

Dealing with the Commonwealth's Code on Commercial Leasing

To all our clients and friends we hope that you are well and holding up in the COVID 19 economy. It has been encouraging in recent days to see the Commonwealth Cabinet working towards measures to unlock and reactivate our economy.

Since Prime Minister Scott Morrison's COVID 19 update on 7 April 2020 which introduced the **Commonwealth's Code on Commercial Leasing**, we at Preston Rowe Paterson have been actively reviewing the 14 principles of the Code with a view to amending our valuation approaches for leased investment properties (**Capitalisation and Discounted Cash Flow (DCF) methodologies**) to take into account the Rental Waiver and Rental Deferral principles considered in the Code. Importantly the Code is to be ratified by State and Territory legislation/regulation which is occurring at present.

As was discussed extensively within the paper that Preston Rowe Paterson prepared for the Property Funds Association of Australia (PFA), **rental cash flows from investment properties for qualifying tenants will be impaired for the period of the COVID 19 Pandemic and a Reasonable Recovery Period**. The paper we wrote can be found [here](#)

Preston Rowe Paterson has already amended its capitalisation methodologies to accommodate the necessary time value of money market value adjustments for the effect of the Rental Waiver and Rental Deferral principles considered in the Code. We are also actively working on adapting our Discounted Cash Flow (DCF) modelling to accommodate this also.

The PFA is holding a webinar dealing with multitenant investment valuation in the COVID 19 economy on Thursday, 30 April 2020 at 11 AM AEST. Details of the webinar may be obtained from the PFA website found [here](#). In addition to discussing the impact of the Code on Commercial Leasing the webinar also importantly considers the application of both accounting standards and valuation standards in this economic environment.

The PFA's webinar will provide valuable forward-thinking insights into valuation issues for all investment property stakeholders including REIT fund managers, valuers, investors, property and asset managers, bankers, accountants and auditors as well as commercial real estate solicitors.

In the coming weeks we will be discussing how we are dealing with specific valuation issues in the COVID 19 economy.