

The impact of COVID-19 on leases

As part of the measures implemented by the Federal Government in light of the health crisis generated by the SARS-CoV2 (COVID-19) virus, the public, private and social sectors are currently, and until April 30, 2020, required to suspend all their *non-essential activities*.

This suspension has impacted, to a large extent, the rights and obligations arising from real estate lease agreements, potentially generating a contractual imbalance and/or the impossibility of complying with the contract.

Currently, the great majority of tenants cannot use and/or enjoy the property they leased for the agreed purposes, and/or are being deprived of the source of income that would naturally generate the corresponding rent. To think that such tenants are not released from the payment of the rent or that they do not have any right to better conditions than those originally agreed to in their leases reveals a certain injustice that requires exploring legal alternatives.

To identify and execute the various legal alternatives for tenants, each specific case must be analyzed. The applicable law, the applicable legal precedents, and the particular language of the lease agreement, provide the guidelines for that identification and execution. Generally, and subject to a punctual analysis of the specific case, Mexican law recognizes various mechanisms for excluding liability and contractual re-balancing under extraordinary circumstances beyond the control of the parties. In relation to leasing, those mechanisms include the following possibilities, among others: **(i)** suspension of payment; **(ii)** partial reductions in the rent; and **(iii)** termination of contracts.

The validity of such mechanisms is subject to the fulfillment of certain premises and specific legal requirements (including contractual).

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