

Brexit, Panic Stockpiling and the implications for landlords



Brexit has been, and continues to be, a topic of contention ever since the referendum. Countless organisations and individuals attempt to foretell its impact and, while high level implications are discussed in depth, there are also a number of smaller, yet nonetheless important, consequences that will arise for landlords – one of these being potential tenant panic stockpiling.

Bisnow recently published an article which discussed growth of panic stockpiling as a direct result of a 'no-deal' Brexit*. This is because of the loss of a frictionless border between the UK and the EU. But this impact does not affect retailers alone; rather, it begs the additional question for landlords - what are the risk implications as a result of increased tenant stockpiling?

Insurers require information on the level of stock retained within premises because it has a direct effect on risk management procedures. If the material facts change without notification to your insurer and without consideration of the current risk management procedures, you risk the claim being repudiated. It is important that the tenant is notifying their commercial insurances as well as liaising with the landlord if the operation falls outside their lease agreements.

Consider the below:

- **Hazardous Stock** – Simply put, an escalation in panic stockpiling will increase the probability of storing hazardous stock. Where supply of goods is greater than distribution over a prolonged period, this will lead to a greater need of storage space and a review of current health and safety guidelines. Without this consideration, you will increase the probability of potential claims owing to a change in storage risk.
- **Tips to manage** – landlords will need to place specific onus on increasing communication with their tenants in order to understand what is being stockpiled, thereby avoiding any unexpected hazardous storage. Landlords may also want to review the lease conditions to ensure this is covered off. This will enable greater management of stock itself, consequently reducing any unknown physical hazards that could occur.
- **Theft** – An increase in stockpiling means a higher amount of stock on site which has a greater appeal to thieves – warehouses become the ultimate treasure trove. This means that the likelihood of damage to property through break-in, as well as the increased onus on the landlord to have eligible security measures in place, both grow. Consequently, the landlord's liability, and the potential risk of physical damage, rises.



- **Tips to manage** – landlords will therefore need to ensure security measures in place are: (i) fit-for-purpose, and (ii) diligently followed. There will need to be a greater focus on ensuring that processes are carried out and sufficient security is always on site to prevent any potential increase in theft.
- **Storage Processes** – Owing to more stock remaining in warehouses over time, there is simply less room. This increases the likelihood that stock will be stored incorrectly by tenants, such as directly under sprinkler heads (which does not allow water to sufficiently disperse in the case of fire) or blocking access to fire doors and fire escapes. Where any safety breaches are conducted by tenants, the landlord's exposure directly increases as a result. This means landlords are likely to see higher frequency of losses as well as a potential increase in severity because preventative safety features are being blocked from functioning effectively.
- **Tips to manage** – as with hazardous stock, landlords will need to maintain high levels of communication with tenants to ensure that they are correctly following storage processes. This means there will need to be greater ongoing checks and balances on the behalf of the landlord and proactivity will need to increase.

While only brief, it is therefore clear that there are a number of less well-known risk implications to landlords as a direct result of Brexit. Indeed, landlords will need to diligently assess and action these carefully to mitigate the risk of losses following increased tenant stockpiling. This article is intended for guidance only. For further information please don't hesitate to get in touch.

*<https://www.bisnow.com/london/news/industrial/the-mind-bending-impact-of-brex-it-stockpiling-on-uk-logistics-91343>

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