



Tenants Seeking Rent Relief: Why Landlords Benefit from Keeping an Open Mind

COVID-19 continues to unfold and with it, comes economic uncertainty. Many Commercial Real Estate tenants have sought rent relief from landlords since the beginning of the pandemic, and some tenants continue to do so. When landlords approach these discussions with their tenants, it is proving essential to keep an open mind and willingness to negotiate rent relief for your tenants. Doing so keeps your asset's cash flowing and building occupied. Northwest Florida markets are showing that there are three main ways to negotiate with tenants seeking rent relief:

Rent Abatement: Depending on the tenant's creditworthiness, landlords may consider offering a full rent abatement for a set amount of time. Typically, this only applies to base rent and therefore, the tenant still pays their portion of CAM.

Rent Deferment: This allows the tenant to defer rent payment for a specified period of time. Typically, the agreement defers only a portion of rent and mandates that the tenant continue making minimum payments. At the end of the specified time, the tenant must resume paying full rent in addition to paying the deferred rent in periodic installments. This also typically only applies to base rent and thus the tenant still pays their portion of CAM.

Extending the Lease Term: This option might be most beneficial for both the tenant and landlord. If the Tenant is seeking rent relief, this could be a good time for the Landlord to extend [renegotiate?] the lease term up front with more term on the back end. This provides the landlord a longer occupancy without having to go to the market, negotiate any new prospects, or face any vacancy with the asset. For the tenant, this means less expensive rents up front, they remain in their current location where they were prior to COVID-19, and they do not have to go through the process of moving into a new space.

For more information about rent relief, contact Thomas McVoy by calling 850-270-0588, or email tmcvoy@teambeck.com.



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