

# RENT RELIEF GUIDELINES (RRG)

Ellington's Rent Relief Guidelines have been created in response to COVID-19. The following are for tenants who **may** qualify for rent relief. It is consistently Ellington's goal to collaborate with our clients and their landlords to facilitate positive relationships and successful long term partnerships.

**We're all in this together.**

## RENT RELIEF OPTIONS

### Rent Restructuring



Reduction in rent in exchange for additional lease term



A Rent Restructure Program is essentially a renegotiation of your lease, whereby you offer the landlord an early extension of your lease term in exchange for an immediate reduction of rent.

### Rent Deferral



Temporary postponement of rent, to be repaid later



You may be able to request your landlord temporarily reduces rent to be repaid at a later date. As a result, this is not a "rent abatement" as rent is not forgiven, it is instead reduced immediately and over a specified period of time, but it will be paid back to the landlord at a later time.

### Rent Reduction or Cessation



Cease or reduce rent without repayment



The most immediate and impactful option is to stop paying rent or reduce rental payments by some percentage, either across your entire portfolio or in select locations. If this decision is taken unilaterally (without landlord's consent) it will have major implications on both parties

## IMPLICATIONS

- Secure lower rental rate for a period of time
- Maintains lease in good standing
- Longer term commitment
- Requires resources to plan, coordinate and execute
- Builds goodwill and partnership with you and your Landlord

- More organization and time required for coordination and execution
- Financial obligations are not forgiven - they are pushed to future
- Allows you to reduce cost in the short term and preserve cash-flow
- Maintains lease in good standing
- Builds goodwill and partnership with you and your Landlord

- You will be in default of obligations under the lease
- Once in default:
  - Possible lease termination
  - Claims for damages
  - Repossession of equipment/ inventory
  - Other risks specific to your lease
- Can result in major damage to your relationship with your Landlord

# WHICH OPTION IS BEST?

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There are important considerations for each of these options that must be factored into your decision making process. Furthermore, each option can be introduced or structured in different ways. The keys to successfully implementing any rent relief program are:

## Establishing Priorities

This is critical as it will impact every aspect of the approach you take with the Landlord. For example, is the priority to reduce costs while keeping your lease in good standing and maintaining an image as a good corporate citizen or do you want immediate rent relief at any cost?

## Determining Limiting Factors

You must identify what restrictions exist that may influence the option you pursue. For example, your corporate policies may prevent you from making any long term lease commitments. This would change which path to follow and/or how you pursue it.

## Defining the Scope

Is this an initiative that you want to apply to your entire portfolio, to certain geographic locations, strategic locations, or only to specific business units?

## Crafting Your Message

Often it's not what you say but how you say it that really matters. This applies to any communication with your landlord, especially during a crisis. Keep in mind they are vulnerable too, so delivery of your message could be the difference between success or failure in the discussion.

## Protecting Your Interests

No matter which option you choose, a lease amendment or some form of agreement will need to be put in place with your landlord. This needs to be well drafted to ensure repayment options are clear, no loopholes exist that can cost you in the future, and you should also build in some flexibility because no one really knows how this pandemic will play out.

For any real estate concerns you may have during this global crisis, please call our office.

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