

Should lenders take the knock during Covid-19?

Mass hysteria has set in and it will have a profound effect on the economy in the second and third quarter of this year.



John Jack, CEO of Galetti Corporate Real Estate

As consumers flock to the shops and prepare for the worst, John Jack, CEO of Galetti Corporate Real Estate says that financial relief by means of a 'payment holiday' could be on the cards.

"Following an international trend, we've seen a strong call by the DA for some financial reprieve".

"It begs the question: Should banks offer a three-month payment holiday on capital payments for landlords in a deteriorating market?"

While there's no denying the knock-on effect that a bold move such as this could have, Jack notes that the effects of

Covid-19 will only truly be felt in the next three to six months and that job losses are imminent.

“Majority of the country lives month-to-month with very little savings to support any potential job losses. A ‘payment holiday’ will greatly assist landlords who are paying for spaces which are hardly being used over this period,” says Jack.

“Landlords could, in turn, offer their tenants a reduced rental period to support businesses occupying buildings in their respective portfolios, giving them some welcome relief. We have already seen numerous tenants approaching landlords on this basis”.

In certain instances, Jack notes that landlords have put new acquisitions on hold to store up cash reserves.

“It is interesting to note, however, that not all sectors are hard hit and certain sectors are in fact benefitting from the situation such as cleaning and online businesses,” he says. “Here, businesses could retain employees rather than downsizing and this strategy could help to bolster our employment figures in the long-term. With billions owed to SARS, further business failures will make also make it virtually impossible to collect tax long-term”.

In addition, Jack also calls for a significant reduction in interest rates. “The slow recovery experienced by the commercial real estate market in the first two months of the year is now a thing of the past,”

“Extreme measures need to be put in place to restore market confidence. An interest rate reduction of 100bps rather than the 25bps recently instated by SARB will provide substantial relief” he concludes.

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