



REAL ESTATE
COUNSELORS



Co-Tenancy Complexities

RETAIL LEASING 401 – ADVANCED ISSUES



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Key issues in Retail Co-Tenancy Clauses

The Conflict: Tenants seek co-tenancy rights while landlords are reluctant to grant them. Tenants often rely on a certain tenant mix of national or regional tenants to be a draw for customers to visit the shopping center. But what happens when these expectations are not met? Landlords often have little control over the actions of anchors and other key co-tenants, exposing them to risk.

Key Landlord Issues:

- Require the tenant benefitting from a co-tenancy clause to prove an economic impact by showing a drop in sales for several months during the time the co-tenant is absent or not operating.
- Reserve the right to replace the initial co-tenant with a similarly qualified business.
- Require the tenant to resume paying rent or terminate its lease if a co-tenancy violation is not cured within some extended period of time.

Key Tenant Issues:

- Specify the trade name or key characteristics of an acceptable replacement co-tenant.
- Require the original co-tenant and any replacement to operate during the center's normal business hours or some other minimum hours.
- For initial opening co-tenancies, specify how much of the gross leasable area of the shopping center must be leased and operating.
- Remedies for a co-tenancy violation should include partial or whole rent abatement and possibly a termination right for extended co-tenancy violations.



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