



Supporting and empowering
you every step of the way

PROPERTY: ASSISTING COMMERCIAL LANDLORDS WITH THE IMPACT OF COVID-19

With the recent release of the Mandatory Code of Conduct (the Code) governing commercial leasing arrangements, landlords and their tenants are required to engage in good faith negotiations in respect of rental reductions in the form of waivers and deferrals to help mitigate the financial stress and hardship suffered as a direct result of the COVID-19 pandemic. Complying with the Code will present significant issues for landlords.

What actions should landlords take?

When negotiating with their tenants, it will be prudent for landlords to:

- obtain all relevant financial information from their tenants
- review that information and verify the assertions made including:
 - the tenant's eligibility under the Code by evidencing:
 - » annual turnover of \$50 million or less
 - » their eligibility for the Government's JobKeeper program (noting that this is self-assessed by the business entity at the time of making the application)
 - the extent of the financial stress or hardship suffered as a direct result of the COVID-19 pandemic, typically evidenced by a combination of:
 - » a reduction in turnover
 - » impacted cashflow
 - » a reduction in profitability
 - » limited financial support from other sources (insurance, banks, government support)
 - the tenant's ability to otherwise adhere to the other substantive terms of the lease.
- determine the appropriate rental reductions that they are required to pass on to tenants under the Code

HOW CAN RSM ASSIST?

As specialists in the property sector, RSM are acutely aware of the impact that COVID-19 has had on landlords. To enter into good faith negotiations with tenants, it will be important that landlords satisfy themselves of their tenant's eligibility under the Code of Conduct and the extent of the financial stress and hardship suffered as a result of COVID-19 for the purposes negotiating a reduction in rent.

To assist landlords, our specialist advisers can undertake a Rental Reduction Review engagement of agreed-upon procedures to review a tenant's financial information and prepare a report of factual findings to assist landlords in their negotiation with tenants for a rental reduction in accordance with the mandatory Code of Conduct.

Get in contact with an RSM adviser today at [rsm.com.au/get-contact](https://www.rsm.com.au/get-contact)

For more information and resources on COVID-19, visit: www.rsm.com.au/coronavirus

