

Service Charges Issues & Developments

This is our way of sharing updates across our client group. This week, the first credit adjustments have started to be introduced and revised budgets are feeding through. We are getting further details of reductions in place. Many of these are reported on a monthly basis.....

Remember: a reported saving of 24% per month, equates to only 2% on an annual basis, so if this adjustment ran for 3 months (April to June), the reduced liability would be c.6%.

Generally, where budget revisions have been received, the reductions range from 15%-60% - quite a range as its across different property types. Last week we flagged up the schemes/property types where you might reasonably expect more....high class shopping centres & factory outlets.

Here are some specifics to give you an impression of what's happening:

Hammerson re-confirmed their proposed average 40% reduction for Q2 (April to June) to include suppliers furloughing of 80% of cleaning staff but retaining all security staff (note we are seeing this elsewhere and would have thought there was scope to review this downwards, especially where closed) as well as eliminating major works and cut backs to marketing.

Intu have re-confirmed their 22% adjustment to Q3 and Q4 as well as highlighting that they have identified further savings, yet to be quantified.

Centre MK (CBRE) have set out their savings so far – PPM (Major Works) £1.2m (a PPM credit to be issued by end of April) but only £148k on service charge – seem low although this is “so far” with a further adjustment to follow before June.

Queensgate Peterborough (Cushmans) – a 20% reduction to a year end 30/9/20 – this is effectively a 40% reduction from March to September. They are considering reflecting that in June, with an adjustment. Also, the Queensgate Centre Association are not collecting annual subscriptions – will other Traders Associations follow suit – in many cases, it's the store staff or retailers that make this decision....so up to you!

Regent Centre, Kirkintilloch (Retih Lambert) – An immediate quarterly deduction of 38% per quarter with a credit note for the first quarter.

Vicarage Centre, Barking (LSH) – 26% reduction for March quarter and immediate credit note. Reviewing the budget level quarterly.

Broadgate Offices Complex & Paddington Central – Targeted 15% & 20% (respectively) per month savings. Note @ 15% monthly, the annual equivalent impact is 1.25% pcm.

Don't forget, these changes are being reported as 'temporary' and the annual impact is nothing like the headline figures being reported.....take care when re-forecasting. The next challenge is getting service charges re-based to reflect a 'new normal'.

SERVICE CHARGE ● INSURANCE ● AUDIT & RECOVERY



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