

EXPERT OPINION

The Moratorium Extension Is Only Good For Zombies

Just Who Is the Latest Extension to Commercial Rent Evictions Benefitting?



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June 28, 2021 | 1:17 P.M.

It is much easier to start a war than to work out how to end it. In the case of the war against COVID, I totally understand the many initiatives the government has taken to support our economy.

One of the big ones for the hospitality sector is rent moratorium.

Like the home mortgage holidays offered in the earlier part of the crisis, the moratorium was designed to give some space to the hospitality sector at a time when they were closed.

As time has moved on, however, businesses have adapted with take away and home kits, or perhaps not pivoted at all. We have also seen a yoyo of lockdowns and lifting lockdowns, but I think we all feel we are past the nadir. There are of course exceptions such as nightclubs etc.

Over a year has passed, and in that time, both landlords and tenants have been forced to communicate and negotiate. Every single situation is unique and will see its own resolution, or perhaps stand-off. In reality, however, the majority of the difficult conversations have been had and compromises have been reached.

The time has come to take stock and ask exactly who is now the beneficiary of this newest extended moratorium?

Bumping into a property director of a grab and go business recently, he confirmed all of his portfolio save for three units had been agreed. Two of the landlords are obstreperous and the other is a municipal that is still wading through bureaucracy for a final answer.

Most tellingly, when I said our house view is we are not in favour of the extended moratorium, he could not have agreed more and was urging some of his contemporaries to speak out against it.

Landlords are certainly not benefiting either.

One particular private landlord we work for no longer has proper decision making control over its portfolio; this has now been handed to the bank. As we receive offers for its properties, both ourselves and our client know the right decision to make. The people at the bank, however, are caught-up in a much more complicated process, unable to see the wood through the trees.

Other much larger clients of ours are taking massive hits on income and similarly incredibly painful share price dilutions.

The stress both ways is painful.

Yet there is one category of operator for sure that is benefiting from the extended moratorium: the zombie businesses.

Unfortunate as it may be, these are businesses that were likely unviable before the pandemic either as a collective or in a particular location. They are the ones that are winning from this situation as they are now being propped up by various government support packages, including furlough, the numerous grants and loans available, plus the business rates relief. The moratorium extension is yet another, but one that is arguably the biggest issue because every extra day makes the debt mountain that much bigger.

Such operators can choose to open or not open, while taking full advantage knowing they can sit tight from any rental obligations. More than that, many continue to have staff on furlough, which not only costs the taxpayer, but is depriving trading operators from desperately needed staff.

In the meantime, operators like the one I bumped into in the West End are keen to expand their businesses, but are being stifled due to the impasse the moratorium extension has created.

Similarly, agencies such as ourselves have got great solutions on sites but are gridlocked.

A further complication is that, the good operators that have dealt with the situation through compromise and collaboration with their landlords, may now choose to take a CVA route or similar to level the playing field with their contemporaries that have behaved in a very different way. The situation is imbalanced and entirely of the government's making now.

So, like the temporary mortgage relief, I believe the moratorium should come to an end. The sector from all sides should be freed so market forces and fair play can prevail again.

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