

Best Strategies for Renewing a Lease

Your company's lease for office, warehouse or manufacturing space is set to expire in the not too distant future. Given that markets around the country are tightening rapidly, and rents are rising how will you create leverage and drive the best results?

You can always simply exercise the renewal option in your lease. Only about 17% of lease renewal options get exercised. The reason being that the vast majority of spaces users have different needs by the time their leases expire. They often need more space, less space, more tenant improvement work, a different renewal term, etc.

The next option is to go to market and create a "competitive bid" atmosphere between your current landlord and other landlords that would like to earn your business (pretty standard practice). However, with the rise of more institutional landlords than ever, their intel and resources that are focused on maximizing their ROI, is better than ever. Particularly with the same listing brokers representing several of the properties that you are considering. Your leverage can dissipate quickly.

Due diligence is more critical than ever to the success of a lease renewal or site search for a new location. The world of corporate real estate has become ever more complicated. Just look at the typical 100 page lease that many landlords are using today! Some tactics that have been very effective in helping our clients create negotiating leverage, even where there doesn't appear to be any are:

- ❖ Run a title search on the properties in question.
- ❖ Find mortgage information for the properties of interest. If you know when the landlord needs to refinance you know where your leverage lies.
- ❖ Take a hard look at labor analytics. Your employee base's "centroid", commuting patterns and drive times have likely changed significantly from when you originally selected the current building. Get HR involved early. With labor markets getting more and more competitive, their contribution early on will be vital to the success of your project.
- ❖ Bring a fresh perspective to space utilization, employee collaboration, efficiency, support of your corporate culture, branding, etc. Now is your chance to re-imagine the way that you use space.
- ❖ Develop a detailed project budget very early in the process.
- ❖ Clearly define your infrastructural needs as part of your project description. Business continuity is a top priority for the C-Suite at most companies.
- ❖ Take a hard look at available government incentives. This is no place for novices or seemingly convenient "in house" broker added services. The difference could easily be worth tens of millions of dollars to your company.
- ❖ Make sure that you have clear policies, procedures and standards in place before the project at hand kicks off.

- ❖ Most of all, start early. Far too many companies wait until less than a year from lease expiration. They tend to align the project start date with the lease renewal notification date. A lease project of mid to large square footage needs to be kicked off 18 to 24 months in advance, at minimum to ensure success.

*Not sure how to best handle an
upcoming lease renewal or relocation?
Call Mike for a free consultation.*

Mike Maroon, SIOR is the Managing Partner of The Acclaim Group, a leading real estate adviser to corporations locally, nationally and globally.