

Lockdown restrictions: Embattled businesses will fall further into rental arrears

By [Michelle Dickens](#)

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The latest Covid-19 Adjusted Level 4 lockdown restrictions have been a further blow to the embattled liquor, restaurant, leisure and tourism industries which are still struggling to recover from the hard lockdown in the second quarter of 2020, restrictions during the second wave, and a total of four alcohol bans.



Source: www.pexels.com

Many business owners in these sectors have not yet managed to catch up on arrear rental payments and will be falling further into arrears. These latest restrictions – which some analysts predict may be extended beyond the initial two weeks announced by President Ramaphosa – are not being accompanied by any plans from government to provide financial support for businesses impacted by the restrictions.

The Property Industry Group provided R3bn rental relief to SMME retail tenants during the first hard lockdown. TPN analysis of the data indicates that even this substantial value of relief didn't stem the flood of delinquencies, as tenants three months or more in arrears increased from 7% prior to lockdown, to 10% in April 2020 in the initial months of rental relief, peaking at 19.12%, or one in five tenants more than three months in arrears in September 2020.



Hard-hit food and beverage industry amongst slowest to recover

5 Jul 2021



Businesses struggling for their survival

As the economy opened up again in the last quarter of 2020 and first quarter of 2021, severe commercial tenant delinquencies improved to 15.42% by March 2021. New Level 4 restrictions will no doubt reverse some of these gains as business owners in affected sectors are struggling for their very survival.

Although restaurants have been permitted to do takeaways, a significant proportion of their profits come from alcohol sales. Co-owner of the Local Grill in Parktown North Steve Maresch says although the business is doing everything it can to make the takeaway space work, it is challenging. Finding packaging that travels well and preparing an expensive piece of steak in a way that allows it to be reheated without being overcooked is just the start of the restaurant's challenges.

"Our rent is in arrears," he reports. "We've been in this space for 18 years and although the local community and our landlord have been incredibly supportive and loyal in the past year, there is no denying that this has been a very difficult period. This is our last stand: we have depleted all our resources. If we have to close our door during these latest restrictions, we won't be re-opening."

That means, he reveals, that 26 staff as well as three managers and two co-owners – the majority of whom are the primary breadwinners in their respective families – will be joining the ranks of the unemployed.

"We're paying most of our supplier's cash on delivery these days. Neither my partner nor I have drawn a salary for more than a year. Since the onset of Covid, we have become a marginal business."

Co-owner of the Turn 'n Tender in Cresta Shopping Centre Mark Johnston is facing a similar dilemma. The business, which is only three years old, is still trying to pay off new business debt. "The alcohol bans have all put huge pressure on the business, significantly reducing turnover. And although we were slowly recovering from 2020, we had yet to reach pre-Covid turnover levels," he says.

These latest restrictions means that the business will be falling further into arrears as far as its rental payments are concerned.



Temporary closure of all Sun International properties

28 Jun 2021



Almost a million jobs at risk

Wendy Alberts, CEO of the Restaurant Association of South Africa, told Business Maverick that close to a million jobs in the restaurant industry will be at risk in the next few weeks.

Lenard Mitchley, the owner of liquor store Gordon Road Cellars, says that although the business did manage to keep up with rental payments during the previous three alcohol bans as well as pay staff, if this latest ban continues for more than two weeks, he will be falling into rental payment arrears as his savings have now been depleted.

Hotels have been equally hard hit. Last week Sun International decided to temporarily shut all its hotels and resorts after the new lockdown restrictions were announced.

The commercial real estate sector was just starting to show signs of recovery, with a small improvement in the number of commercial tenants in good standing, before these latest restrictions were announced. Should the restrictions be extended beyond the initial two-week period, it is very likely that more businesses in affected industries will be falling into the arrears category.

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