

THE TENANT'S GUIDE TO RENT REVIEWS

Introduction

If you are an occupier of leasehold business premises, then under the terms of the lease it is likely that you will be faced with a rent review at some point.

Rent forms a significant part of your monthly outgoings, so it is important to keep this to a minimum. The amount of rent payable will be based on the 'Open Market Rental Value' at the last review and is effectively the best rent that could be achieved if the premises were put on the market at the time of the rent review. This is usually on the basis that the property:

- ▶ **Is available to let with vacant possession by a willing landlord to a willing tenant for a certain number of years;**
- ▶ **Is fit and available for immediate occupation; and**
- ▶ **may be used for any purpose permitted by the lease**

There are also many 'disregards' to take into account, such as personal goodwill: for example, a celebrity chef buying and running a pub that would ordinarily have lower sales potential. Other disregards could be authorised improvements, such as extensions to the trading area. The exact definitions will be contained within the lease.

Rental Value

Rental value is determined by several factors: primarily by reference to the fair maintainable trade of the business. This is the level of trade achievable by an average competent operator, ignoring any personal goodwill. Where appropriate, rental value may also be determined by reference to evidence of lettings and rent reviews of similar units.

The above process is a complex subject and best left to specialists. Indeed, the best valuers are those with experience of dealing with such complexities and with up to date records of market information. Moreover, a valuer/rent review specialist must exercise considerable skill and judgement when analysing so-called comparables.

The rent is usually determined by negotiation between the parties, who are normally represented by their respective

Chartered Surveyors. If parties cannot agree, the lease usually provides for the rent to be determined by an independent surveyor, acting as an Expert or an Arbitrator.

The Pinders name has been synonymous with the appraisal and valuation of businesses for 40 years and our prominence within the healthcare, retail, and licensed and leisure sectors is built on independence, professionalism, specialist skills and a thorough knowledge of the marketplace.

We are able to bring our experience and detailed specialist knowledge to bear in both rent review negotiations and arbitration or Expert Witness determination, where a rent cannot be agreed between landlord and tenant.

Should you wish to discuss any aspect of your upcoming rent review, contact us.

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