

RENT REVIEWS

Guide and FAQs



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1 What is a Rent Review?

The opportunity to reset the rent to market level.

The date on which the rent may be reviewed is specified by the lease contract.

Most rent reviews are 'upward only' in nature, meaning the current rent may increase in line with market evidence but will not move below the passing level. Some leases may have pre-determined fixed increases or mechanisms to adjust to inflation.

2 How often is the rent reviewed?

The frequency with which rents are reviewed will be governed by the lease and specifically the rent review clauses.

In many cases, there will be specific notice periods or key dates to trigger the rent review (referred to as 'Time of the Essence') that should be adhered to very carefully. A strategy for dealing with the review should be considered well in advance of key dates as poorly conducted rent reviews can lead to financial loss for both landlord and tenant.

3 What does it involve?

The process would typically involve:

- Instructing a qualified surveyor to undertake an initial market review, based on desktop analysis, to estimate whether the property is under or over-rented;
- Where a decision is made to proceed, the review is triggered by notices and to dates prescribed in the lease contract;
- Each party may decide to appoint surveyors to act on their behalf who then negotiate based on the most comparable evidence in the market place;
- The surveyors would submit their recommendations for approval and if accepted, the matter is documented by way of a rent review memorandum;
- If no agreement is reached, then a third party may be appointed to determine the rent or an alternative dispute resolution (ADR) adopted. The lease may define whether that third party should act as an arbitrator (and only consider evidence presented by both parties) or independent expert (who may rely on this evidence but also their own judgement).

4 As landlord, do I need to enact a review?

Not necessarily:

- If the initial market review suggests the current rent is above market value and the lease contains upward-only provisions, then there is little merit in pursuing;
- Some 'unconnected' SIPP Landlords may conclude enacting has marginal gain, is not cost effective or may disrupt the relationship with their tenant;
- 'Connected' parties are required to demonstrate the rent is at market value. As a minimum, this will require a third party opinion that the current rent is at market levels or should be adjusted via review.

6 TEMPLEMEAD PROPERTY SOLUTIONS IS AN RICS REGULATED FIRM.

WE CAN NEGOTIATE RENT REVIEWS FOR LANDLORDS QUICKLY,
EFFICIENTLY AND AT FIXED PRICES. 9

JUST CONTACT YOUR PROPERTY ADMINISTRATOR AT
CURTIS BANKS WHO CAN INSTRUCT US, OR ONE OF OUR
NATIONWIDE PARTNER FIRMS, DIRECTLY.

5 Does it matter whether the tenant can afford the rent?

The question is not relevant to determining what the rent should be. However;

- If the initial market review indicates an uplift is likely, an 'unconnected' landlord will need to balance the benefit of the increased rent to their SIPP with the risk that the tenant cannot afford the new rent and may default;
- 'Connected' parties are bound to reset the rent to market levels (where the evidence supports an increase) irrespective of affordability.

6 Where does the market evidence come from?

The appointed surveyors will identify the most comparable market evidence to support their recommendations.

The best evidence will be local, recent and of directly comparable properties in terms of size, condition, facilities and location.

The surveyors will use a combination of their local knowledge, subscription databases and take account of local development plans and restrictions to arrive at their market rental value.

7 How long does it take?

The overall time to complete a rent review will in part be determined by the lease - from the point the review is triggered to the date it is finally documented.

Other variables will include the time taken to collate relevant evidence, the negotiating stance of both parties and whether the matter is referred ultimately to a third party.

8 What happens when the new rent is agreed?

The new rent will be effective from the rent review date.

It will be documented by a rent review memorandum, held with the lease documents.

If time has elapsed, perhaps because of extended negotiation, a significant amount of back rent and interest may accrue. Extended delays may impact on a tenant's ability to pay.



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TMPLMD FAQ RR 1218

