TENANT REQUESTS FOR RENT REDUCTION

A survey of Landlords by Tom Fritz of Stan Johnson

We surveyed Landlords and brokers from around the country to try and give our clients ideas on how to best navigate Tenant requests for rent reduction. See below for info we thought would be useful to you.

The one theme I saw is most Landlords are analyzing Tenants on a case by case basis. One of the best quotes I received from a developer was along the lines of: “Tenant, I understand your troubles and I’m here to help you where I can. Keep in mind that we are both running separate businesses here. I don’t share in your excess profit when you have good months, and I don’t expect to provide discounts when you have slow months. I have bills to pay, just like you do. Buck up.”

Most Tenants appear to be asking for 60-90 days. We don’t yet know how lenders are responding. Look for more info in the future from me on that. The Tenants mentioned below are only those we have heard directly about. There are many others, we just don’t have confirmation on them specifically.

Tenant Rent Relief Strategies:

1. Provide 90 day free rent in exchange for taking lease from NN to absolute NNN (this is my favorite if you can do it)
2. Tell Tenant to take out one of Trump’s new small business loans at 2.75% (+/-) with no money due for 12 months
3. Grant 90 day rent deferral ranging from 50%-100%; Tenant then makes it up to Landlord by paying it back over 12 months as additional rent; Tenant to pay NNNs
4. Provide month to month rent abatement and only charge for CAM, Taxes, Insurance; then make missed rent up over 3-4 months when things pick back up
5. Provide month to month rent abatement and add it on end of term
6. For short term leases, grant 2-3 free months in exchange for 1-2 years of term on the back end
7. Move to percentage rent until business resumes as usual (my least recommendation)

Tenants Sending Out Mass Letters:

* LA Fitness
* Michaels
* Ross
* TJ Maxx
* Restaurant Franchisees (90 day requests)

Tenants Requesting on Case by Case Basis:

* Zaxby’s
* Planet Fitness franchisees
* Gordmans asking for monthly rent abatement and 50% discount on CAM
* Take 5 Oil Change
* Mattress Firm (90 days)
* Vitamin Shoppe (90 days)
* Sports Clips (90 days)
* IHOP (90 days)
* Ruby Tuesday (90 days)
* Jimmy Johns (60 days)

Tenants Not Asking Yet:

* Starbucks
* Aspen Dental
* Dollar Tree

General:

* Tenant’s looking into Force Majeure clauses in leases
  + Some specifically state government shutdown does not trigger; others are vague
* National Restaurant Franchisors are getting hit hard on Franchisees not wanting to pay their royalty fees
* Restaurants with drive thru window’s are typically down 20-30% on an overall basis; restaurants with no drive thru are down 80-95%.

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