

4 March 2021

For lessors

Tourism and hospitality businesses face tough challenges ahead – temporary rent relief is essential

Tourism and hospitality businesses have been battling through the coronavirus crisis for a year now, and there appears to be no end in sight in the coming months. Instead, restaurants will be closed from the beginning of next week, and few restaurants can remain profitable with takeaway sales alone. The Regional State Administrative Agencies have closed the establishments operated by many of our member companies, and more closures are to come in the near future. Remote work and teaching have reduced the number of customers coming to lunch, staff and student restaurants. Strict travel restrictions ensure that there are no customers in hotels and spas.

The solvency of our member companies has deteriorated substantially. They cannot pay their rents in full while the public authorities prevent them from running their businesses or, at the very least, drastically limit their business activities. The only possible form of rent is a payment tied to business revenues. The minimum rents stated in lease agreements tied to revenues are often too high.

The companies in the sector that are able to survive the coronavirus crisis will take several years to recover. They have eaten through their equity, borrowed as much as they can and pledged the entrepreneurs' property as collateral. Under these circumstances, postponing the payment of rent does not go far enough.

After the coronavirus crisis, the market for commercial premises will be very different. Before the crisis, good tenants were easier to find. This will not be the case after the crisis. Lessors would be well advised to keep hold of their tenants and help them survive a crisis that they had no part in bringing on.

I appeal to every lessor, large or small, to reduce rents for the duration of the crisis so that they are proportionate to business revenues. When the public authorities prohibit business activities in any of our sectors, the justified response would be to release tenants from the obligation to pay rent or to charge tenants only for the essential costs. At the same time, I would like to thank the lessors who have shown understanding to their tenants.

Regards,


Timo Lappi
CEO