



RENT REVIEWS – FAQs

1. How is my rent calculated?

Public houses are referred to as trade related property. They are normally bought and sold having regard to their trading potential as defined by the **RICS** and rent is calculated based on the Fair Maintainable Trade that a Reasonably Efficient Operator can achieve. This may not be the same as the level of trade you are currently doing.

2. What is Fair Maintainable Trade (FMT)?

FMT is the level of trade estimated by a valuer that a reasonable tenant could achieve in the market at the time of the rent review. Some properties may be under-trading, for example, if it was poorly run and you have just taken over and are building up the trade. Likewise it can be over-trading, if somebody famous runs a pub they are likely to attract more trade than an average person.

3. What is a Reasonably Efficient Operator?

The term "*reasonably*" gives it away. The operator has to be shown to be of a reasonable standard, i.e. Mr or Mrs Average. The **British Institute of Innkeeping (BII)** define this as somebody with three years profitable trading with advanced qualifications or five years profitable trading with basic qualifications, which are the requirements for an MBII.

4. When can I challenge my rent?

Some licensees manage to get help if they are struggling to pay their rent, through discounts or temporary reductions. However, these are at the discretion of the Landlord and can be withdrawn at any time.

Rents can only be altered permanently by way of the rent review, the periods between reviews are set out in your lease, these tend to be every 3, 5 or 7 yearly, with 5 yearly being the predominant review period.

Your lease may also provide the Landlord with the ability to increase the rent yearly based on the **Retail Price Index (RPI)**.

5. Can my rent go down as well as up?

Most leases used to be upward only rent reviews, so rents would either remain at the current level or increase. Modern leases usually now allow upward and downward reviews.

Most Pub Companies now have **Standard Codes of Practice**, and within them they agree to review rents on an upward or downward basis.

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6. I have negotiated with my Landlord but they are being unreasonable – What should I do?

In a lot of Rent Reviews, Landlords will ask unreasonably high rents, then “do you a deal” and reduce it a bit. This does not mean that they are offering a fair rent and may not represent anything even close to the rent you should be paying. MCS and most reputable Chartered Surveyors that deal with pub rent reviews will happily discuss whether you have a case to take matters further without charge.

A professional advisor will negotiate on your behalf bringing their experience from rent reviews of other similar properties.

If negotiations break down either party may request the **RICS** to appoint **an Independent Expert** or **Arbitrator** to determine the correct rent (your lease will detail which options are available to you). Alternatively tenants of participating pub companies may choose **PIRRS** (Pub Independent Rent Review Scheme) a more cost effective process.

To discuss matters further call us on

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Or email us at

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