

King & Co Property Management

Summary of SME Leasing Principles – Covid 19 – Effective 3 April 2020

- Underlying Principles
 - Good faith leasing principles.
 - Tailored, bespoke & appropriate temporary arrangements – on a case by case basis.
- Eligibility
 - JobKeeper Program.
 - Up to \$50 million in turnover.
 - Applies at franchisee level and corporate group level.
- Leasing Principles
 - Landlords cannot terminate leases.
 - Tenants must remain committed to the terms of the lease.
 - Landlords must offer tenants proportionate reductions in rent payable in waivers & deferrals.
 - Waiver must be no less than 50% of the total reduction in rent payable. Tenants may waive the requirement for a 50% minimum waiver.
 - Rent deferrals must be amortised over the balance of the lease terms and for a period of no less than 24 months.
 - Reductions in Statutory Charges or insurance must be passed on to the tenant.
 - Landlords should waive recovery of other outgoings where a tenant cannot trade.
 - Repayment arrangements to occur over an extended period. No repayments to commence until the earlier of
 - Pandemic ending.
 - Existing lease expiry.
 - A reasonable recovery period.
 - No fees or interest charges should be applied.
 - Tenants security is protected.
 - Tenant should be provided the opportunity to extend the lease for an equivalent period of the rent waiver and/or deferral period.
 - Landlords agree to a freeze on rent increases, during the pandemic and reasonable recovery period.
 - Landlords cannot prohibit or penalise tenants for reduced trading hours or cessation of trade.
- Proportionality Principle – by way of examples
 - A 60% drop in turnover would result in 60% cash flow relief, 50% through waiver, 50% through deferral - therefore
 - 30% rent waiver
 - 30% rent deferral - recouped over a minimum 24 months
 - Revenue falls by 100%
 - 50% through rent waiver
 - 50% through rent deferral- recouped over a minimum 24 months
 - Revenue falls by 30%
 - 15% through rent waiver
 - 15% through rent deferral- recouped over a minimum 24 months
- The parties are free to make alternative commercial arrangements.