

Landlords and Tenants Working Together in Business Lockdown

Since the business implications of Coronavirus struck we have had many, many conversations with clients and business colleagues about how to manage this sudden change in circumstances. Whether they are landlords or tenants, they are in uncharted waters.

Tenants are wondering if they should pay their rent and service charges with the media exclusively reporting cases where withholding payment appears to be commonplace, not realising that the majority of tenants are paying as normal. Landlords are trying to work out how to help keep tenants in business whilst honouring their own commitments to pay staff, to pay interest and to maintain the viability of their own businesses. Particularly in areas like Somerset, it is not uncommon for landlords to have just one or two properties and rely on the rent for their living income, often in retirement.

As we see in so many ways, this crisis has brought out the good in society, but also exposed the less attractive side of some. In our business we have seen landlords immediately offer tenants in the charitable sector a period of rent suspension so that they can continue offering valuable services needed more now than ever. In others, we have seen tenants jump on the bandwagon, just refusing to pay rent because they have heard that it is happening. There can't be many businesses not affected by this pandemic but some are in those business sectors where products and services are suddenly in high demand and there is no reason to delay rental payments.

There is not a right or wrong outcome for all cases but one thing is clear, landlords and tenants should talk and keep in touch. Tenants need to understand that any rent not paid for now will still need to be paid in the future and most leases provide for interest to be charged. Working constructively with your landlord now, may influence future discussions when the fall-out from Coronavirus is being cleared up. On the other hand, landlords that expect the impossible from tenants will end up with empty buildings – the ones that we regularly work with are already 'tenant focussed' and this ethos will stand them in good stead now, more than ever.

Here are our 'Six of the Best' tips for landlords and tenants:

- Talk first.
- Tenants, pay what you can now, based on what is happening to your business.
- If the tenant has taken a hit in cash flow, carefully agree and record a payment timetable, dealing with interest and when it may be charged and when not.
- Landlords should look at how costs can be reduced if properties are not being used in the normal way, for example, in service charges for multi-occupied buildings.
- Landlords, be flexible about innovative ideas if tenants wish to temporarily change the use of buildings to help the business stay afloat.
- Keep talking.

And one for luck – seek advice from your commercial property advisor.

Nigel Hatfield

