



FIABCI INTERNATIONAL
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DATE: 9 April 2020

SUBJECT: Proposal for urgent statutory regulation concerning the adjustment of rental and lease relationships due to inability for property and other things to be properly used in cases of emergency as the coronavirus (COVID-19) epidemic.

Dear President FIABCI WORLD, Mr. Walid Moussa,

Dear President FIABCI European Region Committee, Mr. Ramon Riera Torroba,

We are all witnessing developments related to the spread of the COVID-19 virus, which, unlike any we've known since 1918, has impeded economic activity so much. Hardly any industry could avoid a rapid economic downturn, and the real estate sector is no exception. The coronavirus economic impact will be felt widely, as the shock was symmetrical, affecting all countries worldwide.

Activities carried out by FIABCI Slovenia during the past weeks include the area which cuts across lease and other relationships in times of this external shock. The events we are witnessing suggest that the impact of COVID-19 on our lives will be greater than the impact of both SARS and MERS combined. The consequences of these two viruses over the years have not been as all-inclusive, extensive and enduring as those of COVID-19. It could therefore be anticipated that – on a worldwide scale – mechanisms that determine emergency situations have not yet been triggered. Slovenia is no exception. In the light of these facts, our legal experts have learned that legislation adopted in the past 40 years failed to consider the possibility of occurrence of such exceptional circumstances. As a result, there is no legislative solution to situations where neither the lessee (tenant) nor the lessor (landlord) bear the blame for implications caused by the crisis situation. In the real estate sector, such internal shock most severely impacts lease and rental relationships.

Few EU countries have the appropriate regulation in place, for example, Austria. In the majority of countries, legal disorder prevails, as is the case in Slovenia and France. That is why in Slovenia we are faced with the question of how to solve a complex situation and which side will be responsible for financial and other consequences. We estimate that the financial impact from Japan to the US can be measured in hundreds of billions of euros at an annual level.

The situation is particularly complicated with regard to leased commercial properties. Lessees will be unable to use leased properties for their business during the quarantine measures enforced by the Government, which in turn means that they are not allowed to pursue their activity in leased properties and generate income needed to make lease payments. This situation can take months and will cause proportionate material damage. It is currently impossible to assess the extent of damage and the time needed to adapt to the current situation. This will be followed by the recovery of the economy, which, due to the global scale and severity of the crisis, can take several years, and in the meantime, it will be necessary to create some kind of lease adjustment scheme.

FIABCI Slovenia believes that due to the global nature of the phenomenon and its magnitude, these facts cannot be overlooked or left to be resolved by each country individually. This will lead to disparate solutions, and it will take years until certain new solutions are implemented in case law. FIABCI Slovenia furthermore estimates that a global agreement similar to the agreement on financial guarantees and letter of credit agreement. The FIABCI could initiate such a resolution, together with similar associations both nationally and internationally.

As the real estate world is globalised in both individual investment projects and ownership, this is a global problem that needs to be analysed, and at least guidelines at a global level should be provided. This is our deep conviction.

In light of the current crisis, we proposed to the Government of the Republic of Slovenia to amend the Slovenian Code of Obligations currently in force, which should regulate the basic legal norms governing the situation of lessors (landlords) and lessees (tenants) in emergency situations such as the current epidemic of the COVID-19 virus. Enclosed please find the translation of the proposal to the Government of the Republic of Slovenia.

If FIABCI and similar organisations fail to adequately address these issues in individual countries and create a strong professional standpoint supported by arguments, the consequences for the real estate sector will be greater than they would be by taking appropriate and swift action. We will all lose a considerable market share and business, which will result in grave economic, social and political consequences.

In the hope that FIABCI will invite other similar associations to take active part and properly address these issues at EU level and beyond, we will join our efforts and make some big steps forward. We are ready to support any FIABCI initiative.

Yours sincerely

Mag. Marko Novak
president
SNZ – FIABCI Slovenia