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## Cozen Group Tackles Surge Of Virus-Driven Lease Disputes

By **Elise Hansen**

Law360 (July 9, 2020, 10:23 PM EDT) -- Cozen O'Connor has formed a lease restructuring practice group to tackle the range of novel questions facing landlords and tenants as the COVID-19 pandemic spurs demand for lease renegotiations.

The firm put together its real estate lease restructuring group with about 40 attorneys a few weeks into the pandemic, Matthew Weinstein, the group's chair, told Law360 on Thursday. Facing stay-at-home orders and economic disruption, numerous tenants and landlords have been at odds over rent payments and other lease terms, creating a spike in demand, he said.

"The impetus for the group was the pandemic and the number of leases that needed to be restructured all at once," Weinstein said.

Last year, Weinstein said, he received perhaps one lease restructuring request from clients per month. That changed quickly as COVID-19 spread.

"I think in the first two to three weeks [of the pandemic], I got a request from clients for about 75 different lease restructurings," he said.

While Weinstein is based in Philadelphia, the group brings together attorneys from across the country with a range of specialties such as real estate, bankruptcy, tax, and labor and employment. The pandemic has forced clients to grapple with a range of new interdisciplinary questions, Weinstein said.

"It's not just a real estate issue," he said. "These were larger questions. There might be a bankruptcy issue that's behind the request for the lease restructuring; there are tax issues coming into effect. ... I think the piece that is probably the most unique that we've had to deal with are labor and employment issues."

The pandemic has prompted numerous questions about reentry that can involve real estate and contractual issues as well as workforce issues. Even the presence of an HVAC system to circulate outside air into the building has become a topic of discussion, Weinstein said.

"A lot of these issues are labor and employment-related issues because they deal with reentry," he said.

One of the main issues the group confronts is rent abatement and deferral disputes.

"I think almost everything sort of boils down to that issue," Weinstein said. "Many of the tenants want the rent to be abated. The landlords of course argue that payment of rent is an independent covenant ... that you have to pay your rent regardless."

Some landlords have signed on to deferral deals, which give tenants additional time to pay, often



Matthew Weinstein

without interest or penalties, Weinstein said. Many tenants have until the end of 2020 to pay up, and in other cases the timeline has been stretched further, Weinstein said.

Delinquent rent can also give landlords leverage to force favorable changes to other contractual terms, Weinstein noted. In some instances, lease terms have also been adjusted.

The group's clients have included the landlord of a restaurant tenant that had distressed locations, according to Cozen O'Connor's website. The firm helped the landlord negotiate a distressed lease workout agreement. It has also guided a national office tenant in restructuring its headquarters, adjusting rent and modifying other contractual terms, Cozen O'Connor's website said.

The group will likely remain in place until well after a COVID-19 vaccine is developed, Weinstein said. And as demand begins to wane, the group may be folded into the firm's broader leasing group practice, he said.

For now, the group is handling plenty of work, Weinstein said.

"Right now, there's a tremendous amount of need for that type of lease restructuring," he said. "It's just a different model than anything that's ever happened in the past."

--Editing by Orlando Lorenzo.

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