

Record Rents Point to UK CRE Recovery



Reporting in the Evening Standard, based on data from Remit Consulting, indicates improvements in the UK's commercial property sector. The firm's data shows that rent collection in the 3rd quarter of 2021 reached its highest level in the pandemic period, which is partially due to the easing of lockdown regulations in the country.

Data from their REMark Report shows that "...an average of 72.1% of rents due in the UK had been collected with seven days of the September quarter rent day, which covers payments for the three months ahead". This includes rent for retail and dining establishments, bars and warehouses. Comparatively, in the 2nd quarter, 66.5% of rentals due were collected by the same point. Retail rents were sitting at 68.8% (up from 62.3%) and leisure at 57.2% (up from 40.1%).

Good News...

This is in keeping with a general upward trend, the firm told the newspaper, "which is good news for investors and landlords such as pension funds and other institutions, particularly as the upward trajectory of payments from tenants is similar to the previous quarters of the pandemic."

...But Not All Good

Despite the strength of this news, it's not a unilaterally positive picture, as the data also indicates that this 'record high' is still considerably lower than pre-Covid levels. Altogether, since the start of the pandemic, there is a shortfall in rent from commercial occupiers amounting to nearly £7 billion – a considerable chunk for property owners and investors, including institutional investors such as pension funds.

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Managing the Fallout

The matter of the “missing rents” is something the industry and public service are keeping a close eye on. A report from the International law firm Morrison & Foerster LLP gives an excellent rundown of the public consultation that the UK government has done around trying to establish a way forward for both struggling commercial tenants and landlords.

The policy paper published in August 2021 outlines the government intentions to “legislate to ring-fence rent debt accrued during the pandemic by businesses affected by enforced closures” and their intent to formalize a “process of binding arbitration to be undertaken between landlords and tenants”.

Meanwhile, a number of the large and influential property industry associations have called on the government to end the moratorium on evictions that came into effect during the height of the pandemic and lockdown measures.

