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Legal alert

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Deliveroo Sales and Turnover Rents for Restaurants

Some restaurants are now making up to 90% of their sales through UK food delivery services such as UberEats or JustEat. This phenomenon mirrors the rapid development in recent years around internet sales for bricks and mortar shops via "click + collect" services. So landlords should now consider adding so-called 'Deliveroo' clauses to Turnover Rent leases, to ensure they catch these sales.

Turnover Rents date back to the 1930s for shops in the USA. The idea of Turnover Rents crossed the Atlantic in the late 1960s and is now widely used as a rent calculation mechanism for UK commercial property leases, most often in retail and restaurants. The four key elements to Turnover Rent include: the Gross Turnover of the tenant, the Turnover Period, the Turnover Rent Percentage and any Basic (guaranteed minimum) Rent in relation to the premises.

Gross Turnover is usually defined as the total amount of money and any other consideration received (and, sometimes, receivable) for (a) goods sold, hired, leased or otherwise disposed of; (b) services sold or performed; and (c) business of whatever nature carried out at, in or from the premises.

Deliveroo-type turnover would certainly be within the spirit of most Gross Turnover definitions, but traditional drafting will not have contemplated the increasingly prevalent use of Deliveroo type services and deliveries for restaurants. Sweeper clauses in traditional drafting might help, but we recommend express drafting to provide clarity and certainty, and ensure that Deliveroo type restaurant sales are included in Turnover Rent calculations.

As such, prudent landlords should now be including in their definition of Gross Turnover, specific drafting to cover the value of customers picking up, or delivery to customers of orders made online or over the telephone.