PRESS RELEASE FROM THE PROPERTY INDUSTRY GROUP

28 April 2020

**THE PROPERTY INDUSTRY GROUP INCREASES ITS RETAIL TENANT ASSISTANCE AND RELIEF GUIDELINES**

**In light of SA’s extended lockdown to limit the impacts of the COVID-19 pandemic, the Property Industry Group (PI Group) has increased and extended its assistance and relief guideline for retail tenants.**

**The PI Group is a collective of the major representative bodies for real estate in SA – the SA REIT Association (SA REIT), SA Property Owners Association (SAPOA) and SA Council of Shopping Centres (SACSC) – and is coordinating its response to the COVID-19 pandemic and specifically the economic effects of the national lockdown. It speaks for the commercial real estate sector in SA, which includes the country’s large property owners.**

The PI Group launched an initial guideline for assistance and relief for retail tenants on 7 April 2020 and, in response to the extended lockdown, it has now announced new guidelines to offer greater relief to all affected retailers, especially the hardest-hit SMME retailers. The PI Group has increased the extent of assistance, introduced more retailer categories, provided additional options for some retailers and extended the benefits from two months to three months – April, May and June 2020.

The retail tenant assistance and relief guidelines exclude office, logistics, warehousing, industrial, healthcare, hospitality and other tenants. These tenants should discuss their specific situations directly with their landlords, who will consider them on a case-by-case basis without reference to the retail tenant assistance and relief guidelines.

President Cyril Ramaphosa in his statement of 9 April 2020 said “I would like to appeal to all large businesses not to resort to *force majeure* and stop paying their suppliers and rental commitments, as such practice has a domino effect on all other businesses dependent on that chain.” For the property sector, this value chain includes more than 300 000 jobs directly and indirectly through its service providers such as security, cleaning, hygiene and technical services, and building and construction.

The property sector is by far SA’s largest contributor to municipal rates and taxes. It is intertwined with the country’s banking and financial sectors and significantly contributes to the pensions and savings of South Africans. A massive 72% of SA’s annual retail sales, totalling R789 billion, take place at shopping centres. Shopping centres are the nexus of SA’s consumer-driven economy and will be pivotal in SA’s post-lockdown recovery.

To sustain retail tenants during the lockdown, the property industry’s assistance guidelines offer relief for all affected retailers, regardless of size. SMME retailers, however, are the focus of the initiative. The PI Group proposes that small and micro retailers are given rental discounts of up to 100% for April, with further substantial rental discounts and interest-free rental deferrals for May and June respectively.

Adding to its far-reaching relief impacts, the PI Group is committed to continuing paying its suppliers in full, including cleaning and security providers, and taking on the increased cost of enhanced hygiene to protect against the spread of COVID-19. This is helping to preserve thousands of jobs nationwide. The PI Group is also paying its rates and taxes, which are vital in supporting the sustainability of municipalities countrywide and by extension supporting the grass level communities and households among which both property and retail sectors conduct business.

The updated retailer assistance and relief guidelines will come at an enormous cost to the property industry which faces its own ominous set of challenges. “SA’s property sector has voluntarily committed to the relief guidelines even though it hasn’t received any sources of relief, and we’re shouldering our share of the pain. We are paying our full obligations while giving retail tenants substantial discounts and we have gone as far as we can in assisting retail tenants with our updated proposal. Our entire value chain is only as strong as the weakest link. If all the pressure continues to be placed on a single link, it will break and result in systemic collapse that will be felt in every household in SA,” says Estienne de Klerk, spokesperson for the Property Industry Group and Chairman of the SA REIT Association.

“We encourage retailers to pursue all avenues of support available to them,” he adds. The property industry guidelines allocate less support to retailers that have insurance cover or receive relief from other sources in order to focus benefits on retail tenants that don’t qualify for other assistance.

The industry’s assistance and relief guidelines still stipulate that all tenants with accounts in good standing at 29 February 2020 can be assured that there will not be any evictions during the lockdown period applicable to them, and they will qualify for some form of assistance from participating landlords. The initiative targets preserving jobs – for retailers, their suppliers and service providers – and to qualify for the relief benefits, retail tenants will need to undertake not to retrench staff during the relief period.

Retailers should apply to their landlords directly for assistance. Each participating landlord can offer additional relief and support on a case-by-case basis at their discretion. However, the guideline for retail SMMEs is the minimum that qualifying retailers can expect from participating landlords.

The extent of rental relief (rental includes rent, operating costs and parking rent but excludes all rates and taxes recoveries, utility cost recoveries and insurance), which includes discounts and interest-free deferrals, is detailed in the following tables:

**Retail tenant classification and guidelines**

**SMME RETAILERS (categorised by the DTI as having annual turnover of up to R80 million)**

|  |  |  |
| --- | --- | --- |
| **Category** | **Basic assistance and relief** | **Interest-free deferment recovery period** |
| Level 1: Highly impacted retailers (e.g. companies selling time and services such as restaurants, hairdressers, nail salons, theatres, travel agents, take-aways, independent stores of any group brands/franchisees etc.) | April 2020:* **60% to 100% Rental discount** and further potential relief could be in the form of additional Rental deferments

May 2020:* **Up to 55% Rental discount** and further relief could be in the form of additional Rental deferments

June 2020:* **Up to 45% Rental deferment** and further relief could be in the form of additional rental deferments
 | Over six to twelve months from 1 July 2020 |
| Level 2: Moderately impacted retailers (e.g. companies selling product that doesn’t have a limited shelf-life, etc.; groups of stores belonging to one franchisor) | April 2020:* **50% to 75% Rental discount** and further potential relief could be in the form of additional Rental deferments

May 2020:* **Up to 50% Rental discount** and further relief could be in the form of additional Rental deferments

June 2020:* **Up to 40% Rental deferment** and further relief could be in the form of additional rental deferments
 | Over six to twelve months from 1 July 2020 |
| * Tenants’ financial position and strength of their balance sheets to be assessed by the landlord to classify the impact category.
* Landlords have flexibility and discretion, on a case-by-case basis, to adjust parameters; however, minimums are set as the base guideline.
* Normal or better trading to be assessed considering rent-to-sales ratios, balance sheet, stock availability, etc.
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**NON-ESSENTIAL GOODS/SERVICES**

|  |  |  |
| --- | --- | --- |
| **Category** | **Basic assistance and relief** | **Deferment recovery period** |
| SOE and Government tenants | No relief offered – 100% of Rental payable (excl. temporary testing, laboratories and healthcare services housed free) | N/A |
| Medium-sized retailers with annual turnover above R80 million but below R1 billion (including local and international listed/publicly-traded retailers and large unlisted retailers)Retailers’ auditors to confirm annual turnover for latest financial year. | April 2020:* **70% Rental discount**

May 2020:* **40% Rental deferment**

June 2020:* **40% Rental deferment**
 | Over nine months from 1 July 2020Over nine months from 1 August 2020 |
| Large retailers with annual turnovers above R1 billion (including local and international listed/publicly-traded retailers and large unlisted retailers) | **ALTERNATIVE A:**April 2020:* **70% Rental discount**

May 2020:* As per lease agreement in place
 | N/A  |
| **ALTERNATIVE B:**April 2020:* **60% Rental discount**

May 2020:* **50% Rental deferment**
 | Over six months from 1 July 2020 |

**ESSENTIAL GOODS/SERVICES**

|  |  |  |
| --- | --- | --- |
| **Category** | **Basic assistance and relief** | **Deferment recovery period** |
| Retailers offering more than 75% of GLA in essential services | No relief offered – 100% of Rental payable | N/A |
| Retailers offering essential services but electing to close | No relief offered – 100% of Rental payable | N/A |
| Retailers offering partial essential services, less than 75% in GLA | * Essential goods/services – 100% of Rental payable
* Non-essential goods/services – as per retailers detailed above depending on the turnover of the retailer:
	+ Annual turnovers above R80 million and below R1 billion as the Medium-sized retailers and
	+ Annual turnovers above R1 billion as Large retailers

Pro-rated by essential goods/services vs non-essential good/services based on GLA | For non-essential goods/services portion: over six months from 1 July 2020 |

These updated guidelines include the PI Group’s proposal to the Clothing Retailer Group (CR Group) – representing The Foschini Group, Truworths, Mr Price Group, Woolworths and Pepkor. Despite constructive negotiations between the groups and considerable compromises on both sides, we have been unable to reach an agreement on the extent of the rental relief.

“Our unique culture of Ubuntu was palpable throughout the negotiation process. Unfortunately, despite both parties moving closer together we can’t find a final meeting point on the level of rental discount, and the refusal by the CR Group to pay their share of rates and taxes remains the major point of disagreement,” says de Klerk. “Both sides, however, appreciate that our fortunes are inextricably linked and we need each other for the success of our businesses. We value the longstanding relationships forged between members of both groups. To preserve these relationships, and avoid a protracted process, we are proposing the national Government as mediator to provide a mutually beneficial remedy.”

The property industry and clothing retailers have jointly compiled and submitted a proposal to Government advising on the safe reopening of non-essential retail in shopping centres.

Shopping centres play a huge societal role in the SA economy, providing goods, services and information to their communities. The country’s shopping centres are strongly driven to be part of the solution, not only by giving people a safe and hygienic place to acquire goods and services but by protecting jobs and helping to get the country back on its feet as fast as possible after the lockdown.

**/ends**

**Released by:**

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