

Property Industry Group updates relief guidelines

The Property Industry Group (PI Group), a collective of some of the major representative bodies for real estate in SA, launched an initial guideline for assistance and relief for retail tenants on 7 April and, in response to the extended lockdown, has now announced updated guidelines to offer greater relief to all affected retailers, in particular SMME retailers.



Image source: www.pexels.com

The PI Group has increased the extent of assistance, introduced more retailer categories, provided additional options for some retailers and extended the benefits from two months to three months – April, May and June 2020.

The retail tenant assistance and relief guidelines exclude office, logistics, warehousing, industrial, healthcare, hospitality and other tenants.

The PI Group has proposed that small and micro retailers are given rental discounts of up to 100% for April, with further substantial rental discounts and interest-free rental deferrals for May and June respectively. The group has also committed to continuing paying its suppliers in full, including cleaning and security providers, and taking on the increased cost of enhanced hygiene to protect against the spread of Covid-19.



Landlord-tenant collaboration key to continuity in retail property sector

Ridwaan Loonat 24 Apr 2020



'Shouldering our share of the pain'

"SA's property sector has voluntarily committed to the relief guidelines even though it hasn't received any sources of relief, and we're shouldering our share of the pain. We are paying our full obligations while giving retail tenants substantial discounts and we have gone as far as we can in assisting retail tenants with our updated proposal. Our entire value chain is only as strong as the weakest link. If all the pressure continues to be placed on a single link, it will break and result in systemic collapse that will be felt in every household in SA," says Estienne de Klerk, spokesperson for the Property

Industry Group and chairman of the SA REIT Association.

“We encourage retailers to pursue all avenues of support available to them,” he adds. The property industry guidelines allocate less support to retailers that have insurance cover or receive relief from other sources in order to focus benefits on retail tenants that don’t qualify for other assistance.



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Sindy Peters 23 Apr 2020



Preserving jobs

The industry’s assistance and relief guidelines still stipulate that all tenants with accounts in good standing at 29 February 2020 are assured that there will not be any evictions during the lockdown period applicable to them, and they will qualify for some form of assistance from participating landlords. The initiative targets preserving jobs – for retailers, their suppliers and service providers – and to qualify for the relief benefits, retail tenants will need to undertake not to retrench staff during the relief period.

The extent of rental relief (rental includes rent, operating costs and parking rent but excludes all rates and taxes recoveries, utility cost recoveries and insurance), which includes discounts and interest-free deferrals, is detailed in the following tables:

Retail tenant classification and guidelines

SMME RETAILERS (categorised by the DTI as having annual turnover of up to R80 million)

Category	Basic assistance and relief	Interest-free deferment recovery period
Level 1: Highly impacted retailers (e.g. companies selling time and services such as restaurants, hairdressers, nail salons, theatres, travel agents, take-aways, independent stores of any group brands/franchisees etc.)	<p>April 2020:</p> <ul style="list-style-type: none"> • 60% to 100% Rental discount and further potential relief could be in the form of additional Rental deferments <p>May 2020:</p> <ul style="list-style-type: none"> • Up to 55% Rental discount and further relief could be in the form of additional Rental deferments <p>June 2020:</p> <ul style="list-style-type: none"> • Up to 45% Rental deferment and further relief could be in the form of additional rental deferments 	Over six to twelve months from 1 July 2020
Level 2: Moderately impacted retailers (e.g. companies selling product that doesn't have a limited shelf-life, etc.; groups of stores belonging to one franchisor)	<p>April 2020:</p> <ul style="list-style-type: none"> • 50% to 75% Rental discount and further potential relief could be in the form of additional Rental deferments <p>May 2020:</p> <ul style="list-style-type: none"> • Up to 50% Rental discount and further relief could be in the form of additional Rental deferments <p>June 2020:</p> <ul style="list-style-type: none"> • Up to 40% Rental deferment and further relief could be in the form of additional rental deferments 	Over six to twelve months from 1 July 2020
<ul style="list-style-type: none"> • Tenants' financial position and strength of their balance sheets to be assessed by the landlord to classify the impact category. • Landlords have flexibility and discretion, on a case-by-case basis, to adjust parameters; however, minimums are set as the base guideline. • Normal or better trading to be assessed considering rent-to-sales ratios, balance sheet, stock availability, etc. 		

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NON-ESSENTIAL GOODS/SERVICES

Category	Basic assistance and relief	Deferment recovery period
SOE and Government tenants	No relief offered – 100% of Rental payable (excl. temporary testing, laboratories and healthcare services housed free)	N/A
Medium-sized retailers with annual turnover above R80 million but below R1 billion (including local and international listed/publicly-traded retailers and large unlisted retailers) Retailers' auditors to confirm annual turnover for latest financial year.	<p>April 2020:</p> <ul style="list-style-type: none"> • 70% Rental discount <p>May 2020:</p> <ul style="list-style-type: none"> • 40% Rental deferment <p>June 2020:</p> <ul style="list-style-type: none"> • 40% Rental deferment 	<p>Over nine months from 1 July 2020</p> <p>Over nine months from 1 August 2020</p>
Large retailers with annual turnovers above R1 billion (including local and international listed/publicly-traded retailers and large unlisted retailers)	<p>ALTERNATIVE A:</p> <p>April 2020:</p> <ul style="list-style-type: none"> • 70% Rental discount <p>May 2020:</p> <ul style="list-style-type: none"> • As per lease agreement in place 	N/A
	<p>ALTERNATIVE B:</p> <p>April 2020:</p> <ul style="list-style-type: none"> • 60% Rental discount <p>May 2020:</p> <ul style="list-style-type: none"> • 50% Rental deferment 	Over six months from 1 July 2020

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ESSENTIAL GOODS/SERVICES

Category	Basic assistance and relief	Deferment recovery period
Retailers offering more than 75% of GLA in essential services	No relief offered – 100% of Rental payable	N/A
Retailers offering essential services but electing to close	No relief offered – 100% of Rental payable	N/A
Retailers offering partial essential services, less than 75% in GLA	<ul style="list-style-type: none">• Essential goods/services – 100% of Rental payable• Non-essential goods/services – as per retailers detailed above depending on the turnover of the retailer:<ul style="list-style-type: none">◦ Annual turnovers above R80 million and below R1 billion as the Medium-sized retailers and◦ Annual turnovers above R1 billion as Large retailers <p>Pro-rated by essential goods/services vs non-essential good/services based on GLA</p>	For non-essential goods/services portion: over six months from 1 July 2020

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Ripple effects of supervening impossibility on commercial lease agreements

Darryl Furman and Jayde Vaughan 22 Apr 2020



While the updated guidelines include the PI Group's proposal to the Clothing Retailer Group (CR Group) – representing The Foschini Group, Truworths, Mr Price Group, Woolworths and Pepkor, an agreement on the extent of the rental relief has yet to be reached. The property industry and clothing retailers have jointly compiled and submitted a proposal to government advising on the safe reopening of non-essential retail in shopping centres.

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