



COVID-19: Rent Concessions and Forfeiture For Commercial Property

With businesses being unable to operate, both landlords and tenants will be concerned about income and outgoings, and what can be done to ensure they can make it through the Covid-19 outbreak.

SOME RELIEF FOR COMMERCIAL TENANTS?

The Coronavirus Act 2020 has provided some relief for commercial tenants in that the landlord does not have a right of re-entry of forfeiture for non-payment of rent during the period **25 March 2020 – 30 June 2020** or such later date as specified.

This does not mean that tenants should stop paying the rent completely, as the landlord's right of re-entry can be enforced after 30 June 2020 and if rents are still outstanding, interest is likely to accrue on any arrears. It also does not stop forfeiture by any other breach of a lease term.

TIME TO WORK TOGETHER?

We are seeing landlords and tenants working together to get through this uncertain time, and agreements for either reduced rents, or rent free. Not every landlord will be in a position to grant a 3 month rent free period at this time, but if a tenant does approach them with a proposal, it should be weighed up again the prospect of an empty premises.

HEALTH WARNING: AGREEMENTS AND SIDE LETTERS?

It is important that any agreements between the parties are documented properly to avoid any unnecessary confusion or disputes later. Whilst any significant amendments to the lease terms should be documented by a Deed of Variation, a rent concession can be documented in a side letter.

A side letter should set out exactly what has been agreed between the parties, not just the level of rent, and some additional points to consider are:-

1. How long the concession is to be granted for
2. Is the tenant to pay the concession rent on the usual rent payment dates
3. It is personal to each party
4. If there is a rent review in the lease, should the side letter be disregarded
5. Are all other terms of the lease to remain in force, if not you may require a Deed of Variation instead

Once drawn up, each party should sign as confirmation of the agreement, including any guarantor to the lease.

NEED SOME ASSISTANCE?

JPC can not only provide help and guidance to both landlord and tenants of commercial property during these testing times but can also assist you with drafting any side letters and/or deed of variations to existing lease and rental agreements.

JPC

If you require any advice or assistance in dealing with the issues we have outlined above or more generally with your commercial property needs, please contact Sarah Ireland by email sireland@jpclaw.co.uk or by telephone 020 7644 7268 or contact her on LinkedIn or Steven Porter on sporter@jpclaw.co.uk or by telephone on 0207 644 6091 or contact him on LinkedIn