

Effects of the law to mitigate the consequences of the COVID-19-pandemic in the real estate industry

On Monday, 23 March 2020, the Federal Cabinet adopted an Amendment of Laws in connection with the COVID-19-pandemic (the "**Package of Measures**"). The Bundestag is expected to approve this Package of Measures already on Wednesday, 25 March 2020. If the Bundestag approves this Amendment of Laws, the new regulations contained therein will have far-reaching effects on the real estate industry. With this overview we give first answers to the most pressing questions:

- Tenants will continue to be obliged to **pay rent** and **ancillary costs** even under the new regulations of the Package of Measures. If they fail to meet this obligation, **default interest** and, if applicable, **further damages** will be incurred.
- However, landlords **may not terminate** leases until **30 June 2022** for late payments within the period from **April to June 2020**. The respective tenant must provide credible evidence that his arrears are due to the effects of the Covid-19-pandemic. This provision applies equally to **commercial** and **residential leases**.
- In order to avoid default interest, many tenants will have an interest in agreeing on a contractual **deferred payment** under the lease. This situation can be used by the landlord to secure at least **ongoing partial payments** for the months June to April 2020.
- The Package of Measures also does not rule out the possibility that landlords will make use of the **rent security deposits** due to the non-payment of rent.
- The initially announced **deferral of interest** and **of repayment under loan agreements** is limited to **consumer loans** only in the current draft. Entrepreneurial landlords should, therefore, contact the financing banks in order to obtain a **contractual deferral**.
- As a result of the Package of Measures, the general obligation to **file for insolvency** is suspended until **30.09.2020**. This applies to both landlords and tenants.

Please contact us with any further questions:



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