

MHCLG - Commercial Rents and COVID-19 Call for Evidence

Response from Propertymark

May 2021

Background

1. Propertymark is the leading professional body for estate and letting agents, commercial agents, inventory providers, auctioneers and valuers, comprising nearly 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Questions

In your recent experience, what percentage of landlords and tenants are engaging with your negotiations about payments of rent in the spirit of the Government's Code of Practice?

2. Based on anecdotal evidence from our members it is difficult to say what percentage of landlords and tenants are engaging with negotiations about rent payments in the spirit of the Government's Code of Practice. Propertymark, endorses the Code of Practice but there are two reasons why we are unable to provide a percentage of landlords and tenants who engaging in negotiation and using the Code. Firstly, the Code of Practice is not legally binding. Secondly, when payments of rent are being negotiated there is always the issue of reasonableness.

Where negotiations are taking place, what are the most common outcomes?

3. Where negotiations are taking place there are three issues that are important. Firstly, any negotiation will be taken on their own merit. Secondly, a broad principle on rent is to analyse the turnover. Thirdly, many agents will look at the fixed costs as a starting point.

Where rents are being reduced for the remainder, or a proportion of the remainder of the lease: as a percentage (%), how much are they being reduced by?

4. It is difficult to say, and we do not have enough relevant information to answer this question. This in itself provides a problem as in practice each negotiation between landlord and tenant is decided very much on its own merit and the skill and experience of the parties negotiating.

Where tenants are being afforded a longer duration to pay arrears, how much longer are they being offered?

5. Where tenants are being afforded a longer duration to pay arrears this is usually within six months and around three months.

Is there anything else you would like to tell us about rent negotiations?

6. We have nothing further to add other than in the marketplace, the importance of each negotiation being resolved on its own merit cannot be over emphasised.

Code of Practice - Do you agree that the current Code of Practice is effective?

7. Propertymark strongly agrees with the Code of Practice. It is effective and we have encouraged our members to use it.

What, if any, further changes would you want to see to the current Code of Practice?

8. The Code of Practice would be more effective if it were legally binding.

Do you have anything further to add on the Code of Practice?

9. We have nothing further to add.

Exit from the current measures

10. As the lock down restrictions ease, and the measures expire on 30 June 2021, Propertymark believes that the UK Government must do more to 'encourage increased formal mediation between landlords and tenants.'

Are you in favour of letting the current measures expire on 30 June 2021?

11. No, we are not in favour of letting the current measures expire on 30 June 2021. Whilst we recognise that commercial property owners' contractual rights have been suspended for more than a year, unless there is a six-month window for negotiation when both parties decide to enter into formal mediation, we do not think the problem will be resolved for those with rent arrears.

What do you expect to see happen within your business if the current measures expire on 30 June 2021?

12. We expect to see a 'negotiation on rent arrears duration to pay' when the current measures expire on 30 June 2021. Many property owners have supported tenants over the past twelve months, and we do not foresee them removing this support as the high streets and other premises reopen.

What has informed your opinion?

13. Our opinion has been informed through informal surveying of Propertymark members over the period of the pandemic. More recently, we have surveyed our members in respect to

market conditions in Q1 of 2021 and their opinions as to how the market will behave in Q2 and beyond.

What do you think will be the impact of this option on your business in terms of trade, employment, ability to invest in the future of your business and ability to contribute to other Government priorities?

If you are a Business Representative Organisation, please answer for your sector as a whole, rather than your individual business/organisation.

14. By encouraging increased formal mediation between landlords and tenants we believe this will enable trade. For instance, with many hospitality and retail premises reopening significant consumer demand should give both tenants and property owners the confidence they need to forge a more positive future together and resolve any issues.
15. By encouraging increased formal mediation between landlords and tenants we believe this will increase employment. Property owners play a vital role in supporting businesses and creating living, thriving communities. Furthermore, from a small sample of our commercial agent members, over 71% think the market for developers purchasing commercial property for change of use will improve in the next 12 months in the retail sector.
16. By encouraging increased formal mediation between landlords and tenants we believe this could increase the ability for people to invest in the future of their business. A wave of mass evictions is in nobody's interest, including property owners. Furthermore, from a small sample of our commercial agent members, 69% think the market for developers purchasing commercial property for change of use will improve in the next 12 months in the offices sector.
17. By encouraging increased formal mediation between landlords and tenants we believe this will help high street/town centre regeneration. Property owners do not want empty stores and consequently, a property with a tenant that can pay some rent, with a commitment to working with their property owner, is much better than an empty property.