤ Brighton	12
➤ Basingstoke	5



# Thank You



[@markgregoryEY](https://twitter.com/markgregoryEY)





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Next presentation:

# Capital Market Update – Lambert Smith Hampton

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portsmouth property association

# BEFORE WE BEGIN...

## BREXIT



## RESOLUTION?!

Lambert  
Smith  
Hampton

STOP GUESSING START KNOWING



# LATEST LSH RESEARCH SHOWS...



THE MARKET HAS  
PAUSED



TOTAL VOLUME £8.78BN  
6 YEAR LOW



AVERAGE TRANSACTION  
YIELD AT 5.70%-  
4 YEAR HIGH



OVERSEAS BUY  
INSTITUTIONS NET SELLERS



CAUTION AROUND CURRENT  
PRICING LEVELS  
SECONDARY PRODUCT?



NO SHORTAGE OF CAPITAL  
LOOKING TO INVEST IN  
SECURE INCOME



INDUSTRIAL SECTOR  
REMAIN ACTIVE



RETAIL VOLUMES RECOVER...  
SLIGHTLY



SOUND FUNDAMENTALS

# THE SOUTH COAST...

OPTIMA 125 SOLD FOR £18.85M



LAKE SIDE £138M PURCHASED BY  
PORTSMOUTH COUNCIL

## PRIME YIELDS

4.25%

INDUSTRIAL

5.75%

OFFICES

## VOLUME (2018)

£231m

INDUSTRIAL

£150m

OFFICES

## INDUSTRIAL



## OFFICES

TOWN CENTRE  
V  
OUT OF TOWN

## RETAIL



# 2019?!

# OUTLOOK & HOT TOPICS



INSTITUTIONS;  
MAINTAIN CASH  
RESERVES



LOCAL  
AUTHORITY  
INVESTMENT



SOUTH COAST  
SENTIMENT

Lambert  
Smith  
Hampton

## UKIT Q3 2019 COMING SOON... ANTICIPATE...

- IMPROVED VOLUME BUT STILL BREXIT "IMPACTED"
- TROPHY SOUTH COAST DEAL - LAKESIDE!
- THE LIVING SECTOR/ PORTFOLIOS DRIVE IMPROVEMENT
- RETAIL REMAINING OUT OF FAVOUR
- INSTITUTIONS INVEST ALBEIT REMAIN NET SELLERS
- NORTH AMERICAN INVESTORS WILLING TO ACCEPT BREXIT RISKS...

STOP GUESSING START KNOWING





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**COMMERCIAL PROPERTY SHOW 2019**



**Next presentation:**

# **Industrial Market Update – JLL**

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# Industrial & *Logistics* Southampton



# Market overview

Prime yields

4.5%



● Prime rents per sq ft



Southampton

£10.00+  
per sq ft



Bournemouth

£9.50  
per sq ft



Portsmouth

£9.50  
per sq ft

# Unit 4 Mountpark, Southampton

Let to  
**DSV**  
Global Transport  
and Logistics

**£10.25**  
per sq ft



# Market overview



# Market overview

JLL *instructed* on **80%**  
of prime stock in the region

The future of UK warehousing?

UK's first 3 storey warehouse



**Gazeley**  
a GLP  company



Asia leading the way

## Prologis Park Narashino 4

Tokyo  
**Japan**

**980,000**  
sq ft

**5.5m**  
clear eaves



Multi storey warehousing

*Southampton?*



Robotics



World's first  
**automated**  
retail distribution  
centre

New  
**£100m**  
facility in  
Warrington

**ASDA**



Robotics

A word of  
*warning*  
on betting too big on robotics



Robotics



ocado



Eaves height

Gazeley, Magna Park, Milton Keynes - 574,258 sq ft

**Gazeley**  
a GLP company



Eaves height

Gazeley, Magna Park, Milton Keynes - 574,258 sq ft  
The UK's tallest speculative warehouse

**Gazeley**  
a GLP  company



Eaves height

21m  
eaves

**Gazeley**  
a GLP company

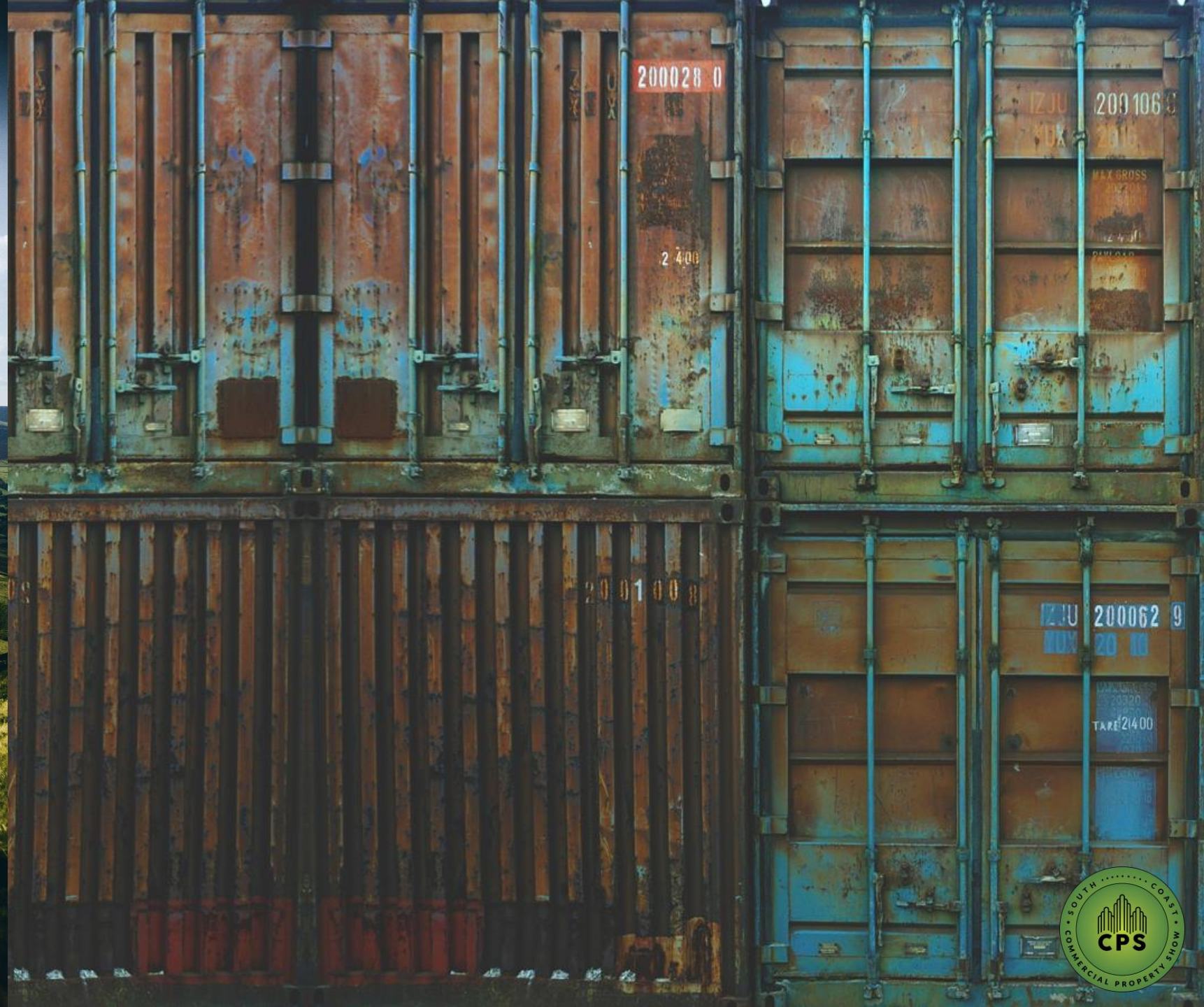




# *Key takeaways* Industrial & Logistics

*Key takeaways*  
Industrial & Logistics

# Land supply

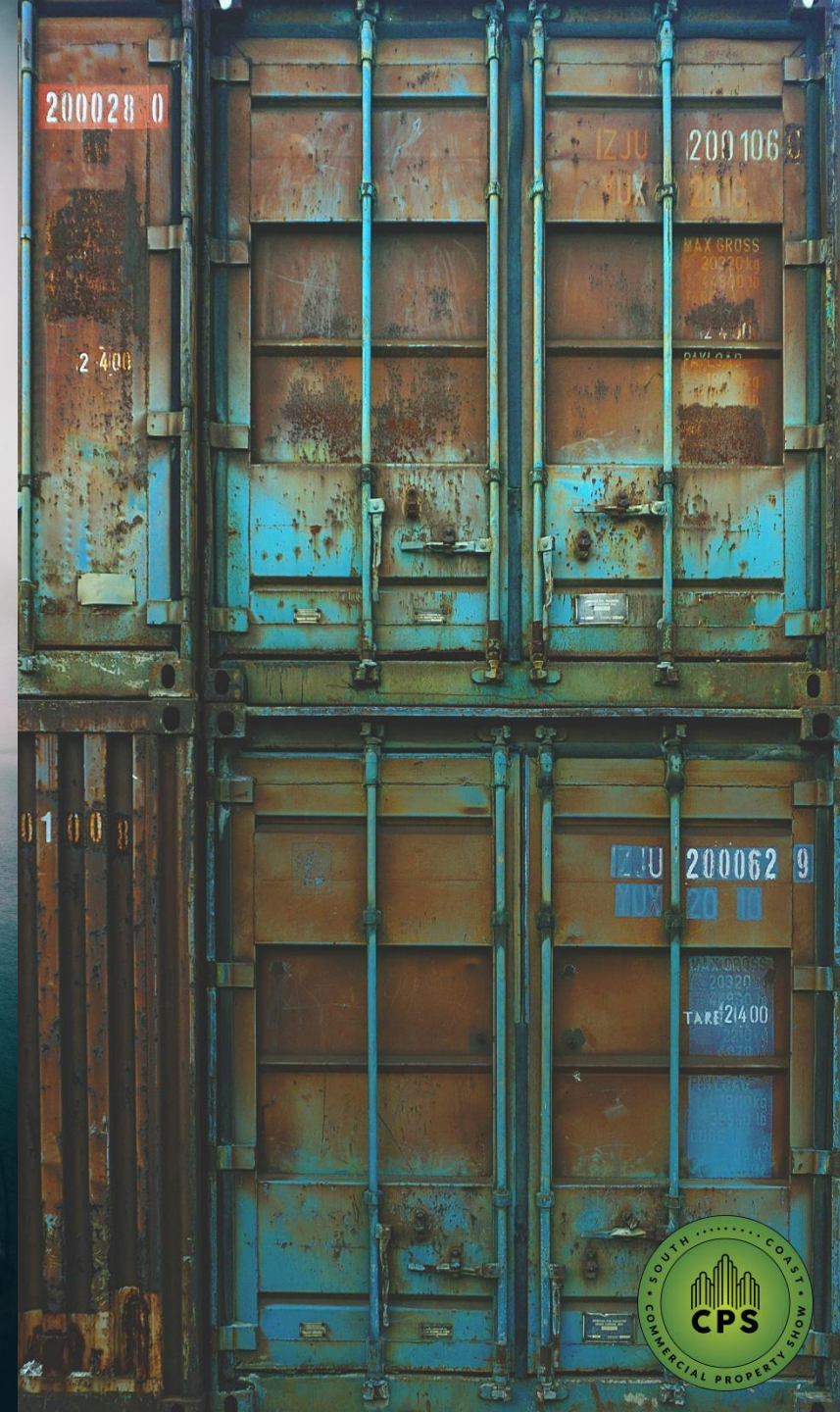


*Key takeaways*  
Industrial & Logistics

# Land supply



# Land value



# *Key takeaways*

## Industrial & Logistics

### **Land supply**



### **Land value**



### **Brexit**





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Next presentation:

# Office Market Update – Vail Williams

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portsmouth property association



**Vail  
Williams**



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*Office Market*  
*by Nik Cox*  
*Vail Williams*



# *Office Market*

**The Office  
Market**

**Office  
Take-up**

**Prime  
Rents**

**Enquiries**

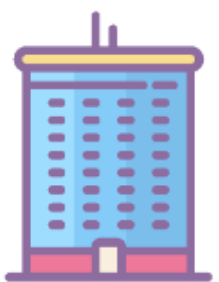
**What  
Occupiers  
Want**

**Concerns**

**Time for  
Speculative  
Development**

**Highlights**

## *The Office Market*



Nothing built for 12 years  
(starting to see first  
buildings coming through)



Rent increasing



Very limited good quality stock



Incentive reducing



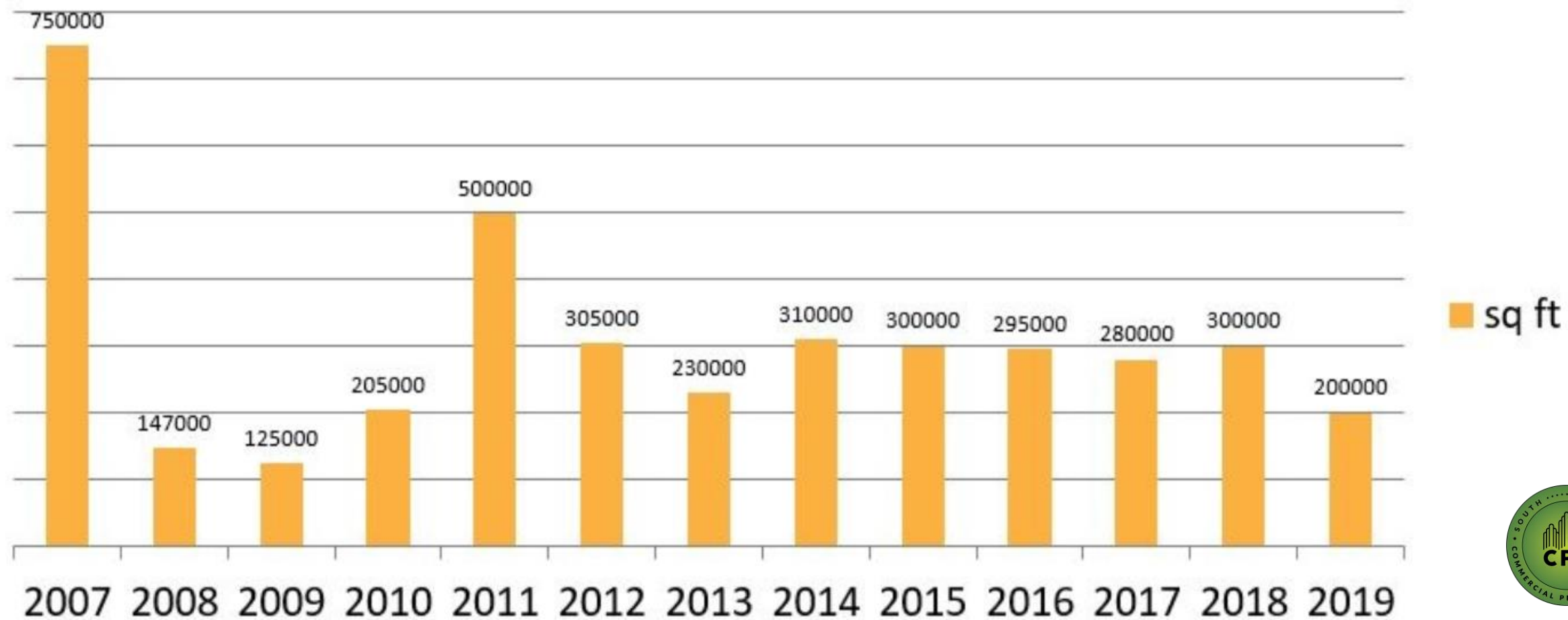
Very limited availability of  
new sites



Permitted development is  
still reducing stock office  
where Article 4 has not  
been invoked

# Market Update - Office Take Up

sq ft



# Office Market - Prime Rents

Winchester  
**£30.00**  
per sq ft

Southampton  
**£22.50**  
per sq ft

Portsmouth  
**£21.00**  
per sq ft

Bournemouth  
**£21.00**  
per sq ft

Basingstoke  
**£27.50**  
per sq ft

Bristol  
**£35.00**  
per sq ft

Brighton  
**£32.50**  
per sq ft

Reading  
**£38.00**  
per sq ft

Birmingham  
**£34.00**  
per sq ft

***Office  
Market -  
Enquiries***

Lease event  
driven

Growth /  
Rationalisation

All sectors

Most demand =  
sub 5,000 sq ft

Single floor  
plates

Modern with  
A/C

Parking



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**Vail  
Williams**



# Office Market - What Occupiers Want



Availability/Access to  
correct staff (talent pool)



Fibre/Connectivity



Cycle and Shower  
Facilities



Local Amenities  
for staff



Flexible space



Public  
transportation



In-house breakout/coffee/  
informal meeting space



Charging  
points



Parking

## *Office Market - Concerns*

Nothing in  
Winchester City  
Centre over  
5,000 sq ft

Nothing in Eastleigh/  
Chandlers Ford/  
Hedge End

Lack of stock

Solent  
Business Park -  
7% vacancy

Lakeside,  
Portsmouth -  
5% vacancy

## *Time for speculative development?*



- Lack of stock
- Ability for existing occupiers to grow
- No substantial new builds for over a decade

# Office Market - Highlights

**Owner:** Winchester City Council



**Station Approach  
Winchester**

## Proposal:

- |                             |                   |
|-----------------------------|-------------------|
| - Office                    | 140,000 sq ft     |
| - Bar / Restaurant          | 9,000 sq ft       |
| - Retail                    | 5,000 sq ft       |
| - Cafe                      | 4,000 sq ft       |
| - Car Parking               | Up to 135 Spaces  |
| - Cycle Parking             | Min of 156 Spaces |
| - Public Realm Improvements |                   |

# Office Market - Highlights

**Owner:** Eastleigh Borough Council



**The Green  
Eastleigh**

## **Proposal:**

New Office Building Totalling 55,000 sq ft

Marketing on a Pre-Let Basis

Available to start on site - Now!



# Office Market - Highlights

**Parties:** FI Real Estate &  
Southampton City Council



**Toys R Us  
Southampton**

## **Proposal:**

- New mixed use scheme including 70,000 sq ft of offices
- Timing: Planning & Procurement to be complete by Q1 2021
- It is intended to be a speculative development
- First Phase in the redevelopment of the surrounding area

# Office Market - Highlights

**Owner:** FI Real Estate



**Nelson Gate  
Southampton**

## **Proposal:**

- Mixed Use Scheme Office / Residential / Hotel
- Mix of Conversion and New Build
- Office Element up to 45,000 sq ft
- Start on Site Q2 2020



# Summary



Lack of Stock



Rental Growth Prospects

More Site Required through the  
Planning System



What about Brexit?





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Next presentation:

# Retail & Leisure Market Update – Savills

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# South Coast Commercial Property Show

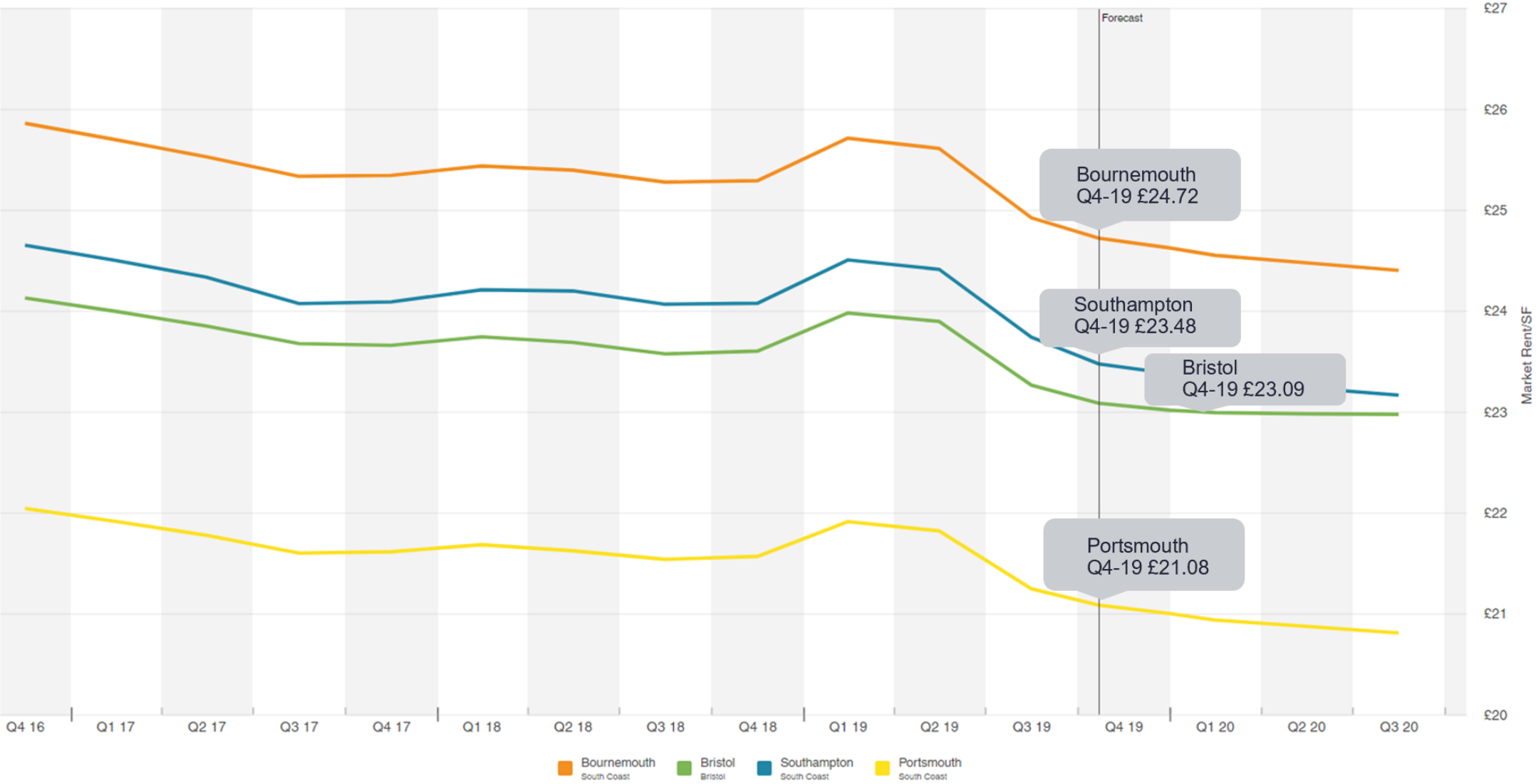
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Retail & Leisure Market Update

Chris Bickle MRICS  
31 October 2019



# Retail & Leisure - Market Rent £/Per Sq Ft



# Retail Investment

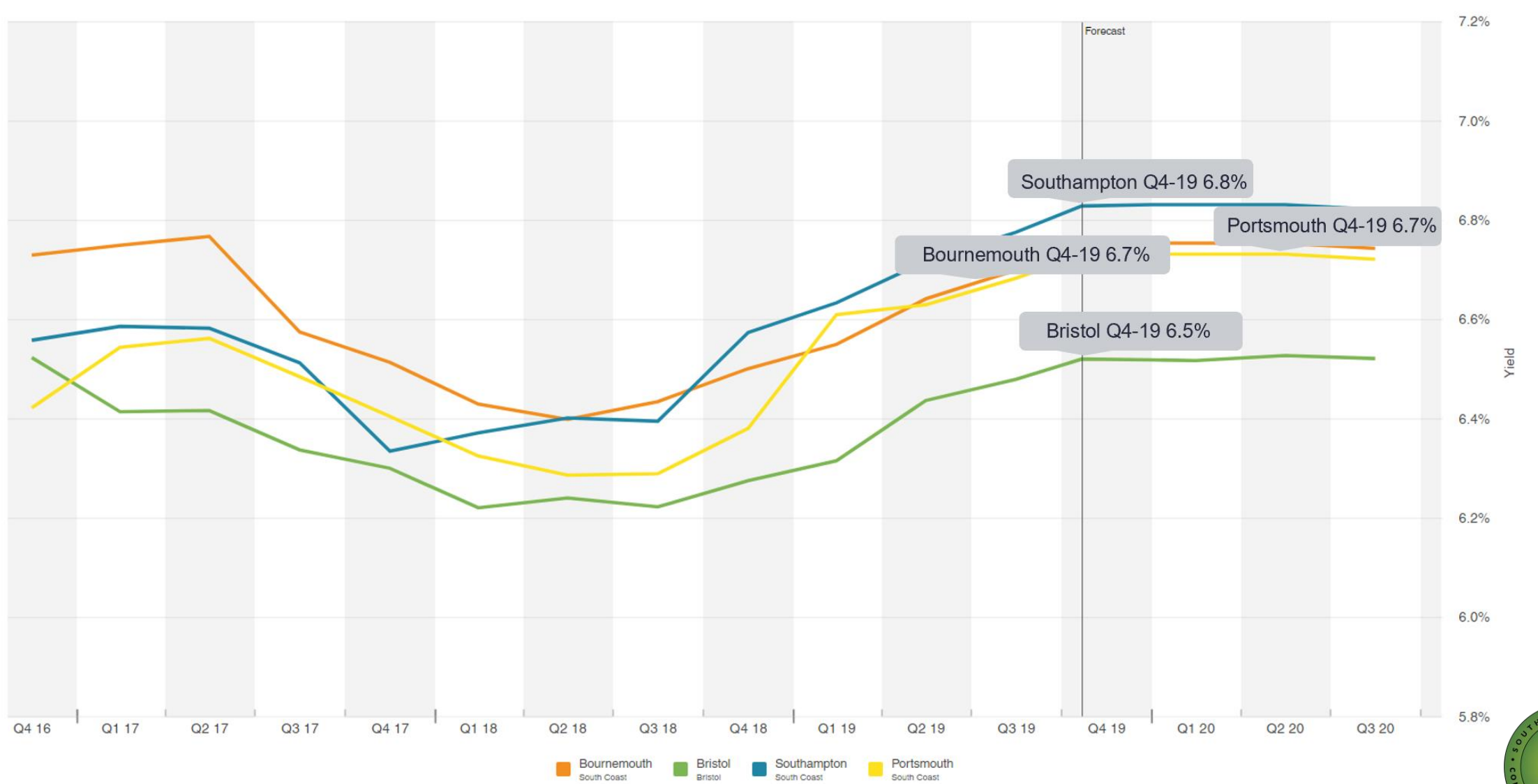
- Spending on South Coast picked up in 2019
- YTD £240m
- Supermarket investments up
- 4 out of 10 largest deals involve supermarkets



WAITROSE  
& PARTNERS



# Retail & Leisure - Market Yields



# Retail & Leisure Market Update



The evolution of the CVA • UK impact • What's next?

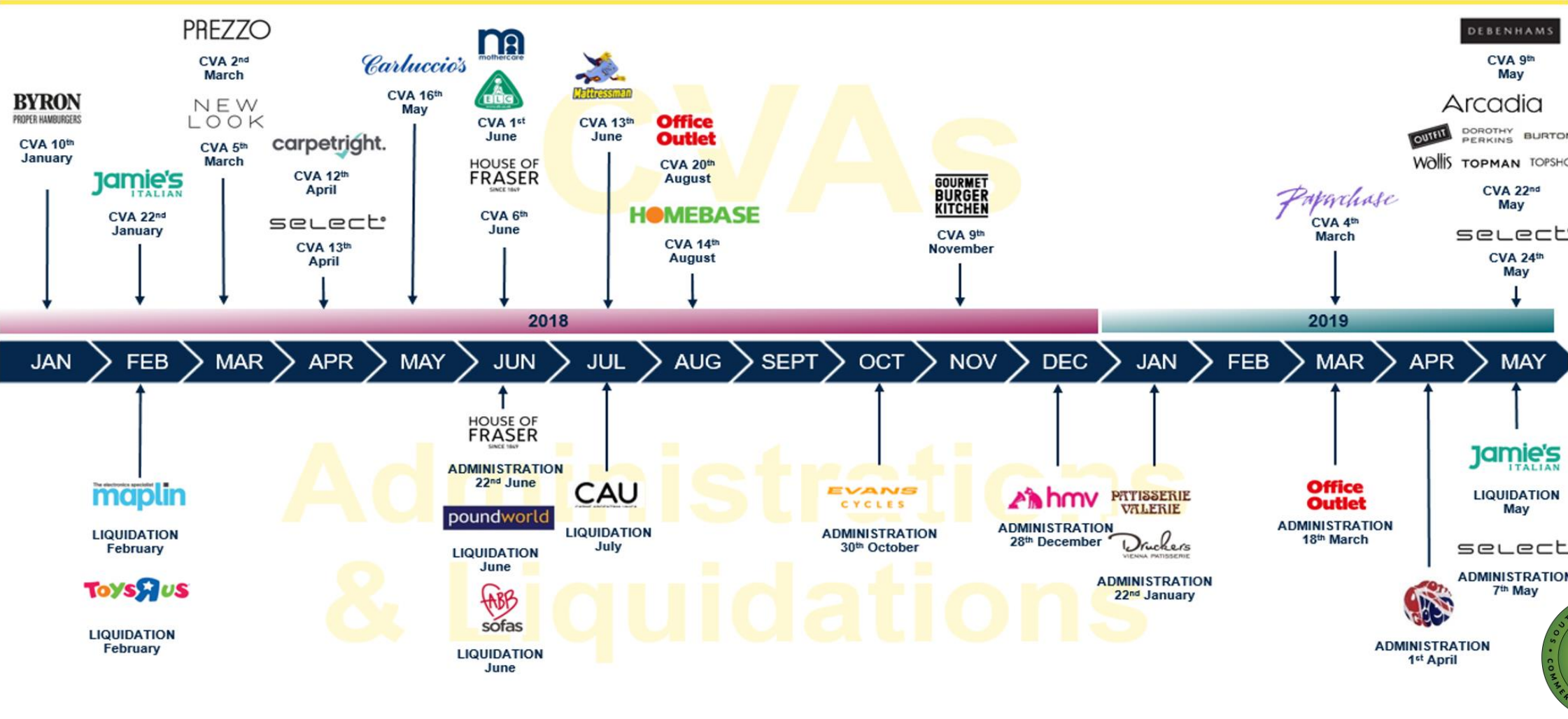
- Savills Research & British Retail Consortium
- May 2019 retail sales fell 2.7%
- Footfall down
- Retail & Leisure Parks 1/3 of all CVA's, administration or liquidations

# CVA's – Retail & Leisure



## Timeline

CVA's, administrations & liquidations





How retail is being repositioned and repurposed for the future.

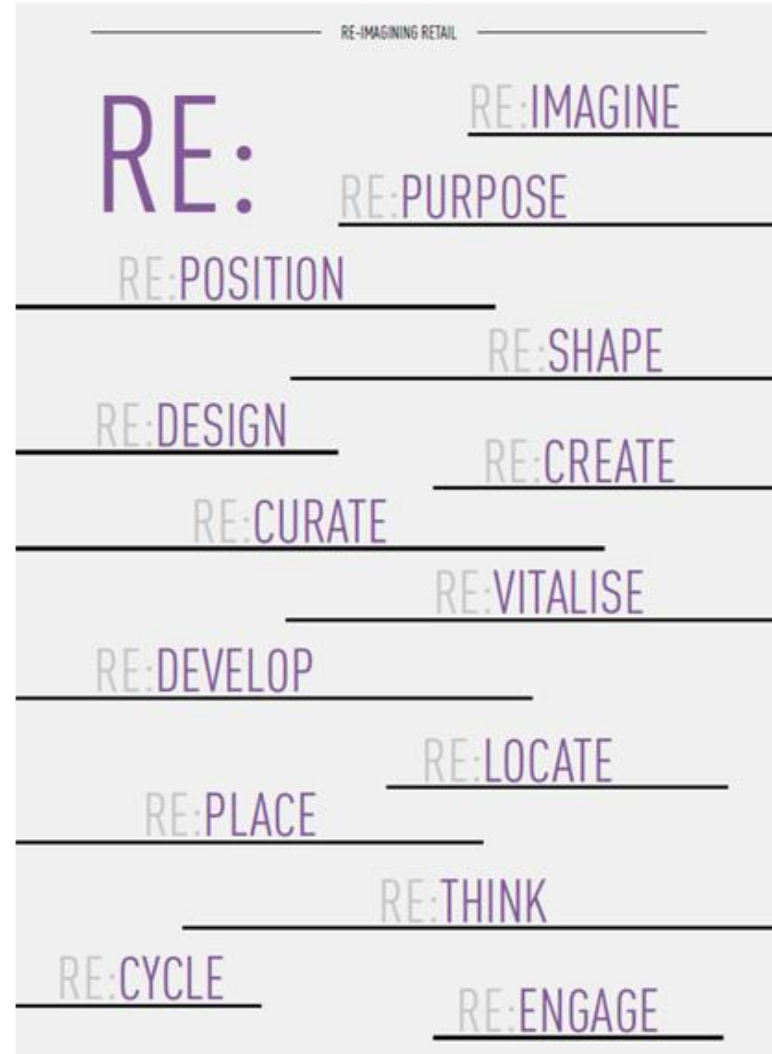
# RE: IMAGINING RETAIL

It is about repurposing property, which is not a new concept.

Injecting a new lease of life in to space that will benefit retail and the community it serves.



# RE: IMAGINING RETAIL



# RE: Imagining Retail > Leisure

- Go-to use class for retail destinations
- Millennials overtaking generation X
- Social media culture
- Gyms, bowling, activity parks, golf & bowling  
> Increased footfall & dwell time

## Shopping Centre Landlords

- House of Fraser (Highcross Shopping Centre, Leicester) > Treetops Golf
- BHS (Oxford Circus, London) > Swingers Golf & Market Halls Food Hall



# Food Halls - Shelter Hall, Brighton



## Brighton & Hove City Council

Savills Licensed Leisure instructed to let the property.

- 14,500 Sq Ft + food hall
- 1,300 Sq Ft café & restaurant
- Seafront regeneration project
- Ready Dec '19 / Jan '20

Rent guide:-

- £225,000 PAX
- £42,000 PAX

Extremely strong expressions of interest from food hall businesses across the UK.

# LEISURE - Competitive Socialising

Urban Mini Golf \* Bar & Game \* Virtual Reality \* “Against-the-clock”



Bounce, London



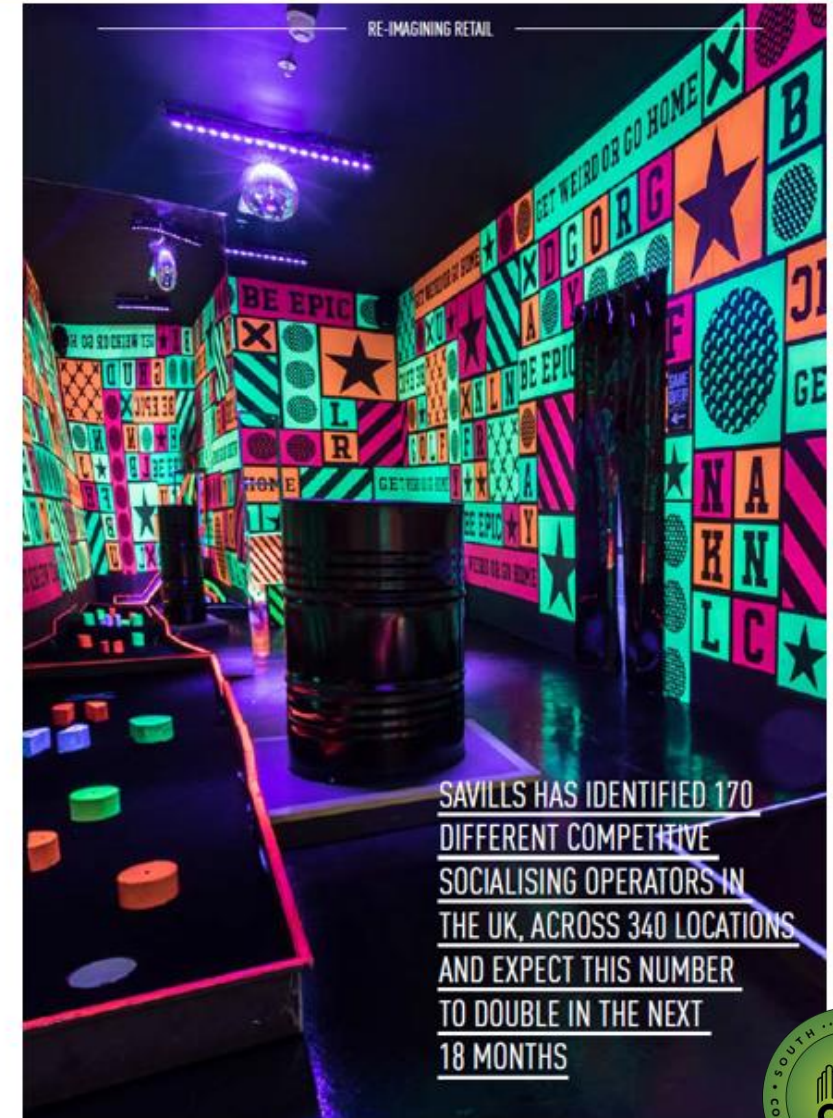
Roxy Ballroom, Nottingham



Flight Club, London



Whistlepunks, Manchester



RE-IMAGINING RETAIL

SAVILLS HAS IDENTIFIED 170  
DIFFERENT COMPETITIVE  
SOCIALISING OPERATORS IN  
THE UK, ACROSS 340 LOCATIONS  
AND EXPECT THIS NUMBER  
TO DOUBLE IN THE NEXT  
18 MONTHS

## Spending is up in Pubs

- September 2019 that consumer spending in pubs grew by 12.9%, set against general expenditure increasing by 1.6%.

## Beer volume is growing alongside prices

- The number of UK breweries is growing at 17% CAGR, with the average price of a pint up 36% from 2007 driving profitability.

## Diverse consumer tastes driving innovation

- Sales of gin and craft spirits have tripled in 10 years.
- Heineken are installing 3,000 “0.0” beer taps to accommodate the growing trend in low and non alcoholic drinks.
- Cocktail market has grown by 9.5% in one year with Pornstar Martini overtaking Mojito to become the UK’s top cocktail.



# Public Houses

## Upham Pub Company Sale & Leaseback



- Savills acted for Upham Pub Company
- Sale and leaseback of 14 freehold pubs
- 161 letting rooms
- Quality food and beverage offering
- Buyer - CBRE Global Investors
- Ground rent typically 15% of EBITDA
- 125 year lease
- Yield c.2.5%

# Key Projects - Southern Region

**Bournemouth – Winter Gardens**



**Winchester – Station Approach**



**Southampton – Bargate Quarter**

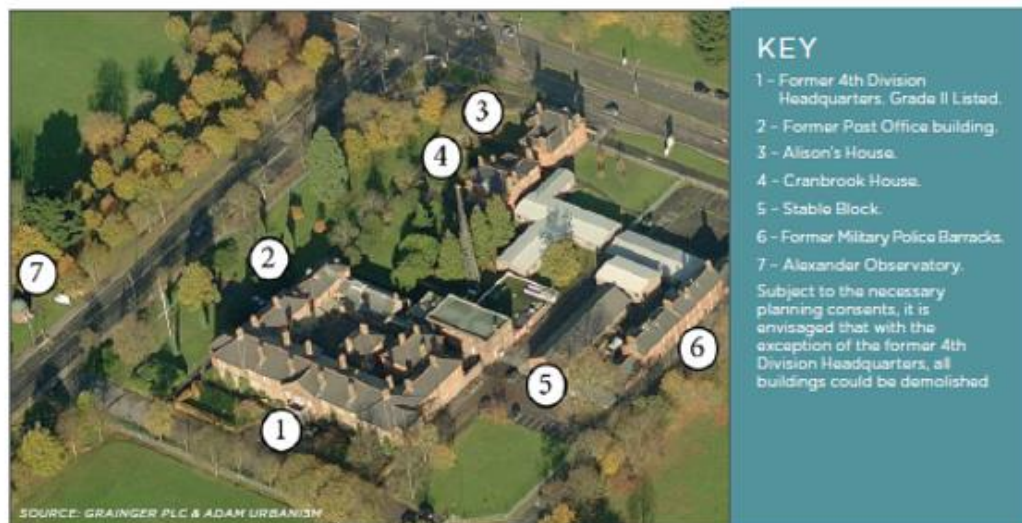


**Portsmouth – City Regeneration & Southsea Coastal Scheme**



# Retail & Leisure Development in the South

## WELLESLEY NEIGHBOURHOOD CENTRE



			
New retail unit (moderate sized food store)	Additional retail units in local centre	Office space up to	
1,400	1,560	3,180	
sq m gross	sq m gross	sq m gross	
			
Public house / restaurant	Day care and pre-school facility	Approximate Dwellings	Community Centre
610	330	35	400
sq m gross	sq m gross		sq m gross

## BERE HEATH ESTATE, BERE REGIS, BH20



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# Thank you

From the team here at Savills

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**COMMERCIAL PROPERTY SHOW 2019**



Next presentation:

# Residential Market Update – JLL

**S  
PEC  
TRU  
M.**

**BPA**  
Bournemouth Property Association



**PPA**  
portsmouth property association



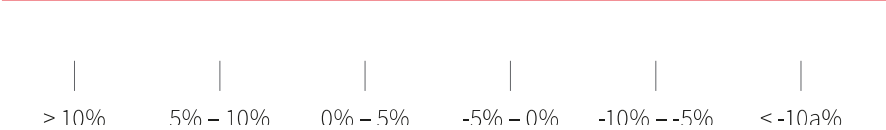
## South Coast: Residential Market Update

Adam Challis  
Head of EMEA Living Research & Strategy

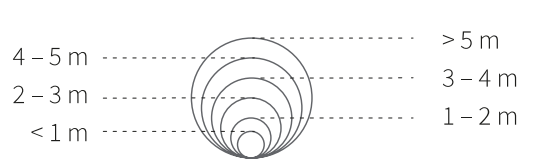


# Cities in Europe, total population (2019) and % population change (2019-29)

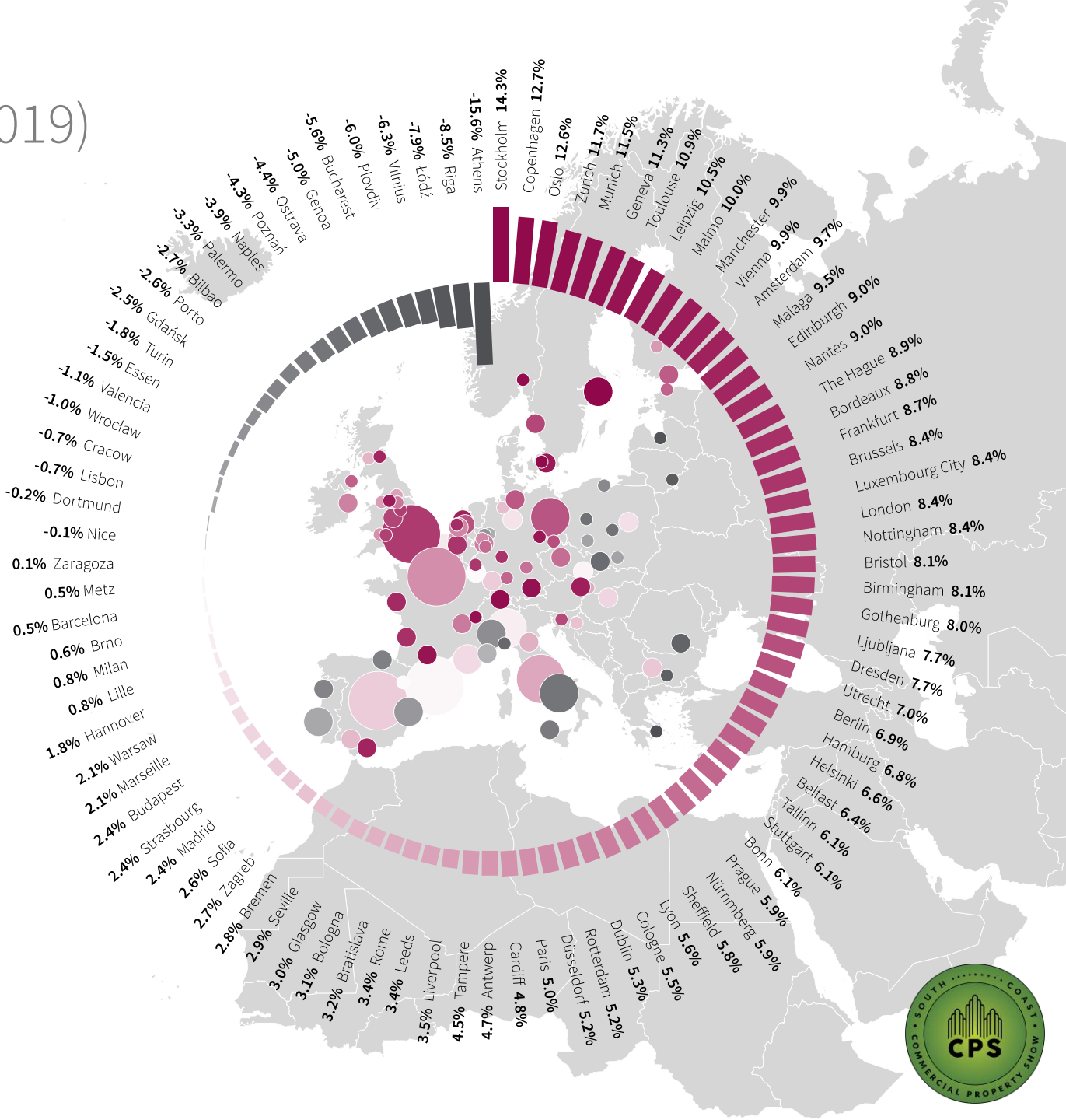
## Population change



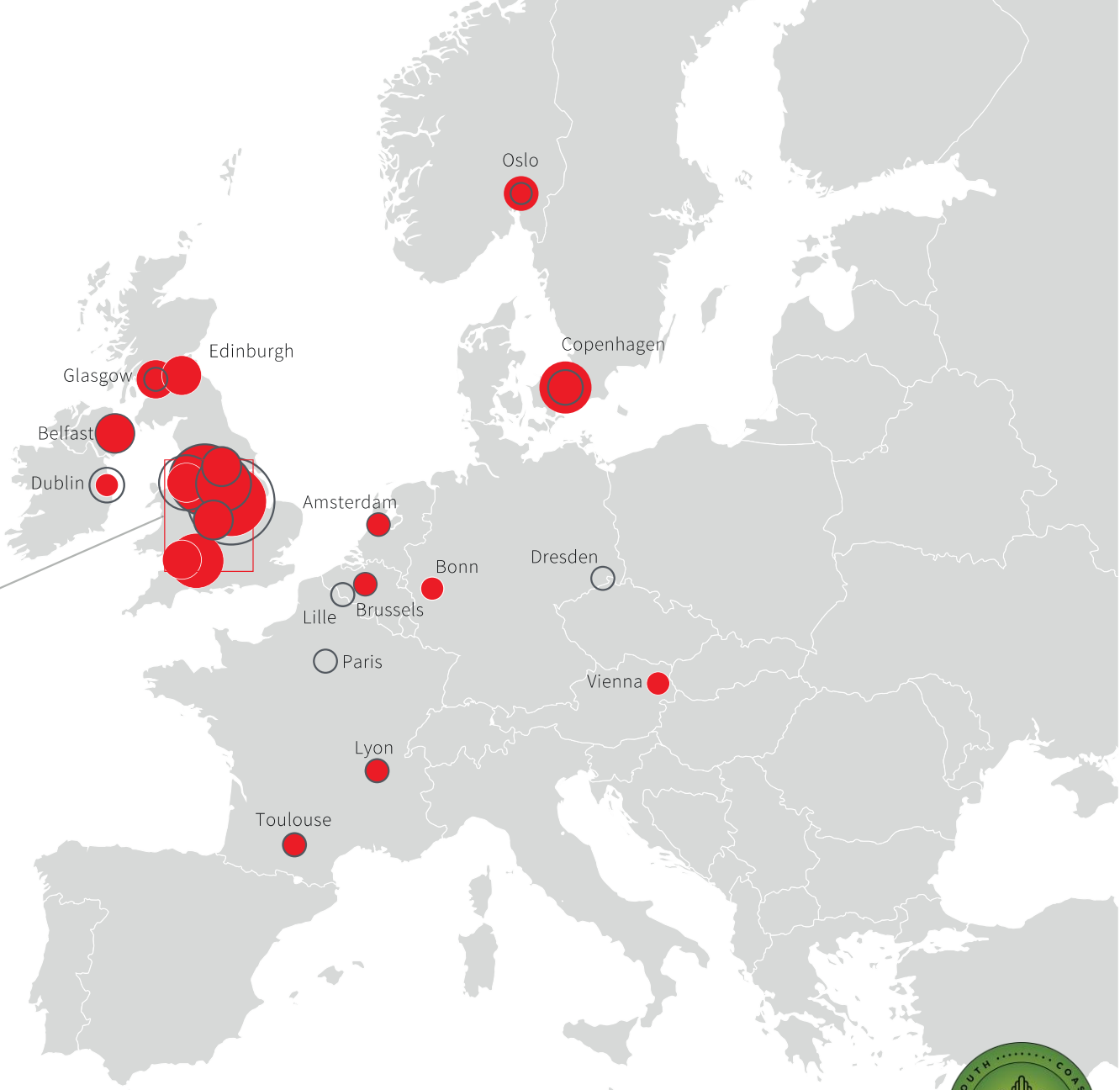
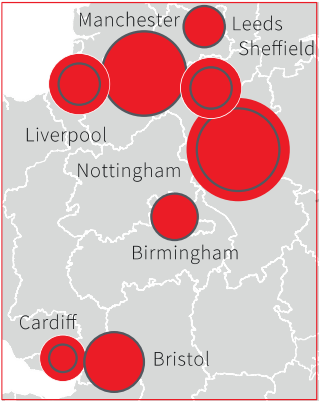
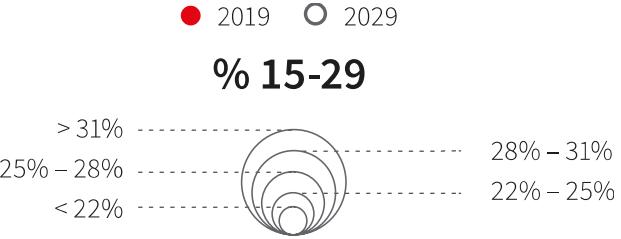
## Total population



Source: JLL, Oxford Economics. Note: some cities include wider regions



# Youngest 20 major cities (2019 and 2029)



Source: JLL, Oxford Economics





## Southampton Market Metrics

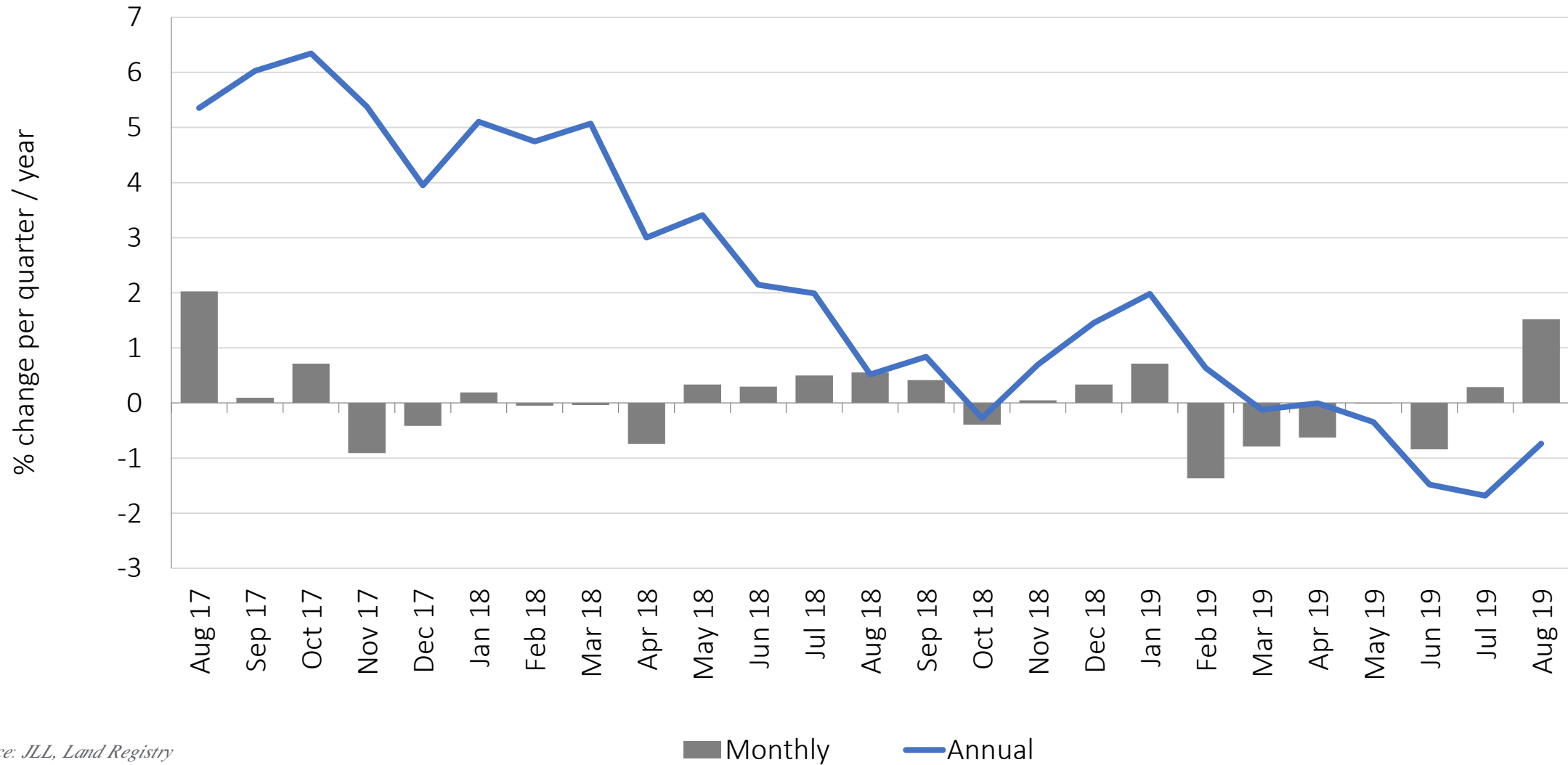
Adam Challis  
Head of EMEA Living Research & Strategy



@adam\_challis



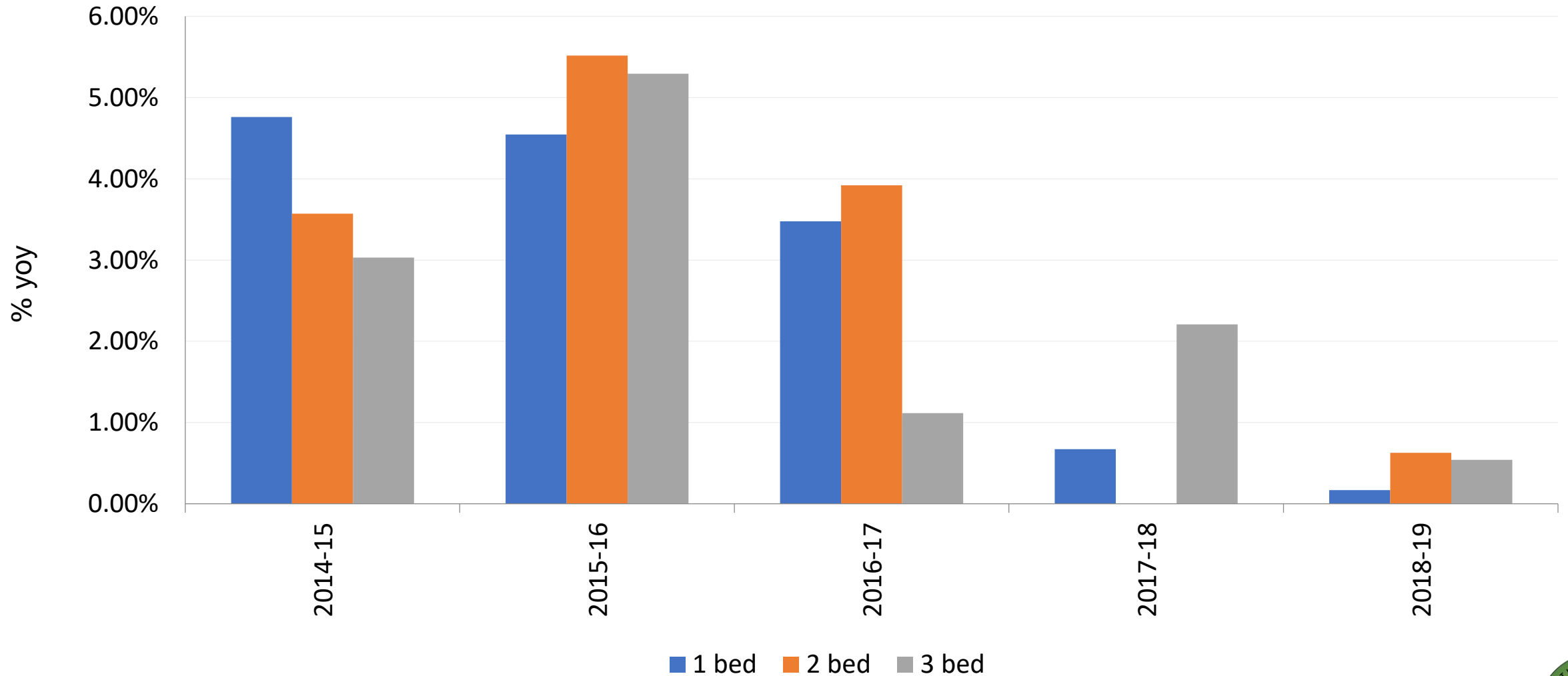
# Southampton house price growth



Source: JLL, Land Registry



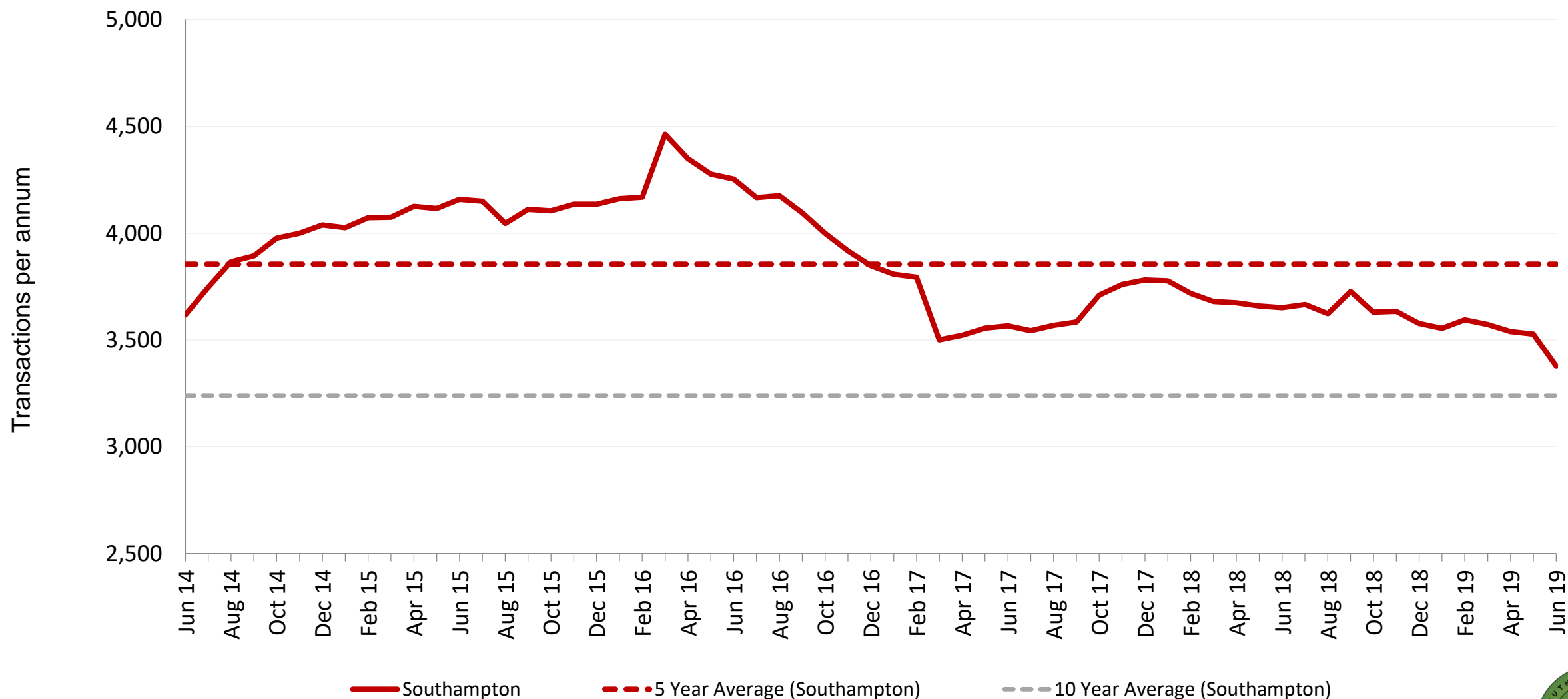
# Southampton rental growth



Source: JLL, VOA



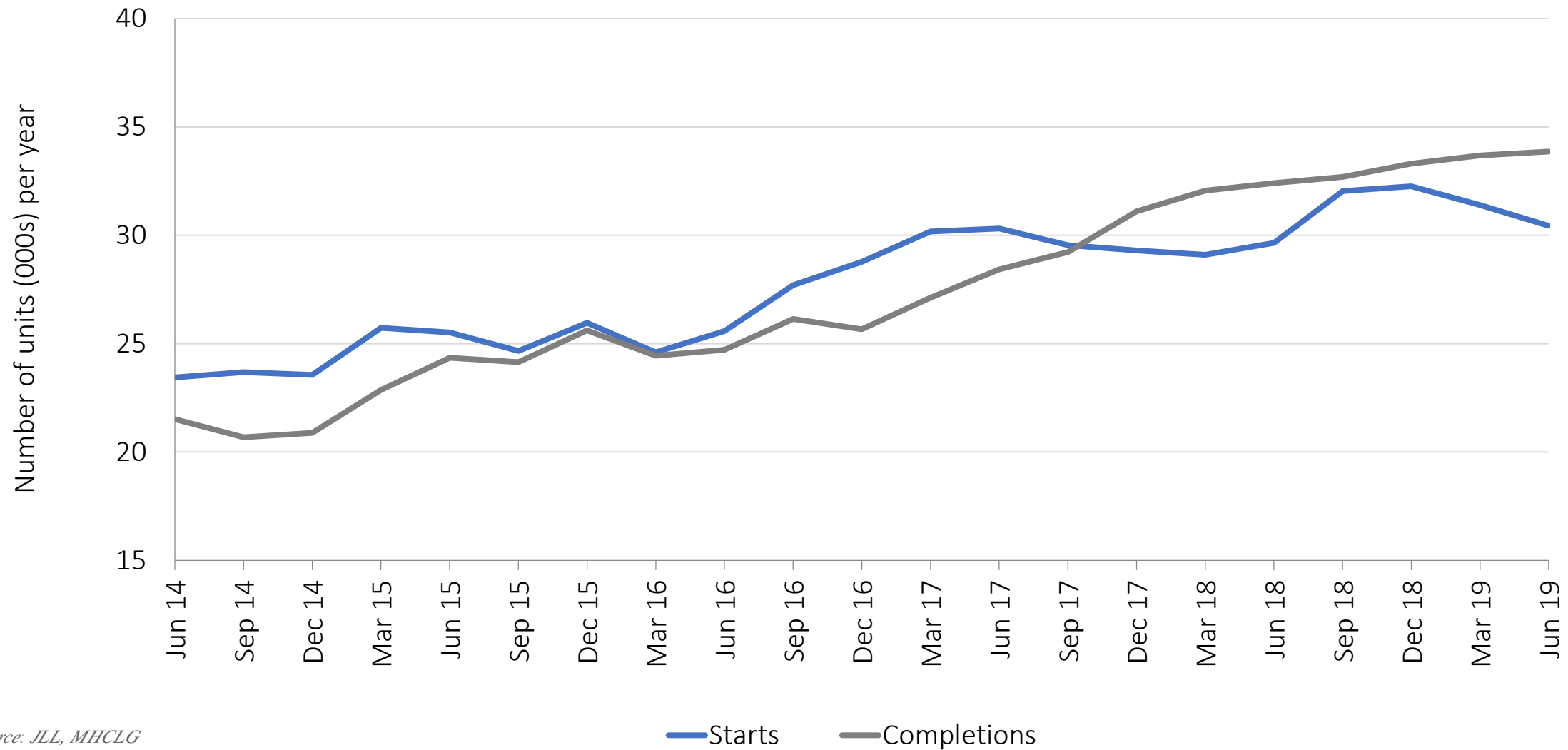
# Southampton annual transaction volume analysis



Source: JLL, Land Registry



# South East housing starts and completions



Source: JLL, MHCLG





## Big Themes for UK Residential

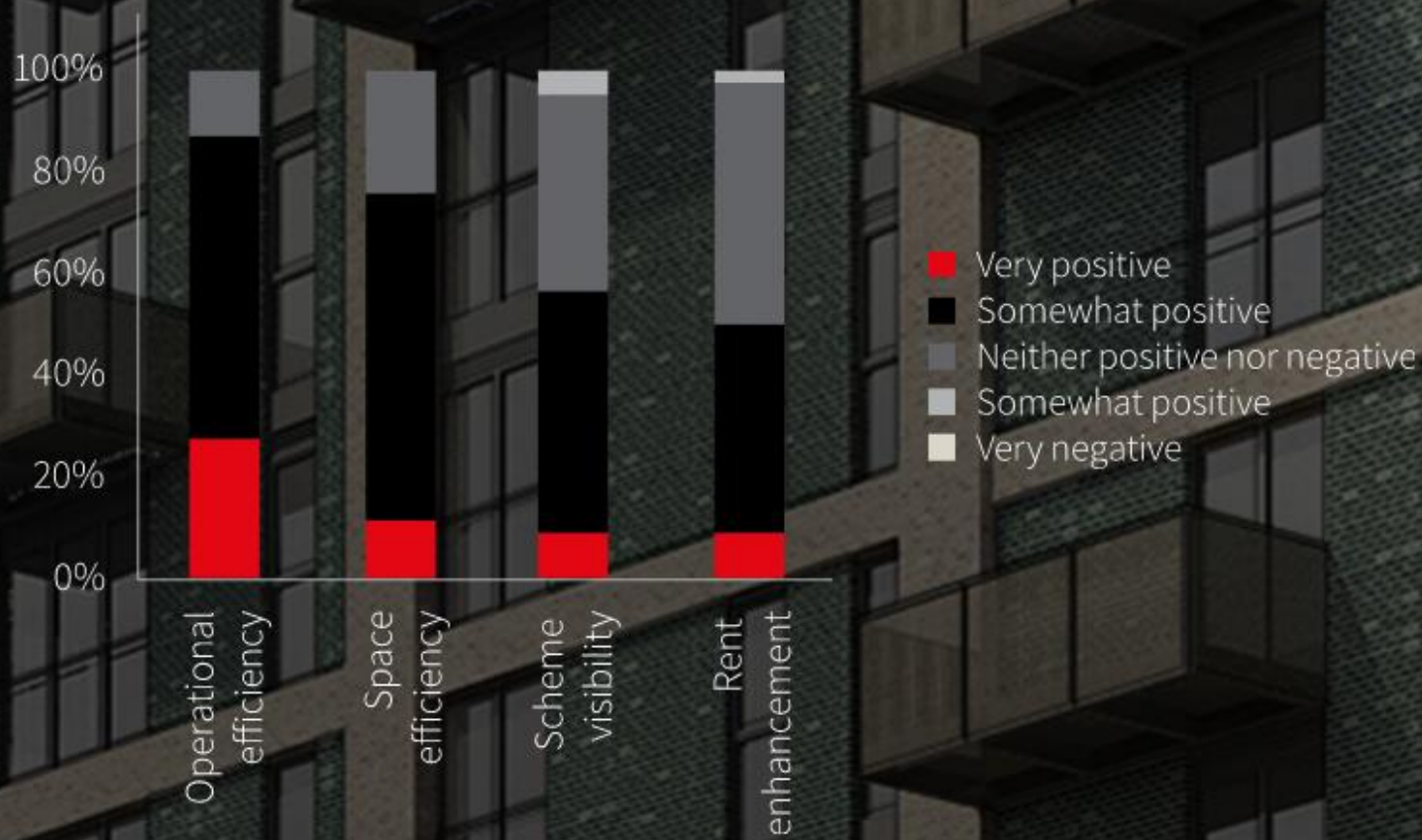
Adam Challis  
Head of EMEA Living Research & Strategy



@adam\_challis



# Modern methods of construction



**68%**

Agree MMC is an opportunity to reduce operating costs

**62%**

Agree MMC can deliver income stream more quickly

**87%**

Agree MMC will increase as a % of overall delivery

# Lifecycle home

Sustainable delivery can  
improve revenue and  
operating margins



# Living

## Key Takeaways

- Market malaise will persist for a {Brexit} period of time
- Backdrop for stronger market is there
- Market composition is changing; get proactive or get disrupted
- MMC and sustainability will ramp up in a big way



Thank you

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