

# Response to the Commercial Rents & Covid-19: Call for Evidence



## **The moratoriums should be lifted in full at the end of June**

1. Whilst the global fight against Covid-19 remains hugely challenging in the UK, there are definite signs of optimism. The Government's roadmap and vaccination programme are on track. Bars and restaurants with outdoor spaces are booked up for weeks ahead and a strong economic bounce-back is predicted.
2. Against this background, we believe there should be no question that the moratoriums have now run their useful course and should end. There is no justification for continuing to deprive the millions of pensioners and savers invested in property of their income; and every reason to make sure that confidence is restored to the real estate sector so that investment can be unleashed into the rebuilding of our town centres and decarbonising our built environment.
3. Property owners urgently need to restore an income stream in order to satisfy their lenders' mortgage requirements and be able to invest in their existing properties and new development. Many smaller property owners rely on rental income and have been starved for over a year.
4. Massive support has already been given by property owners to their tenants. That support will continue for those tenants who need it most, until they are back on their feet.

## **The market is re-setting fast and will deliver fair outcomes**

5. The size of the rent arrears that have built up over the last 15 months is eye-watering – and the Government is reasonable to ask the question how these will be dealt with once the moratoriums are lifted. A chunk of that debt is owed by large well capitalised businesses who have deliberately withheld rent. The Government must not let them off the hook. For the rest, the evidence suggests that the minority of tenants who still have not reached agreement with their property owners – have little to fear.
6. Evictions are not in property owners' best interests – they don't want empty premises and a loss of footfall to the buildings they own.
7. It is clear that the retail market is re-setting fast. Rents are coming down and more creative partnerships that work for both parties are being agreed. This is a natural market-led process that works not only for existing businesses building a bright post-Covid-19 future but creates the condition for new entrepreneurial players to enter the market.
8. In a number of other countries, where no moratoriums are in place, the market is performing this function without widespread tenant evictions being seen and with concessions being provided to tenants who need them.

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## **An enhanced Code of Practice with adjudication by the courts should be the backstop where agreements cannot be reached**

9. The Government should further enhance the Code of Practice so that it provides a clear framework for negotiations between property owners and tenants.
10. The Code of Practice must not undermine agreements already reached between property owners and tenants nor encourage poor behaviour by any party.
11. Those tenants who can pay rent should do so, and those tenants who need support should be helped where a property owner has the means to do so.
12. In order to seek concessions, a tenant should provide full transparency of financial information to the property owner.
13. The Code of Practice should set out a clear framework in which it can be applied consistently across a range of different situations on a case-by-case basis, recognising that it will need to apply in a wide range of different lease situations.
14. The Code of Practice should be updated to draw on all the good practice that now exists in terms of agreements reached between property owners and tenants.

## **A further breathing space for the hardest-hit sectors**

15. The framing of the Call for Evidence however suggests that the Government may be looking for something additional in order to shape the exit strategy from the moratoriums.
16. Whilst we do not think this necessary, this could be provided by ring-fencing of the arrears of rent owing for the period March 2020-June 2021 with tenants in the hospitality, non-essential retail and leisure sectors continuing to benefit from the protection of the moratoriums for a further period of 6 months.
17. Any outstanding discussions at the end of this period should be the subject of binding arbitration. This would be needed only in a minority of cases. Creating a new arbitration system would not be a good use of taxpayers' money, and so we urge the Government to use the existing mechanisms through the Courts in order to achieve a final resolution in outstanding cases.