**Rent Reviews and Lease Renewals**

**What is a Rent Review?**

Commercial leases typically provide for the rent to be increased periodically to allow for inflation.

Reviews are normally to ‘market value’ and ‘upwards only’ every three, four or five years. There are other forms of review e.g. business turnover or Retail Price Indexation etc.

**How is the Revised Rent Assessed?**

Most reviews are to ‘market rent’ although the lease often defines hypothetical circumstances including vacant possession, good repair, full lease term etc.

A property is compared with others which are similar and have been let in the open market. In practice, no two properties are identical. Adjustments have to be made for location, size, layout of accommodation, condition, use, rent review pattern, tenant’s improvements and many other variables.

**Negotiations**

The landlord and tenant most commonly appoint surveyors to negotiate a review taking into account all of the variables, market information, rent review assumptions and comparable evidence.

**The Rent Review Procedure**

The procedure is laid down in the lease but most leases provide for the landlord to serve notice prior to the review date with a suggested revised rent.

Failing a negotiated agreement, the rent is decided by an Independent Expert or Arbitrator.

**Arbitration/Independent Valuation**

Should the review be referred to a third party, the surveyors make submissions as to rental value followed by counter submissions with arguments against the other party’s submission. The Arbitrator/Independent Expert inspects the property, requests any further information required and determines the level of rent. In complex cases, there may be a formal hearing. An Arbitrator makes an award based upon the submissions. An Independent Expert may, additionally, use his or her own professional knowledge in coming to their determination.

**The Lease Renewal Procedure**

Business tenants have a right to renew leases under the Landlord and Tenant Act 1954 (unless they have specifically contracted out).

Typically the landlord will serve notice on the tenant terminating the lease and stating whether or not it will oppose a new lease. If there is scope for a reduction in rent a tenant could be proactive and serve a notice bringing the current lease to an end which will allow a lower rent to commence at the earliest opportunity. Both parties appoint surveyors who negotiate the terms of the new lease including the rent.

Failing agreement, the tenant may apply to the court for a new lease. There are strict time limits for formal notices which should be served by solicitors.

An increasing number of leases granted are now contract out of the 1954 Act. This can put the tenant at a disadvantage and it is imperative to initiate negotiations at the earliest opportunity.

**PACT or County Court**

If a renewal cannot be agreed amicably the matter can be referred to the County Court or PACT (Professional Arbitration on Court Terms) which is similar to an arbitration.