



Insider's View to Corporate Real Estate



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The Two Best Tenant Tips For Combatting A Tightening Office Market

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The bad news for tenants is that Pittsburgh is among the tightest office markets in the country and rental rates in the area continue to increase, despite pockets of softening among some submarkets. The good news is that a number of you are in a position to combat the tightening office market by taking one highly effective step, or recognizing that you may have more options than you thought.

Start the lease analysis process well in advance of your corporate real estate need. Remember that real estate is typically the second largest line item cost in the corporate budget and there is a great deal of money

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at stake. As such, it will be important to provide an ample amount of time to research, leverage, identify, and secure the most attractive lease arrangement suited to your company, and its employees.

Most tenants with office leases expiring in the second half of 2017 and throughout 2018, and some with leases expiring in 2019 and beyond, will benefit from starting the lease analysis process now. Those with leases expiring in the more distant future will want to start the lease analysis process at this time if: there is a financial benefit to doing so; the space no longer suits your needs, or; an extended period of time will be required to construct a building for which your firm will be the anchor tenant.

Recognize that changes to your office lease can be made years before the term expires, provided there is a benefit to the tenant and landlord. Two examples follow.

- ❖ *Your firm has made a large capital investment in your office space and you prefer to stay in it but the rental rate continues to increase.* An extension lease is negotiated that protects your capital investment, is below the rental rate which will be achieved in the future, and the landlord provides capital to refurbish the space. In return, the landlord receives an uninterrupted cash flow for an extended period, and invests far less capital than would be necessary to construct an entirely new space for a different tenant.
- ❖ *Expansion space is required.* An expansion and extension lease is negotiated that provides your firm with the capital necessary to construct the expansion space, and locks in a rental rate below that which can be achieved in the future. At the same time, the landlord receives an uninterrupted cash flow for an extended period, leases additional office space, and invests far less capital than would be necessary to construct an entirely new space for a different tenant.

Whatever your corporate real estate need is, start the lease analysis process well in advance of your corporate real estate requirement in order to help position your company for future success.

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About the Author

Carrie S. Holstead is the Founder, President and CEO of the longest established tenant representation firm in Pittsburgh, Pennsylvania, and Chairman Emeritus of ITRA Global with experience in nearly 300 markets around the world. She was honored as a Woman of Influence by *Real Estate Forum Magazine* in 2015, and is the acclaimed author of the monthly *Insider's View To Corporate Real Estate*. If your company needs to expand, contract, merge, relocate, or renew an office lease(s), locally or globally, contact Carrie Holstead at **+1 (412) 255-3737**. To receive the *Insider's View To Corporate Real Estate* electronically, sign up at **www.carrieholstead.com**.