



Preserving Cash Flow

Rent relief strategies for leased locations.

Occupiers around the world are still assessing the impacts of COVID-19 on their real estate portfolios and cash flow. As the occupier's champion, we're here to help you evaluate your options, ensuring you understand the implications of each strategy. We recommend discussing these potential strategies with your legal counsel and Cresa advisor to identify the solution that works best for your organization.

	Description	Example	Advantage	Disadvantage
Operating Expense Savings	Occupier receives relief on operating expenses since landlord's expenses to operate the building have been reduced.	Occupier receives monthly credit on their rent statement for decreased janitorial and electricity costs.	<ul style="list-style-type: none"> • Immediate rent relief • Achievable without a lease amendment 	<ul style="list-style-type: none"> • Not applicable to all lease types
Rent Deferral	Occupier receives immediate rent abatement. Rent is deferred to a later date without extending the lease term.	Occupier receives two months of immediate rent abatement which is paid back over a 6-month period in 2021.	<ul style="list-style-type: none"> • Immediate rent relief • Does not require lease extension 	<ul style="list-style-type: none"> • Occupier may be required to prove financial hardship • Requires higher operational cost at later date
Month-For-Month Deferral	Occupier receives immediate rent abatement. The lease term is extended for the same amount of months.	Occupier receives two months of immediate rent abatement in exchange for adding two months of new term to lease.	<ul style="list-style-type: none"> • Immediate rent relief • Does not require double payment of rent later in term 	<ul style="list-style-type: none"> • Requires short-term lease extension • Occupier may be required to prove financial hardship
Blend & Extend	Occupier receives immediate rent abatement. The lease term is extended for multiple years.	Occupier receives three months of immediate rent abatement and a small TI allowance in exchange for 3-year lease extension.	<ul style="list-style-type: none"> • Immediate rent relief • Secure market concessions like rent abatement and tenant improvement dollars 	<ul style="list-style-type: none"> • Requires longer term lease extension during time of uncertainty
Security Deposit Burn Down	Landlord burns down existing security deposit or Letter of Credit to pay rent obligation.	Landlord uses security deposit on file to pay down rent owed. Occupier is required to replenish deposit at later date.	<ul style="list-style-type: none"> • Immediate rent relief • Does not require lease extension 	<ul style="list-style-type: none"> • Requires additional cash at later date to replenish security deposit • May be required to prove financial hardship

IMPLEMENTATION

- 1 Determine objective(s) such as required duration of rent relief, TI needs, and how to capitalize on landlord uncertainty
- 2 Identify leased locations where rent savings will be most impactful
- 3 Research and investigate landlord entities at high rent locations
- 4 Review lease to understand remaining rent obligation and key clauses
- 5 Engage your Cresa advisor to understand current market conditions
- 6 Engage landlord in exploratory conversation around possible rent relief
- 7 Negotiate rent relief terms that meet your needs and the landlord's