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### Substituting monthly in advance rental terms for the traditional quarterly terms in existing leases

**The British Retail Consortium (BRC) is calling on all commercial landlords to emulate one of the largest by accepting rents monthly in advance.**

Quarterly rents are traditionally paid on the four quarter days each year. The next is today (Monday 29 September 2008).

The BRC claims that their two year campaign has already led to monthly terms becoming the norm on new and re-signed leases.

However, Hermes the pension fund manager is the first major landlord to announce that it is willing to substitute monthly in advance terms for the traditional quarterly terms, on existing leases.

The retailers' organisation has long argued that demanding rents quarterly in advance is wrong in principle. It is an anachronism dating back hundreds of years to the days when horseback was the fastest means of communications and has no place in the modern age.

Toughening trading conditions have given the issue a new urgency as the extra costs and cash flow difficulties of paying quarterly in advance have become more significant.

Retailers are likely to pay slightly more for monthly rents. Hermes estimates the extra cost at between 0.5 per cent and 1 per cent of the rent. There will be an extra administrative burden, which the landlord will counter by moving to electronic payments by direct debit.

### Tenant implications

The larger institutional landlord's, under pressure from organisations such as the British Retail Council, are gradually agreeing to modernise some of the archaic terms found within 'standard lease' documents for new and re-signed leases. However many of these are failing to filter down to the smaller landlord's and their advisors, often due to landlords, tenants and their advisors being unaware of changes within the industry.

This agreement by Hermes to change existing lease terms to their retail customers is an unprecedented step.

In our view it is unlikely however that smaller tenants will benefit from these changes. Again this is because tenants and their advisors may well be unaware of changes in the commercial property industry.

As the saying goes "If you don't ask, you don't get".