

NEWS RELEASE
1 JULY 2020



EMBARGOED UNTIL 06:00 BST ON THURS 2 JULY 2020

GOVERNMENT MORATORIUM ON COLLECTING LATE RENT CONTINUES TO DRIVE BEHAVIOUR OF MANY LARGER TENANTS IN RETAIL AND LEISURE SECTORS

- **Collection of rent and service charge for commercial property on June Quarter Day worse than previous quarter**

The government's moratorium on taking legal action against tenants is changing the behaviour of many commercial tenants according to research compiled by Remit Consulting that also shows the amount of rent and service charges collected for commercial properties on June Quarter Day were even lower than in the previous quarter.

The management consultancy, working in conjunction with the British Property Federation (BPF), the RICS, Revo, the Agents Advisory Group and other members of the Property Industry Alliance (PIA), surveyed the country's largest property management firms representing many of the main pension funds, REITS and other institutional investors. The research covers around 125,000 leases on 31,500 prime commercial property investment properties across the country.

The reconciled figures reveal that, overall, 37.8% of rent and 33.0% of service charge payments were collected on last week's due date.

By comparison, Remit Consulting's previous research for March Quarter Day showed that, overall, 49% of rents were collected along with 37% of service charge payments at the beginning of the UK's lockdown. In 2019 the figures for March Quarter Day were 79% and 73% respectively.

The June Quarter Day research also reveals that 53% of retail properties and 63% of leisure properties across the investment portfolios studied are subject to rent concessions, holidays or renegotiations put in place since March. The comparable figures for industrial and office properties are 27% and 17% respectively.

"While the collection figures are worse than the previous quarter, they are better than many property and asset managers were fearing," said Steph Yates, a senior consultant at Remit Consulting.

"The leisure and retail sectors are clearly the worst hit and it appears that it is the large tenants, across all the sectors, that are agreeing concessions more than the small ones. This is the opposite to what was intended in the government's recently issued code of practice for the commercial property sector and the moratorium on pursuing remedies for late rent is having a significant effect on the market," she added.

Melanie Leech, Chief Executive, British Property Federation commented: "We warned Government that extending their moratorium on evictions would have an impact on rent

collection far beyond the retail, hospitality and leisure sectors at the sharp end of the Covid-19 pandemic and it is disappointing to see that borne out in these figures.

“Government must continue to reinforce the message that those businesses who can pay rent, should pay so that businesses in genuine distress can be helped within the framework of the new Code of Practice.”

Chief executive of Revo, the Retail Property Community, Vivienne King said: “Rent collection will vary for each property owner, but an average of just 35% paid in the retail sector and 21% in the leisure sector underlines the severe and sudden loss of income, which will have deeper repercussions for lenders, pension funds and savers. The moratorium on statutory demands winding-up petitions and commercial evictions has exacerbated the problem of non-payment, making it very difficult to determine which operator businesses are in genuine distress and which are simply refusing to pay their rent, despite the Government’s Code of Practice.

“We recognise genuine distress exists and urgently call on the Government to provide financial support on rents to restore stability to the retail property ecosystem and secure an industry ready to support the UK’s economic recovery,” she added.

Bill Hughes, Head of LGIM Real Assets and Chair of the Property Industry Alliance, commented: “The decline in rent collected is directly related to the extended government moratorium on landlord rights. We now need to see fairness of treatment for the pensioners that back large swathes of the UK’s real estate. By encouraging greater alignment between UK’s occupiers and the long term money backing its real estate, we can safeguard the support of long-term capital to invest across the built environment of the UK, including its regions, and support a productive and positive economic bounceback.”

Paul Bagust, RICS Global Property Standards Director, said: “A flourishing commercial property market isn’t just important for the economic health of the country. By providing a home for everything from retail to hospitality to office space, it shapes our everyday environment and impacts on how we work, live and play. The recently launched Government Code of Practice will help landlords and tenants resolve some of their issues, but fundamentally we are going to have to start reimagining what our town and city centres will look like to ensure they remain the beating hearts of their communities and stay financially viable.”

June Quarter Day rent and service charge collection figures:

Rent Collection - June Quarter Day 2020								
	Mixed portfolio	Retail	Offices	Leisure	Industrial	Overall Average	March 2020	March 2019
Due date	35.8%	35.50%	53.00%	21.50%	43.00%	37.80%	49.00%	79.00%
Service Charge Collection - June Quarter Day 2020								
	Mixed portfolio	Retail	Offices	Leisure	Industrial	Overall Average	March 2020	March 2019
Due date	42.4%	27.57%	45.03%	17.66%	32.35%	33.00%	37.00%	73.00%

-ends-

Notes for editors

With offices in London, Amsterdam and Paris, Remit Consulting is an independent, European management consultancy that has been providing practical, cost-effective and efficient solutions for the real estate markets for over 17 years.

Many of Europe's largest property teams rely on Remit to help them to innovate and transform their businesses through benchmarking and its in-depth knowledge of business processes; strategies; compliance; real estate finance; system selection and implementation.

www.remitconsulting.com

For further information, please contact Steph Yates of Remit Consulting:

steph.yates@remitconsulting.com