



PFA poll results highlight complexity around the Commonwealth Leasing Code rollout in the states and territories

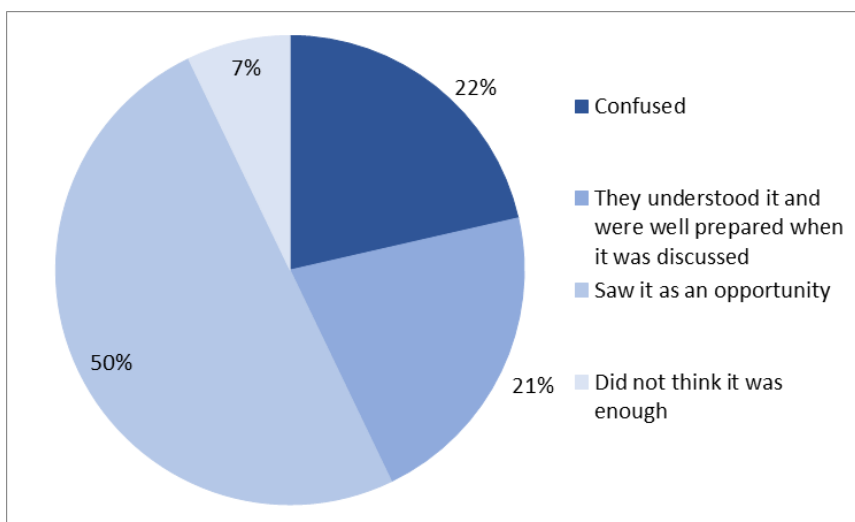
The Property Funds Association (PFA) recently held a webinar in conjunction with Yardi, which revealed some confusion about the Commonwealth Leasing Code's implementation across the states and territories.

This was shown in the results to our polls during the webinar, suggesting many in commercial property and related services are still coming to grips with the complexity of the changes.

Let's examine the results to our polls:

Question 1

How have the majority of your eligible tenants responded to the code?



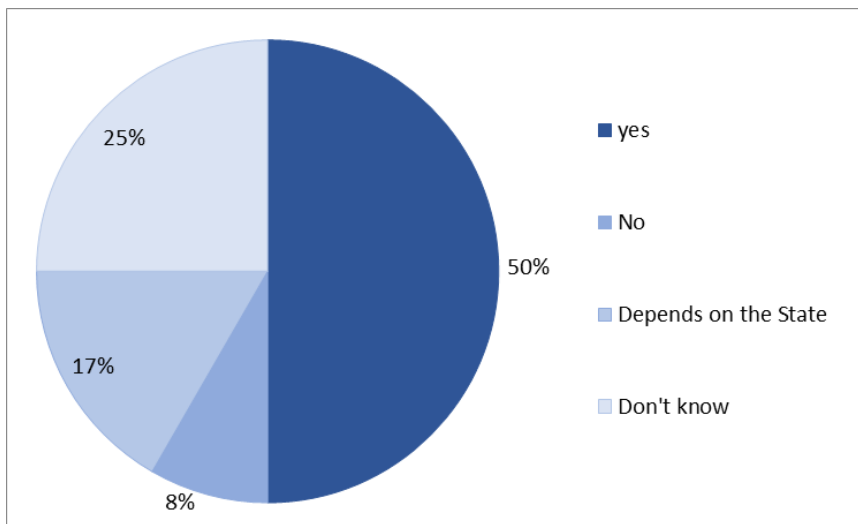
Nearly one quarter of respondents suggest tenants are confused by the Code's rollout, but just as many understood it and were well-prepared. Interestingly, half of respondents said tenants had seen the Code "as an opportunity", which indicates that they saw it as an opportunity for relief during the downturn.





Question 2

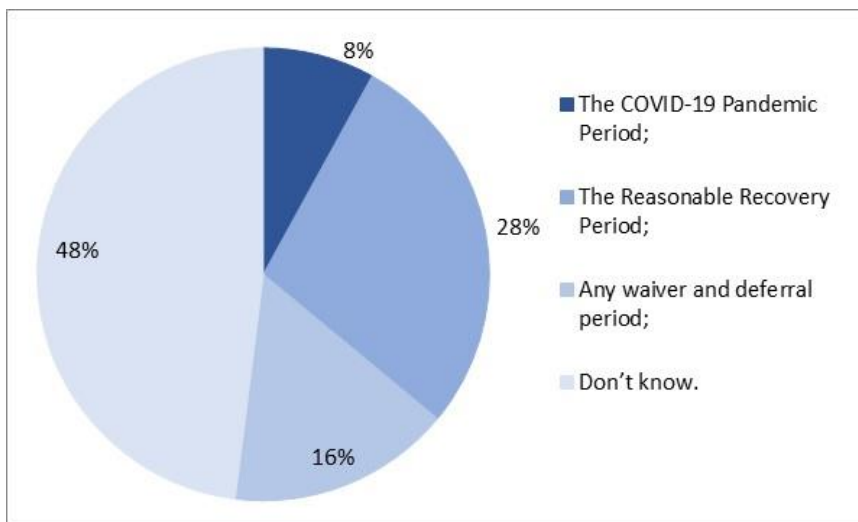
Does the Code need to be applied prescriptively in the relevant State or can a Landlord and Tenant negotiate based on the principles of the Code, but outside the Code?



This delivered an interesting and largely inaccurate response. The most correct answer technically is that it “depends on the state”. This is because every state has applied the Code differently. Yet only 17% of respondents took this option in the poll, perhaps highlighting the complexity in the Code’s rollout among the states and territories.

Question 3

If a lease expires at any point in time during the following periods, does the tenant have to extend the lease term certain to cover:



Nearly half of respondents simply “don’t know” the answer to this one, which is understandable given the complexity of the Code and the differences between the states.

Collectively, 52% of respondents believe the tenant does have to extend the lease for the various periods. For clarity, webinar presenter Greg Preston from Preston Rowe Paterson says this is not the case prescriptively – it

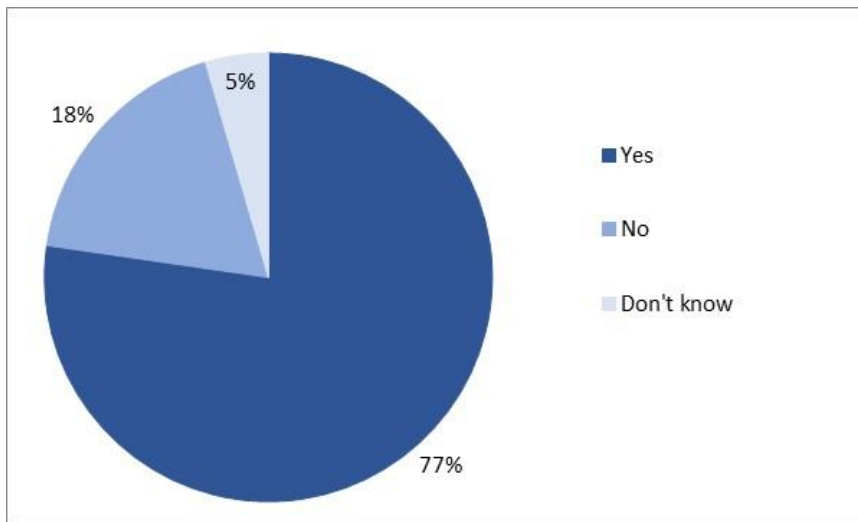
is only suggested in some jurisdictions. Therefore the tenant does not have to extend the lease term in the code. While some states suggest this, it is not a requirement.





Question 4

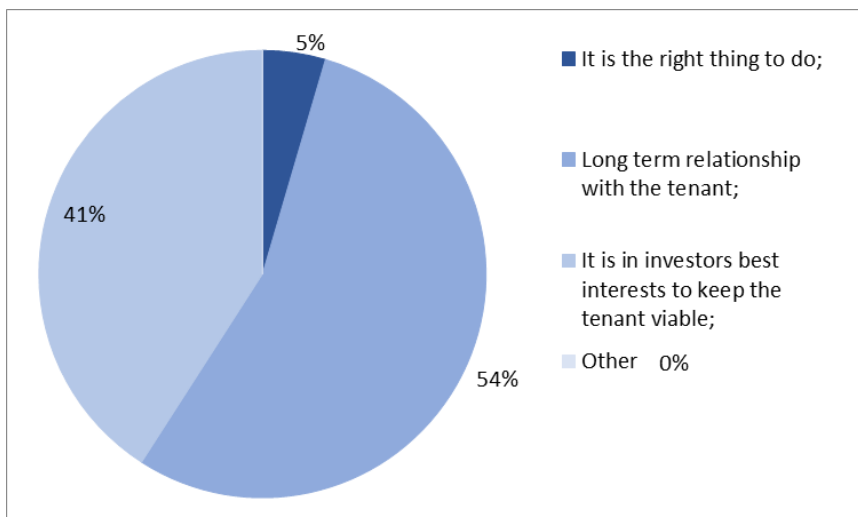
For tenants that sit outside of the Code, are you aware of situations where landlords are agreeing to negotiate new arrangements with the tenants:



Not surprisingly given the spread of the coronavirus downturn, 77% of respondents are aware that new negotiations are happening for tenants that sit outside of the Code.

Question 5

In your opinion why would landlords provide or consider “relief” to tenants who fall outside of the Code?



Respondents showed little doubt as to “why” landlords would provide or consider relief for tenants. The long term relationship with the tenant was underlined by 41% of respondents, something webinar presenter Carrie Rogers from Clayton Utz emphasised, saying strong relationships, open communication and ongoing negotiations were critical for landlords and tenants.

Respondents mostly agreed it is “in investors’ best interests to keep the tenant viable”, attracting 54% in the poll. This echoed some key points raised by Steven Bennett from Charter Hall, who shared some practical observations around rental relief negotiations.

