

Communication and the importance of the human connection

 By [Sindy Peters](#)

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As part of our #LockdownLessons series, Bizcommunity is reaching out to South Africa's top industry players to share their experience of the current Covid-19 crisis, how their organisations are navigating these unusual times, where the challenges and opportunities lie, and their industry outlook for the near future.

We chatted to Paul Gerard, MD of Flanagan & Gerard, to get his take.

■ **What was your initial response to the crisis/lockdown and has your experience of it been different to what you expected?**

Paul Gerard: I was actually fairly calm about it. I think that what we did with the information available to us as government was correct and I think it was pretty efficient to lockdown as quickly as they did and to the extent that they did. I think that our government has maybe got a bit of a megalomaniac complex and they're currently drawing it out more so than they need to with the data that's available.

■ **Comment on the impact of the Covid-19 pandemic on your organisation or economy as a whole.**

Gerard: We're still continuing with meetings - you can have a professional meeting with your architects, quantity surveyors, and engineers on Zoom or on Microsoft Teams, and you can talk through technical details because you're constantly evolving a project. However, for construction, there are three things that are important; price, programme, and quality. You can determine price now, which is also probably still a little bit undetermined, programme is completely undertermined, and quality, that will be determined depending on who you work with.



Paul Gerard, MD of Flanagan & Gerard

Construction starts from Stage 2, so we can plan, but that's about it. Fortunately, we're not in the ground, we don't have a construction project under way at the moment. We had a few little things at shopping centres, but nothing that's going to cost us significantly.

It's going to take 2-3 years to get back to the place where we were in February, from a financial point of view, because we're still going to be paying banks back for interest that's due to them. We're not going to be collecting as much rental and because we're going to have to be offering assistance to the smaller retailers, there's going to be even less cashflow going forward, so it's going to just eat into our cash reserves. But we understand that it's going to be eating into everybody's cash reserves as a whole, so the stimulus package announced is going to be useful, it's going to be needed - you need that fire to start burning for the whole cycle to work.

■ **How is your organisation responding to the crisis?**

Gerard: There are three things that we need to do to respond to the crisis - we need to ensure compliance in safety within our shopping centres with sanitisation stations at every entrance, at key touchpoints - like lifts and escalators; all of the staff within our shopping centres need to have protective gear; and we need to provide assistance to our community where required.

The philosophy we've adopted is that charity begins at home. We have been arranging food parcels for all staff that are not looked after by retailers, the staff that are not able to do any business because there is no business to be had - like the car

guards, car washers, and waitrons who earn most of their salary through tips. Across our shopping centres, the four that we have a direct impact on - Thavhani, Springs, Balito, and Morningside, we've delivered to over 1,300 people; about 500 of those are direct people like the car guards and the staff. The others are recommendations made by our centre management teams as to people in the communities that really need assistance.

We're encouraging our service providers not to lay off anybody, so where we don't need as many cleaners in the malls at the moment, we would be asking that they not cut staff, but rather reduce the number of hours that everybody's working, and I think everybody's coming to the party. This is a joint effort by everybody, we don't have a choice, everybody's got to feed into this system so that we can make sure that when we come out of it, we're all still standing.



Ripple effects of supervening impossibility on commercial lease agreements

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Comment on some of the challenges.

Gerard: What's been happening with the retail sector, that aren't able to trade, and landlords is that the general legal opinion that everybody kind of agrees is correct is that there is a case for what is referred to as *force majeure*, but it's basically a right by the tenant to not have to pay rental.

Unfortunately, what's happened is that some tenants have listened to that legal opinion and they've chosen not to pay rental. The problem you've got is, as a tenant, by adopting that philosophy, you haven't followed the lease in the way that the lease is managed. The lease talks about a dispute resolution process, so there's no right to withhold rental in terms of the lease.

If there's a *force majeure*, then it goes to a process of deciding what it is and what the lessee is entitled to, but there has never been a mechanism and law that allows just withholding of rental - which is why it made it so difficult for landlords when the whole cycle of cash just stopped.

We've chosen not to adopt a philosophy of dishonouring our agreements, so we've made payments of everything that we had due and payable.



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Will F&G be adopting remote working more permanently in the future?

Gerard: At F&G, we can work remotely, but we've got centre management staff that are on-site to ensure that there's compliance with safety, as well as dealing with general management issues across our portfolio.

We are definitely going to work more remotely because we have to. It means you don't have to fly as much down to each of your sites because you can have a management meeting now where everybody's in their office. The only thing you can't do by remote working is actually kicking the bricks like the late Marc Wainer used to talk about - you can't understand a shopping centre without being there. You can talk through the financials and you can talk to what's going on, but until you see it, you can't really understand it often and so it's not going to take away site visits.

We are of the firm belief that we need to see our sites at least once, if not twice or three times, a month because you can't pick up where there's a cracked tile remotely, and often the management team on site don't pick up on it because if you see something everyday, often it bypasses you. Sometimes you need that critical eye to assist as a manager and that's

why I think the management teams appreciate on-site management meetings as much as they do.



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Vuyiswa Mutshekwane 17 Apr 2020



How have you had to change the way you operate?

Gerard: Basically, it's reduced our ability to collect rent. There're two types of retailers - there's retailers that sell time and retailers that sell products, and I'm excluding retailers that sell essential items because they're paying rent. The retailers that sell time, e.g., beauty salons, restaurants, travel agents, are the ones that we, as the property industry, and we, as F&G, believe are the ones we need to look after because they're the ones that give character to the shopping centres.

We want to give back to them as much as possible, so what we've done with all the first tier retailers is we've given them a 100% cashflow rent holiday for April and we're going on a month-by-month basis. We'll make a decision for May once we know where the lockdown goes, but we're still looking to recover some of our operating costs over time, which is about 20% of rental.

We're spending our time managing retailers, talking to them, understanding them, and I think most of them are very grateful for the approach that we've adopted.



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Ridwaan Loonat 24 Apr 2020



Any trends you've seen emerge as a result of the crisis?

Gerard: Going forward, we can have a meeting where everybody doesn't leave their office. But what we feel is, as F&G, we really thrive on human interaction, and so although we now have to have a third of our staff on site, we've divided up the time so that the teams can actually meet up at the office and talk through things - it's so much easier when you've got human interface. We, as F&G, want to get back to the office to interact with each other because you get more productivity when you interact. Obviously, you can still do it with video and audio remotely, but it's not as effective.

The pandemic has definitely made me realise how important the human connection is. It's emphasised the relevance of online shopping, although in South Africa, the logistics is still going to remain a problem, not in the metropolitans of Cape Town and Joburg, but we've got shopping centres in places like Thohoyandou and the like where a lot of the streets don't have names, so online still doesn't work in the outlying areas yet - it's going to hopefully get better in time.

What it has made we realise is that shopping centres are the centre of a community, and the local shops - the independent owner-operated shops are the ones that give the community their identity and so that's why we believe we need to support them as much as we can. We've implemented across our portfolio retailer voucher systems where people can pre-buy a voucher to spend at their favourite retailer when they reopen so the retailers at least get a little bit of cashflow going now so they can pay salaries.



Mid-Sized Independent Retailers Group formed to save the 'missing middle'

21 May 2020



■ Your key message to those in the sector?

Gerard: All the key people at the retailers should be talking to the key people in the property groups and so my message to everybody is that communication is the most important thing when it comes to resolving any type of conflict or dispute.

What we decided to do with all the tier one retailers is give them an 80% discount in rental for April, and the 20% which covers upkeep costs would be deferred so they wouldn't have to pay anything for April, apart from what they've consumed from a utilities point of view. We decided to make a phonecall to every one of them and tell them about it before we sent the letter to them. Talking to them and discussing what we are doing and why we're doing it really helped the discussion. We've all got costs - from security and upkeep to rates and taxes. By explaining this to them and by communicating with the retailers, we found we got a much better response.

It's our philosophy, it's the way we've always done business - we want to talk to people and try and come up with a solution that works for both parties because that's the best way to do business.

Best we can come out of this is to communicate with each other so that we can resolve and move forward - no point in looking back anymore.

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