



SURVEY

Member feedback on coronavirus impact

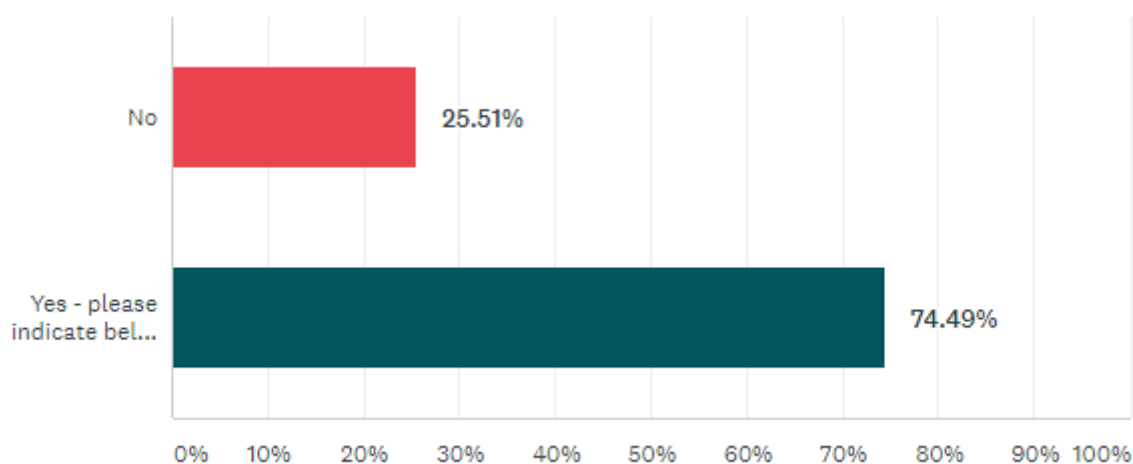
MAY, 2020

restaurant
association
of new zealand

RENT RELIEF AT THE DIFFERENT LEVELS

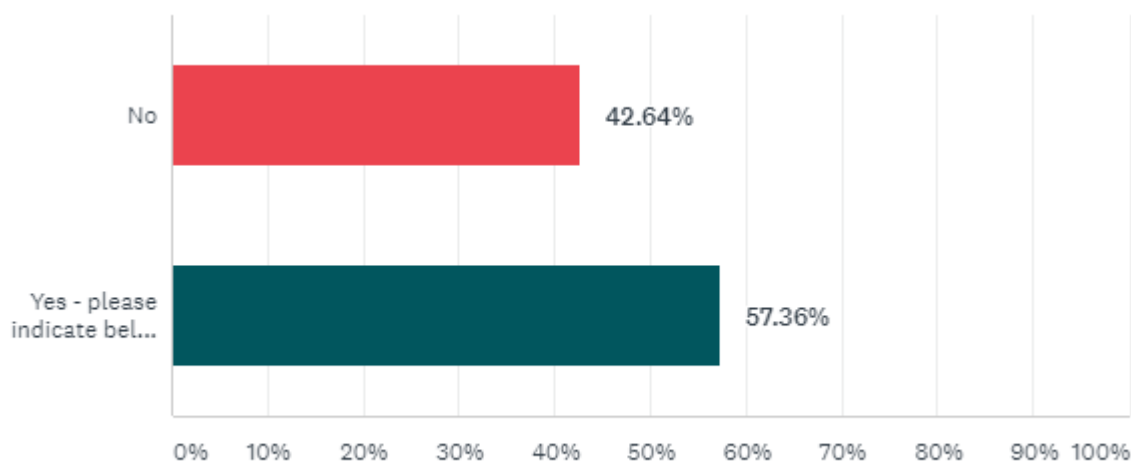
Q2. Was rent relief offered at Alert Level 4?

Of those that had received rent relief at Level 4, 32% had negotiated 100% reduction in rent while in lockdown. Just over 50% of respondents had negotiated a rent reduction of 50%.



Q3. Was rent relief offered at Alert Level 3 & 2?

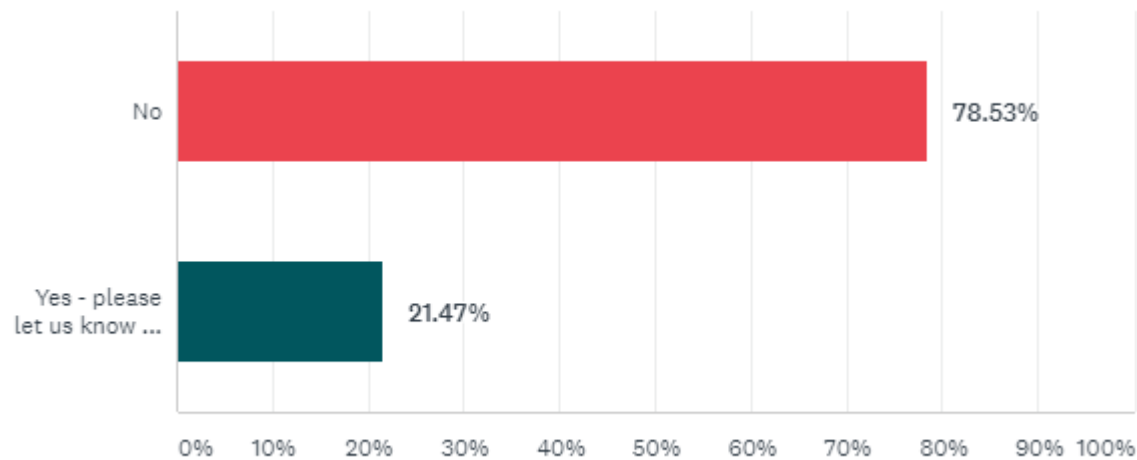
Of those that had received rent relief at Level 3&2, 16% negotiated 100% reduction in rent at Level 3 and 9% at Level 2. Just over 60% of the respondents who had received some rent relief at Level 3 negotiated a rent reduction of 50% at Level 3. The number reduced at Level 2, however, with a number of respondents (23%) indicating that their rent increased back to normal levels at Level 2.



RENT DEFERRAL AT THE DIFFERENT LEVELS

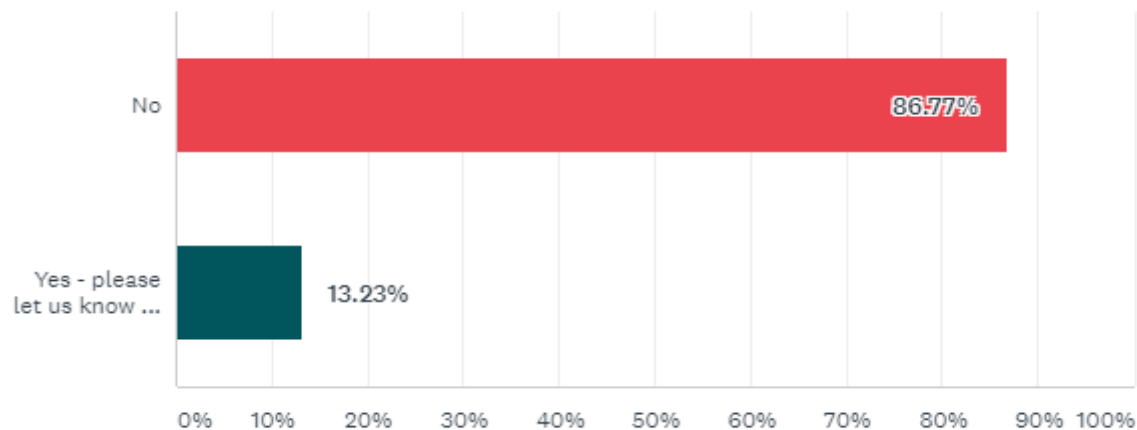
Q4. Were you offered a rent payment **deferral** at Alert Level 4?

Around 21% of respondents received a rent payment deferral at Level 4, with on average 2.44 months the average number of months deferred.

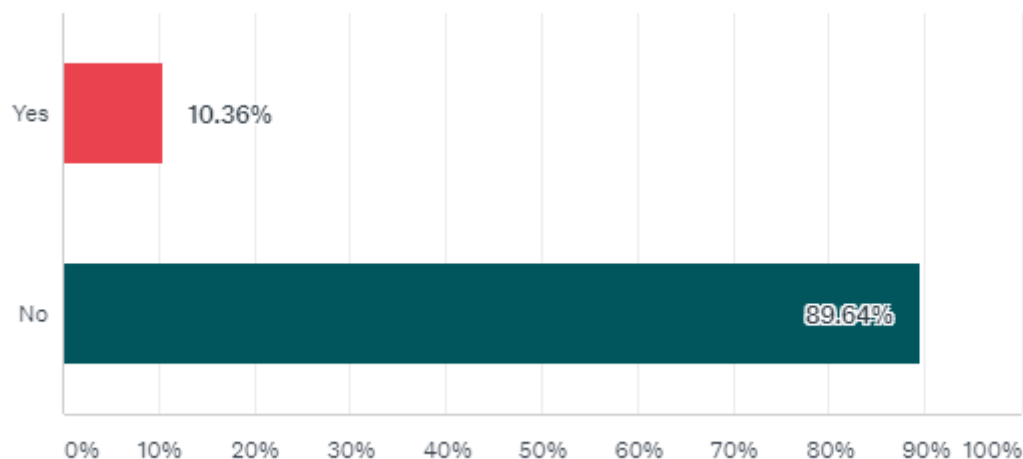


Q5. Were you offered a rent payment **deferral** at Alert Level 3 & 2?

Although, only a small number of respondents had a rent payment deferral in place at Level 3 or 2, those that had had negotiated an average of 3 months rent payment deferred.



Q5. In entering into any agreement, has your Landlord required you to extend the term of your Lease?



In my opinion the landlord should have waived the rent for at least 7 weeks lock down period. Govt should have provided some help to small businesses with regard to rent relief.

While our landlord has been generous we find it appalling that the Government has not addressed the issue and announced standard rent reduction guidelines for all businesses who lease premises. The outcome for individual businesses should not be determined by the generosity (or not) of their landlord.

I can't see how any restaurant, especially a restaurant in a tourist town will survive or keep people working when one of our biggest expenses, rent, is deemed a fixed cost! It's not variable to the level of business which will put a lot of us out of business. We all have personal guarantees against our leases as well. If these are called in we not only lose our businesses but also our homes. Why!!! We have not caused this crisis and we need help.

Unless business picks up soon we will have great difficulty in the months of August, September and October as many bills such as gst, tax and rent have been deferred.

Our landlord has been very, very helpful. Offered the 80% discount to all 4 adjoining hospitality businesses after a text question asking to have a discussion. Will probably be re-evaluated in Level 1.

The bank is our landlord (we own but pay a huge mortgage) and there is no financial relief as the government said it was going to be but that only apply for personal, not for trust or business owned property hence during lock down we had to pay mortgage at the full rate.

Can't get hold of him to discuss the lease.

My business needs to pay rent plus rent improvement, and operation expense monthly to landlord. I only receive the relief for the rent only, the improvement and OPEX still need to pay in full amount.

The landlord did not offer any relief on opex which I felt was really unfair being in a mall environment and they were closed. There was no way in hell they had the same costs for opex during lockdown. They also receive massive relief with the reintroduction of depreciation on buildings so they were getting help from the govt as well. Opex in a mall is pretty expensive - around 40% of rent payments so it is a lot of money.

What is a sustainable rental. I believe the restaurant industry should not pay more than 6 to 8% of turnover. After this amount it becomes very difficult for a restaurant to make a profit suitable to give the owners a better living and also repay loans and capital accounts.

Landlords seem hell bent on keeping their values up and not listening to us, their tenant. We cannot pay the levels they are asking now and for at least the next 18 months. If we default our personal guarantees will be called in meaning we will lose everything we have worked hard for, our businesses, our homes and our dedicated team of professional staff. And what do they gain? An empty building with no potential future tenant in this climate - but they will just pursue us because "that is what the lease is designed to do" it will set an example to others.

We need support or help from government in the form of a code of conduct for Commercial leases or we need a subsidy for payment of our leases like the wage subsidy. But I'm not sure how that would look.

The Landlords hold the key to pulling us through this or killing us off. I believe our rental should only be 30% of our Pre Covid rental rate for at least 12 months.

We are at a stalemate. They want me to pay 100% of opex. They are willing to give me 50% rent reduction for April only then 100% differed by one month. Hopefully the government might come up with some packages/relief or a formula that works for both parties as my landlord doesn't seem to want to move any more.

We originally approached our landlord in the build up to Level 4, inquiring if he would consider reducing our rent if we went into lockdown. Initially he said no, but later changed his mind when we went to lockdown. When we went to Level 3 and could open for Takeaways, we asked him to extend the 50%. Our reasoning was that we could not pay 100% of the rent with only 25% of our usual income.

Our relationship with our landlord is great. He has been more than fair.

We are currently at a stalemate as we are not prepared to pay full rent and the landlord has not offered any discount, only deferral. This would take us all year at least to pay back if things get back to pre-COVID levels and there are no guarantees of that. We believe that a reduction of rent is essential.

We should have a rent subsidy as well as the wage subsidy from Govt.

Even with the latest round of wage subsidy, and us cancelling a LOT of equipment servicing, flowers, Sky, laundry services; once that is finished our overheads are still going to be higher than what we are anticipating coming in over the next 12 months. We have revised our menu and cut out all high labour meals, in favour of a smaller more profitable menu. We have lowered our COGS by 5% - this still isn't enough once we add the labour component back in.

As our lease expires this time next year we are keeping all of the past correspondence and requests ready for negotiations and there is also buildings coming up for lease so we will have the last word but no help for us currently.

Whilst landlords would be out of pocket on reduced or no rent under commercial leases the tenants pays all outgoings. They could take a mortgage holiday and be impacted very little, but tenants have taken the full brunt of the loss. It should have been zero rental whilst we were unable to open.

For 3 of our sites, we have bullies for landlords. Although they have eventually given us rent reductions they are not looking to negotiate long term or change leases. They had it so good before that they don't want to think about % turnover rental agreements as the banks won't like this and will not continue to loan them more.

We have been very lucky that our landlord was open from the start and able to offer us a reasonable deal - now we wait to see how business is at L2 and whether we will have to negotiate a relief agreement.

Deferment is rubbish. They still get their full rent. Then it just puts the cafe under extreme hardship in order to make up the rent next year. Means a 25% increase. Impossible to do.

They have given us the option of signing up for another 4 years and then they will give us 3 months rent at 50% reduction.

We have two landlords - neither of which was really prepared to offer help. But we pushed until that happened in Level 4. Level 3 we just went ahead and paid 50% without consulting them - in the hope that they would go with it. They accepted this, reluctantly. Both want to go back to full payment on Level 2 with no consultation about how we are trading. We have been battling it out with them both - one is worse than the other but neither want to 'share' in the hurt. We are extremely good operators and tenants and it's been really disappointing to have to deal with this through no fault of our own. At this stage we have bounced back relatively well, but neither are willing to negotiate anything going forward.

Many businesses are going to fold and landlords will go after them in court to force tenants to sell assets to pay rent. These tenants will probably never be able to recoup and start another business again. We need REAL assistance from government, not loans.
