

The Hospitality Industry Cannot Wait for the Vaccine Panacea

Recent News on a Covid-19 Vaccine is Uplifting but Waiting for it to Arrive Before Tackling Hospitality's Debt Burden is not an Option



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December 2, 2020 | 11:24 A.M.



The news of effective Covid vaccines is about as good as it gets, but will they be the panacea that cures all the ills within the hospitality sector? While it is certainly promising in the medium- to long-term though, it will do nothing to address the debt accrued within the sector since the first lockdown in March.

It is generally accepted 2021 will be just as challenging as 2020, albeit for different reasons. Uncertainty will be the primary concern and, whatever happens, landlords and tenants need to embrace and shape the new normal that will become clearer as we reach the end of next year.

To achieve this objective, however, there is a need to realise that aggression is not the same as assertiveness. Presenting the other side with an unreasoned fait accompli is not productive. Learning from experience, objectivity has been the key to addressing intransigence. The ability to see the position from both the landlord's and operator's perspective is what achieves a successful outcome for all involved.

Many operators have diversified and cut costs, and their approach for financial support should be taken seriously. Equally, landlords need to protect their income and investment value. They need to know their tenants still have a viable business as, after all, any support they provide is in effect an investment in the business as deferred debt serves no useful purpose.

There also needs to be an end game that gets both parties back to some degree of normality. This takes us back to the 3Cs we have advocated from the outset of the pandemic: collaboration; co-operation; and compromise.

In some cases, the seismic change in the restaurant sector means rents have to be permanently rebased. This occurs where the market dictates the size and or location of any given restaurant no longer fits the sector's perceived and emerging business models. In other cases, the dynamics of the site are such there is every prospect it will emerge from this dark period somewhere close to pre-Covid conditions. In these instances, substantive temporary support is required until at least the end of 2021. For every property in every location, an experienced and objective assessment of each property has to be undertaken, alongside an evaluation of the respective parties' financial concerns, to determine which category applies.

The good news is a number of recovery plans have been successfully negotiated, typically involving a blend of rent free periods, base plus turnover rents, and variations to the lease. The really good news is more will follow, but only if landlords and tenants work together to find mutually acceptable terms.

Much is said about us all being in this together. As cliched as it may be, this “Blitz spirit” is as important now as it has ever been, as the full effects of the Covid vaccine will not be felt for some time. And waiting is just not an option.

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