Luminar ruling sparks rent payment fears

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Landlords' hopes of unpaid rent from collapsed occupiers being classified as an administrator expense have been dashed.

On Wednesday, the court ruled that X-Leisure was not entitled to almost £300,000 in unpaid rent from nightclub operator Luminar, despite it remaining in occupation following its collapse.

Luminar was placed into administration in October 2011.

X-Leisure claimed that as administrators at Ernst & Young had prevented it from forfeiting Luminar's leases, it was owed all the rent in arrears as an expense.

Its case was based on a precedent set in 2009 by *Goldacre* v *Nortel Networks UK*, which allowed landlords to recoup losses when rent is not paid on quarter day and administrators are subsequently appointed and continue to trade the business.

The ruling this week means that rent will not be given priority over other unsecured debts.

Lawyers said that the judgment could fuel fears among landlords that struggling occupiers may try to time the administration process to escape large rent bills.

Julie Gattegno, a partner at Nabarro, said: "Administrators will continue to think tactically about when to put a company into administration. This is starkly demonstrated by the Game insolvency, where the company was put into administration the day after the quarter day."

She added: "Landlords will now face further challenges in recovering rent which fell due before administrators were appointed, even when the insolvent business is trading from the premises for the majority of that quarter."

Ian Fletcher, director of policy at the British Property Federation, said: "This judgment simply formalises what regrettably has become common practice, with the tactical timing of administrator appointments to escape rent liabilities.

"Cases like this send out all the wrong signals to long-term investors in the UK. If your contracts are worthless and your debtors can use your property, goods or services without paying, it seems to me to seriously undermine enterprise."

Despite losing out on rent arrears, E&Y conceded prior to the hearing that X-Leisure could forfeit leases to the four Luminar properties and re-let them.

X-Leisure is expected to appeal the rent decision.

New vision planned for New Court building

WELPUT is drawing up plans for a 200,000 sq ft redevelopment of its New Court building on Carey Street, WC2.

The Schroders-managed fund wants to demolish the existing 155,000 sq ft block, which it bought from the White Tower portfolio for £60m in 2010, and create a new mixed-use development comprising grade-A offices, flats, and shops.

PLP Architecture has been appointed to draw up the proposals, which are expected to be submitted to Westminster city council in the summer.

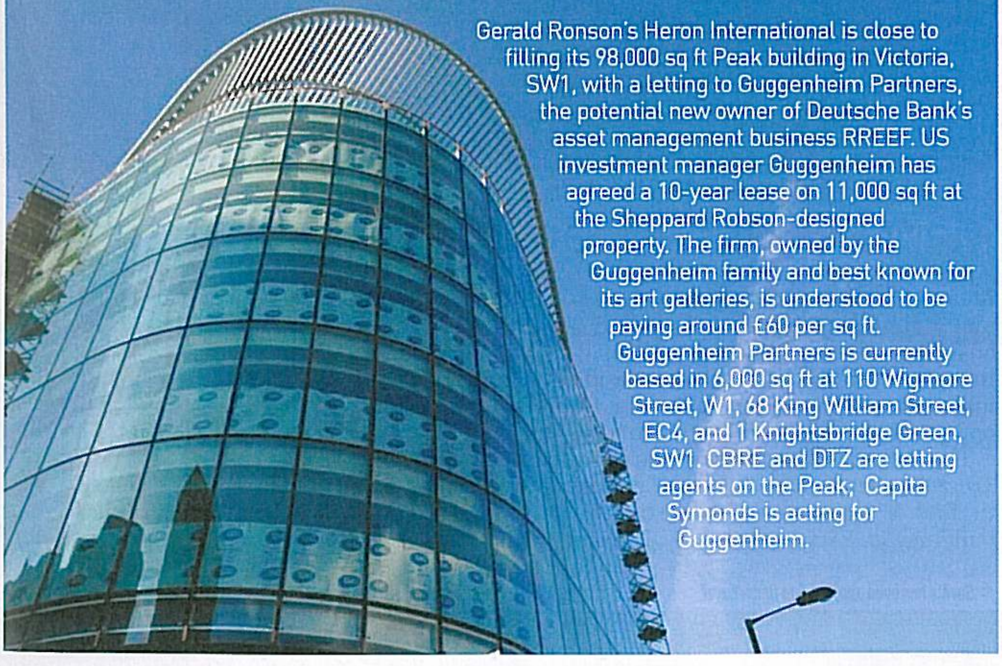
Knight Frank, GM Real Estate and Strutt & Parker are advising on the plans.

WELPUT has agreed a short-term lease with the London School of Business & Finance while it progresses its development plans for the block, which was previously let to the Valuation Office Agency and Home Office at an annual rent of £4.3m.

London School of Business has signed a two-year deal, with a landlord break at six months. It will not pay rent, but has agreed to cover business rates and service charges.

Strutt & Parker advised WELPUT; James Andrew International acted for the London School of Business.

HERON NEARS PEAK OCCUPANCY AS GUGGENHEIM SIGNS IN SW1



Gerald Ronson's Heron International is close to filling its 98,000 sq ft Peak building in Victoria, SW1, with a letting to Guggenheim Partners, the potential new owner of Deutsche Bank's asset management business RREEF. US investment manager Guggenheim has agreed a 10-year lease on 11,000 sq ft at the Sheppard Robson-designed property. The firm, owned by the Guggenheim family and best known for its art galleries, is understood to be paying around £60 per sq ft. Guggenheim Partners is currently based in 6,000 sq ft at 110 Wigmore Street, W1, 68 King William Street, EC4, and 1 Knightsbridge Green, SW1. CBRE and DTZ are letting agents on the Peak; Capita Symonds is acting for Guggenheim.

SWIP lights up market with Torch portfolio

Scottish Widows Investment Partnership has put a 1m sq ft sheds and offices portfolio on the market.

The Torch portfolio includes 15 assets, around 90% of which are multi-let industrial parks and sheds, with the remainder made up of offices. Nine of the sites are in the South East, with the others in Manchester, Birmingham, Nottingham, Bristol, Wednesbury and Normanton in West Yorkshire.

Jones Lang LaSalle is marketing the properties and has been instructed to seek offers in excess of £82m, reflecting a net initial yield of 9.15%. The Torch portfolio has a vacancy rate of less than 5%, with 60 tenants producing an annual rent of £8m.

JLL national investment director David Emburey said: "The average lot size is about £6m. SWIP is looking to sell so that it can upscale to bigger lot sizes."

Earlier this month, SWIP appointed Knight Frank to market Unilever's UK and Ireland headquarters campus in Leatherhead, Surrey.

The 180,000 sq ft site, which SWIP acquired from Invista Real Estate Asset Management in May last year, is on the market for offers in excess of £64.4m, a net initial yield of 6.5%.