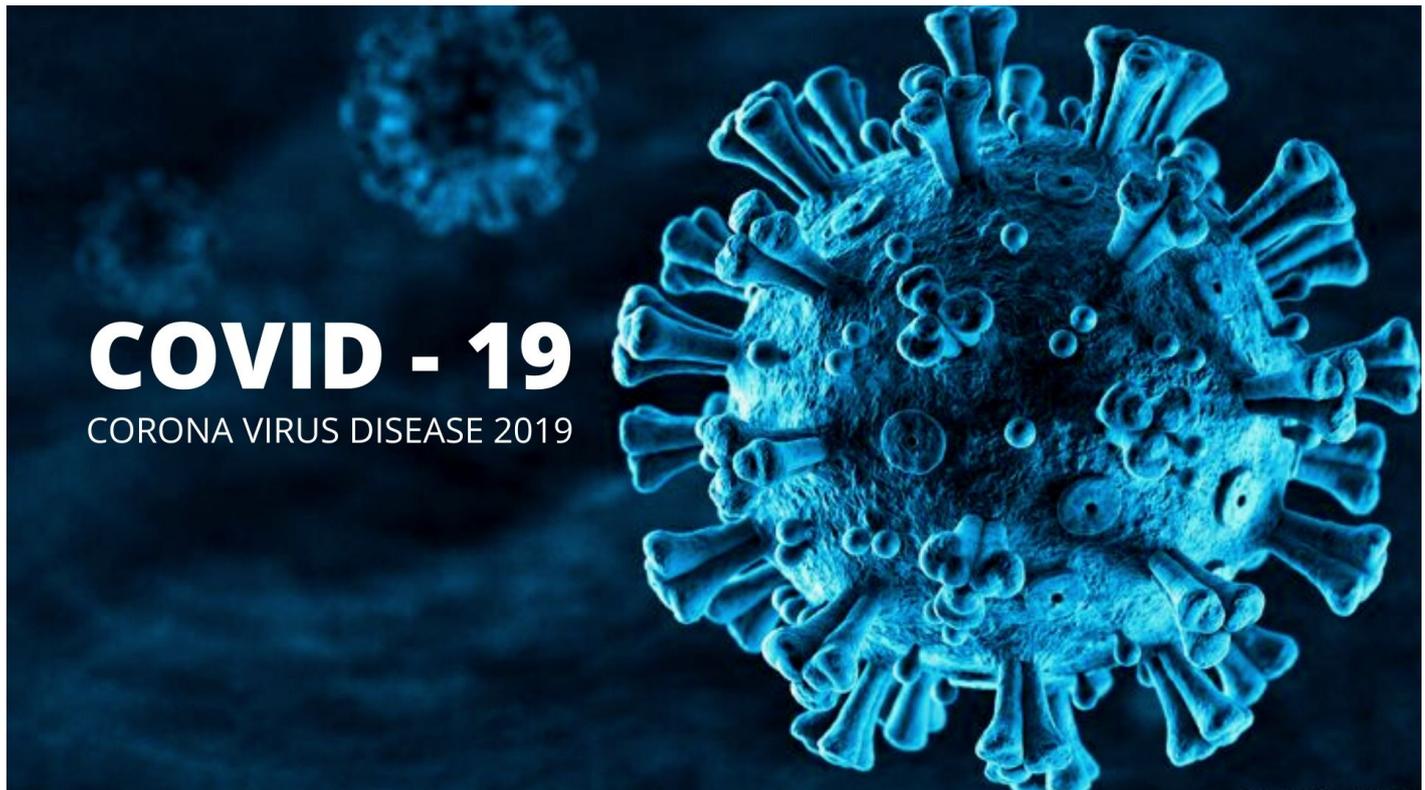


March 2020

A Message From The Director of Lease1, Phillip Chapman



Hi Everyone,

Phil Chapman here from Lease1. As most of you know, we advise and support the Executive and Members of the peak retailer associations namely: the Australian Retailers Association, Franchise Council, Pharmacy Guild and Restaurant Caterers Association, on all matters relating to Retailer Leasing and Retail Shop Lease Legislation.

Today I want to talk about the elephant, or rather, mammoth in the room, the Coronavirus Disease 2019 (COVID-19) and its effect on the sector.

First of all, let's keep things in perspective and consider that the Government has already clearly acknowledged that Shopping Centres (in other words, Retailing) is an essential part of the community and to date will not come under the recent public health initiatives.

But safe to say, the vast majority of Retailers are feeling the effects financially. However, in remaining calm we must take stock that as the largest employer in the nation, the Government relies on the Retail Sector. For their stimulus packages to be effective, there needs to be Retailers to cycle currency through the economy efficiently.

What is required is Leadership from all facets of the Retail Sector including Landlords, Lessees/Retailers, Bankers, Suppliers, Staff Teams and of course, the Government to guide us through what in all estimates may be a lengthy period of trading distress.

To answer some questions, there is no Retail Lease Legislation or corporate contractual contingency including business disruption underwriters that address quarantinable diseases such as COVID-19.

So, that leaves all Industry Stakeholders in the same boat. If ever there was a time to view the Lessee/Landlord relationship as no longer polarized but as allies then, now is the time for attitudes to change.

Let me cut to the chase and the mammoth in the room - retail lease obligations and rents.

Firstly, this is not a *“get out of jail free”* time for Retailers and nor is it time for Landlords to play hard ball and start *“rolling the lease up like a newspaper to scold the neighbors dog”*.

What is required is a battle plan that addresses more than just the rent but represents a considered plan for all parties to come through this period without wholesale closures.

Retailers need to get ahead of the herd and start today on the following elements to develop their own battle plans:

Here is a 10 Step Plan of Attack:

1. Review Rosters v Trading Hours and create a saving plan (landlords are already advising they will be flexible here)
2. Negotiate with Bankers to defer loan payments
3. Same for Equipment and Chattel leases, seek to defer
4. Suppliers, negotiate suitable payment terms and even defer part or all payments for a period of time
5. Review and remove all non-essential operating costs, for example storage
6. Defer capital expenditure on equipment, shop refurbishments, etc., and channel funds into the operating costs plan
7. Compare your numbers on customer counts, sales, gross profit and P & L reports for the same weekly/monthly period this year to last year-be an open book
8. Review your lease for savings areas such as waiving of annual rent reviews, reduction in security/bank guarantee to free up capital
9. Create a revised sales and cash flow projection to the end of this calendar year making assumptions based on the above savings
10. Make an appointment to sit down with your Landlord and discuss where they fit into the battle plan. This may be through rent abatement, deferring rent, extending lease term or a combination of these.

Retailers who are experiencing difficulties paying rent right now, need to get their *"head out of the sand"* and call their Landlord right now. Advise where they are at, how much they can afford to pay and when and further advise when they will have their battle plan for review and discussion.

If this approach looks like too much hard work, then Retailers need to get help now as time is of the essence to set their business up. Not just for survival but to be in a position to thrive once the COVID-19 crisis passes.

Similarly, Landlords need to heed the words of the Prime Minister and step up and play their part ensuring the Retail Sector gets through these times as well.

We all have a bitter pill to swallow here but through actioning a plan and collaboration, let's make this pill as small as possible for each of us. Let's see some Leadership on both sides.

If you are still needing guidance and assistance, and that includes some Landlords, then reach out to our referral partners Member Support Teams or go to www.lease1.com.au and book in a FREE strategy session.

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