

# Houston Agency Leasing Group

Exclusively Representing Office Landlords



VISIT US ONLINE 

## COVID-19 and Demand Shock

### TIPS ON HOW TO RESPOND TO TENANT RENT RELIEF REQUESTS

With a unique set of international health and economic circumstances currently at play, primarily the COVID pandemic and a near free fall in oil prices caused by reduced demand and a fragmentation of OPEC, it's timely to consider how best to creatively deal with tenants requesting rent relief. While not meant to be an all-encompassing approach or legal advice, we advise you to discuss these with your attorney, and perhaps your lender and insurance provider. While discussing rent relief is never a welcome subject, this is a unique time that a landlord can use to gain a tenant's goodwill and trust. Tenants will remember a landlord's approach and willingness to listen, regardless of whether rent relief is granted or not, when their lease renews. Purposeful communication is key to good communication and staying on top of potentially volatile occupancy situations.

**First and Foremost** - What are they asking for and why? Find out what they are seeking before offering anything.

- Formulate a Rental Assessment Application. This is a form for your use when a Tenant requests a rent relief. We think you'll find serious Tenants will complete this, while others will not. [Click here](#) for link to a copy of a sample questionnaire for a tenant requesting relief to complete.
- Request their financials (Last 2 years and last 4 weeks) and then have them report weekly revenue/profit during the downtime (if staying open).
- Is the tenant in default?
- Think about (and discuss with your leasing agent) how long will it take to backfill the space. Evaluate the costs associated with a new lease versus a free-rent period as well as the overall business prospects of the tenant.
- Have they requested any government assistance? If so, find out what.
- Do you hold a Security Deposit for them? If so, check with your lender if they require approval to apply Security Deposit to an upcoming rent payment. Then you could work a repayment schedule of Security Deposit with the tenant.
- Both parties should check with their insurance provider to see what is covered. Is a pandemic covered? Does Force Majeure apply?



## Leaders in Global Real Estate in 68 countries

- > \$3.3 billion annual revenue
- > 17,000+ professionals and staff
- > 2 billion square feet under management
- > \$127 billion in total transaction value

\* All statistics are for 2018, are in U.S. dollars and include affiliates.



WORLD GREEN BUILDING COUNCIL

Founding member of the  
World Green Building  
Council



Recognized and ranked  
12 consecutive years,  
more than any other real  
estate services firm.

April | 2020



**BILL INSULL, CCIM**  
Senior Vice President | Houston  
+1 713 830 2197  
[bill.insull@colliers.com](mailto:bill.insull@colliers.com)

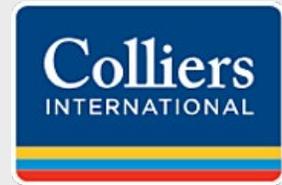


**BLAKE R. VIRGILIO, CCIM, SIOR**  
Vice President | Houston  
+1 713 830 2159  
[blake.virgilio@colliers.com](mailto:blake.virgilio@colliers.com)



Accelerating success.

- How are they going to use the deferral?
- Try to take it month-by-month. If able, start withholding just their April rent.
- Document all deals in writing with a Confidentiality Clause. Amend each lease accordingly. Track all dates and key financial events for tenant – when did their sales go down, when did they close, etc.
- On the retail side, some retail landlords were able to get out in front of this and send letters to all mom & pop retailers (not franchisees/nationals) automatically deferring April Rent and then having them to pay installments over the last 6 months of the lease (1/6th each time).
- Consider one-time forgiveness of default language, allowing your tenant more time to make rent payments.
- Calculate your short-term break-even cash flow on your asset to determine the minimum rent income required to allow you to spread the pro-rata share of debt service amongst your tenants. This will help guide your decision making on rent relief as a whole in your building.
- From the ownership side – is there anything you can do to scale down expenses? Focus on lowest impact reductions first - property lights should be last on the list for security purposes.



## CONTACT US

**BILL INSULL, CCIM**

Senior Vice President | Houston

+1 713 830 2197

[bill.insull@colliers.com](mailto:bill.insull@colliers.com)

**BLAKE R. VIRGILIO, CCIM, SIOR**

Vice President | Houston

+1 713 830 2159

[blake.virgilio@colliers.com](mailto:blake.virgilio@colliers.com)

**COLLIERS INTERNATIONAL**

1233 West Loop S. | Suite 900

Houston, Texas 77027

+1 713 222 2111

[www.colliers.com/texas](http://www.colliers.com/texas)

## Colliers AWARDS



2016  
BROKERAGE FIRM  
OF THE YEAR



2016  
FASTEST GROWING REAL ESTATE  
FIRM IN THE UNITED STATES



2018  
GLOBAL OUTSOURCING 100  
TWELFTH CONSECUTIVE YEAR



Visit the [Houston Agency Leasing Group](#)