

COVID-19-Related Lease Modifications Raise New Issues of Liability for Unpaid Rent [Lowndes Leasing Lawyers]

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Shareholder Dan McIntosh and Associate Samantha Duran discuss what landlords need to be aware of when negotiating lease workouts with assignees/subtenants to provide rent relief during COVID-19.

As pandemic-related shutdowns battered the retail and restaurant industry, many tenants avoided defaulting on their leases by negotiating a lease workout. These agreements often provided tenants some much-needed rent relief in exchange for extending the term of the lease.

However, commercial landlords should be aware that negotiating a lease workout/extension with a subtenant which modifies the term of the lease may relieve the original tenant of any obligation to pay rent should the subtenant default during the extension period.

Generally, when a tenant assigns or subleases its interest in a lease to another entity,

the original tenant is still liable on the lease unless the lease provides that the original tenant is released from liability. Landlords often rely on the continuing liability of the tenant when consenting to an assignment or sublease. [Read more]

This is an excerpt from a blog post originally written on Lowndes Leasing Lawyers.