

Business Seminars

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What to Say When Your Tenant Asks You for a Rent Reduction

We're living in very challenging times, and if you're a landlord, and you haven't yet been asked for a rent reduction or a rent concession from one of your tenants, the chances are pretty good that this may still happen to you. So with this in mind, how should you then respond to this request?



Ideally you'll want to come from a place of compassion, because your tenant is most likely going through a tough time, and you'll want to maintain a good relationship with them. Because in reality, in many ways your tenants are your partners in success, because when they're doing good and they can pay you your rent, you become even more successful financially

So in keeping this in mind, when that phone call comes, be understanding, and then ask them, "So what are you suggesting?" This will then put the ball in their court, and it will save you the possibility of you offering them an even greater concession than what they originally had in mind.

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California Could Lose Up to One-Third of Restaurants From Coronavirus Closings

Restaurant Owners Seek Help After Failing to Make Enough to Pay April Rent
By Katie Burke - CoStar News April 2, 2020

The coronavirus crisis could result in as many as 30,000 restaurants closing throughout California, an industry group says.

In a letter to Gov. Gavin Newsom, the California Restaurant Association said the state's stay-at-home order has led to mass layoffs, dramatic drops in revenue and temporary closings as diners are forced to stay at home until at least May 3. If realized, the estimate by one of the state's most active tenant groups would mean at least one-third of the state's 90,000 restaurants would permanently close.

The directive, which has meant restaurants have had to pivot to delivery-only models or temporary closings, "has been a near decimation of our industry," according to the letter, which was reported earlier by the Associated Press.

See Restaurants Page 2

Quotes for the Month

"In three words I can sum up everything I've learned about life. It goes on."

~ Robert Frost

"You are today where your thoughts have brought you; you will be tomorrow where your thoughts take you."

~ James Allen

The problem facing California also confronts most of the nation as states and cities order nonessential businesses to close and residents to isolate at home. Other restaurant industry groups predict wide-scale closings as well. Among them, the Texas Restaurant Association, a trade group, expects between 25% and 30% of restaurants will close permanently as a result of virus restrictions, according to CoStar's most recent report on the retail sector.

As traditional retailers pull back both on the number of new stores they open as well as their average footprints, restaurants, cafes and eateries have been a prominent contributor to the state's leasing activity. San Francisco, in particular, is the densest restaurant city in the country, according to Jesse Gundersheim, CoStar's director of market analytics. That means a burst of closings would have serious implications for the city's retail vacancy rate, now at 3.3%.

"Across the board, tenants and landlords are in compromising situations," Pamela Mendelsohn, a retail partner with local brokerage Maven Properties, said of restaurants struggling to navigate the pandemic's impact. "This all hit restaurants first, and many of them are in really bad shape. A lot were in bad shape before all of this."

Can't Make Rent

Adriano Paganini, the CEO of San Francisco-based restaurant group Back of the House, has said none of his more than 30 restaurants across the city have been able to make their April 1 rent payment.

Bistro Aix, a French restaurant in the Marina neighborhood, has already closed for good. Popular Mission restaurant Locanda has as well, with owner Craig Stoll attributing the decision to the stress of making rent, payroll and other costs without consistent revenue.

The current Los Angeles retail vacancy rate of 4.8% is especially vulnerable to the coronavirus-related closings. According to [CoStar data](#), restaurants located in heavy tourism neighborhoods such as Santa Monica, Hollywood, Downtown L.A. and Venice Beach will be "acutely impacted" by the crisis.

Restaurants are also trying to quickly adapt to the changing environment with new revenue streams. Along with pivoting to a take-out and delivery-only model, some restaurants have even opened their doors as temporary grocery stores. Salad chain Tender Greens, for instance, is offering grocery boxes at its locations that include a mix of produce, staples and even toilet paper rolls.

While the City of Los Angeles tried to halt restaurants' ability to operate as grocery locations without a permit, operators in the city quickly pushed back. Some restaurants like Bacari PDR in the beachside neighborhood of Playa del Rey argued it was one of the last remaining income sources they had. The city dropped those proposed limits earlier this week.

In order to help save, or at the very least provide some relief, the restaurant association is asking the state for a number of concessions to keep restaurants operating within their current spaces.

Some of those include delaying impending increases to the state's minimum wage, canceling health and permitting fees for at least a year, deferring sales and payroll taxes, postponing property tax payments and requiring gas and other utilities to continue even if the restaurant can no longer afford to pay them.

While most of those requests haven't yet been answered, Newsom agreed to an extension for small-business tax returns, which gives restaurants some breathing room until July.



COVID – 19 HELP!!

Does the pandemic leave you to wonder about the future of your business or commercial property?

CIBA Real Estate is offering help in the following areas.

Matterport Virtual Tours

Deferment Mediation between Landlord and Tenant(s)

Broker Price Valuations: For Sale or For Lease

Sale Lease Back Options

1031 Exchanges

Bank Refinancing Referral Options

All conversations will be confidential.



Then, when they tell you what they have in mind, you can either accept it right then in the moment, or if you're not certain about this, or if it seems like they may be asking you for too much, you can simply say, "I don't believe I can give you that much, but let me think about this, and then I'll get back to you." This will then allow you to hang up the phone, think about it for several hours, or until the next day or so, and then be certain that you'll be coming back to them with a proposal that will be a good one for you.

The last thing that you want to do is to accept something immediately on the telephone that you'll later regret, and utilizing this approach will help you to make sure that you don't do this.

Then, when you finally call them back on the phone, it's all about what you can then negotiate that's mutually agreeable between the two of you. In addition, feel free to utilize those same words again if they later give you a counteroffer that may still be asking too much of you: "I don't believe I can give you that much, but let me think about this, and then I'll get back to you." This shows them that you're willing to work with them, and that you're giving what they're asking for serious consideration, and they'll really appreciate this.

Ideally you'll want to strike an agreement that will be good for both of you, because in this economic environment, finding the next tenant who will move in and pay you the ideal rent you want every single month, may not be as easy as you'd like it to be.

FOR SALE



10-Unit Industrial Condominiums

Corner of Chestnut and Magnolia, Monrovia

Property Highlights

- *For Sale Industrial Condos*
- *Approx. 1,640 SF*
- *Price \$575,000*
- *Electrical: 200 AMPS, 3 Phase*
- *Approximately 250SF office*
- *Clear Height is 18-20 Feet*
- *Ground Level Roll Up Door*
- *Fully Fire Sprinklered*
- *Walking Distance to Old Town Monrovia*
- *Close Access to 210 and 605 Freeways*
- *Central HVAC for office (3 ton)*

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