

Few Wexford retailers refused rent cut



North Main Street, Wexford Town - Photograph: Patrick Browne

A survey of retailers in a typical country town shows that only 19 per cent were refused rent reductions – suggesting that there may be no need for radical changes on rent reviews, writes **JACK FAGAN**

With the Government due to unveil legislation shortly banning upwards only rent reviews in all existing business leases, a new survey has shown that the vast majority of traders who sought a cut in rents in one particular town – Wexford – had these charges reduced.

The study found that of the 136 retail properties in the town only 2 per cent of them were refused rent abatement by their landlords. However, when the 45 per cent of the shops which are owner-occupied as well as vacant units and recently let stores are discounted from the survey, those refused rent reductions accounted for 19 per cent of the total.

The survey was carried out by estate agents CB Richard Ellis and sponsored by a “group of interested parties” – all of them likely to be opposed to the principle of retrospectively changing existing leases. Those sponsoring the study included W

K Nowlan Asset Managers; estate agents Bannon; WMK Solicitors; Treasury Holdings and Tom Dunne of Dublin Institute of Technology.

Marie Hunt, director of research at CBRE, said it was worrying that there appeared to be a desire to legislate on this issue without detailed research being undertaken to justify the need to implement such radical legislative change with huge negative consequences for the property and banking industries.

She said there was a general perception that landlords were refusing to engage with tenants that were in genuine distress and unable to meet rental obligations. However, the reality was somewhat different. In an effort to challenge some of the misinformation around the issue and bring some facts into the debate, the Wexford research was undertaken. Wexford was chosen as a typical county town and the results may or may not be representative of the national situation, she said.

The report said that those trading from their owner-occupied premises had distinct advantages over those renting their premises and it could be inferred that, if these businesses were struggling, factors other than the cost of rent were at play. An issue that had been completely missed in the debate was that any proposed legislation to adjust existing leases would do nothing for the cohort who own their own premises.

Those who may be in need of help were the tenants who signed their leases at the peak of the market or who had rent reviews based on the then prevailing rents. However, the study showed that many such occupiers had already been granted reductions or other concessions by their landlords.

The most striking findings in the Wexford study was that only 2 per cent of all units surveyed had sought and were refused rent reductions. Of those which had been granted concessions, over half had their rent reduced by up to 20 per cent with the balance seeing their rent reduced by more than 20 per cent.

The study also showed that 26 per cent of the high street shops were let in the last two-year period. "One has to assume that these units have been let at open market rent," the report said. "This is interesting as it suggests that, contrary to general opinion, the market is functioning and that new retailers are continuing to enter the market, taking advantage of the new competitive rents and lease terms on offer in the current climate.

"The proposed legislation has no relevance for tenants who signed their leases in the last two years who are already paying open market rents and whose rent reviews in future will be upwards or downwards in accordance with market rents."

The research also showed that 14 per cent of the Wexford traders did not seek a reduction in rents. "Does this suggest," the report asked, "that rents in provincial

locations such as Wexford did not go up as much as the market generally during the boom years or that the occupier's core business has not suffered to the extent that they believe that a rent reduction is merited." The report said that the public policy argument for altering the lease code for all occupiers might be frailer than the Minister believed.

"In keeping with the Government's objective for more evidenced-based public policy, more detailed analysis of this nature needs to be commissioned to determine the facts before implementing a broad-brush policy that will have far reaching consequences for the State and taxpayers."