



Insider's View to Corporate Real Estate



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Representing Users Of Corporate Space Worldwide

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10 Golden Rules For Office Tenants In A Lease Renewal Negotiation

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Office tenants face an inherent disadvantage in the renewal negotiation. The lack of equality arises from the fact that, unless there is a compelling reason to leave, tenants will renew 70% of the time due to the cost and disruption associated with relocation. **Tenants can shift the odds back in their favor by following the guidelines outlined below.**

- 1.) Enlist a conflict-free tenant representation broker (“advisor”) that will protect your best interests.**
Professional landlords conduct negotiations on a daily basis while tenants are typically in the market only once every 5 to 10 years. A qualified tenant representative will know the terms offered by the current landlord’s competitors, prompting more attractive terms for the tenant. Additionally, a conflict-free advisor will always be the tenant’s advocate and protect against the costly disadvantages of dual agency. (Dual agency means the tenant’s advisory firm also represents the landlord.) Interestingly, on March 30, 2017 a California Legislator introduced Bill 1059 banning dual agency. However, lobbying efforts have shelved this bill, for now.
- 2.) Introduce competition**
If the current landlord does not believe he is competing for the tenant’s occupancy, the tenant has no leverage in the renewal negotiation.
- 3.) Start early**
Allow enough time to evaluate the market, negotiate the transaction, exercise a renewal option prior to the notification date (which is typically a year in advance of the lease expiration) or relocate, if necessary. If the tenant starts late, it gives up the leverage, flexibility, and time to achieve better business terms.
- 4.) Landlord first**
Insist that the landlord reveal his position first.
- 5.) Do not accept the first proposal**
Ask for more than you can get. As a general rule, make your first counter at least an equal distance below a realistic goal as the landlord’s first proposal is above the goal (but not too low as to end the negotiation).
- 6.) Keep emotions in check**
Do not allow emotions to drive the negotiation as this will result in costly mistakes.

7.) Value of previous tenure

Do not place economic value or goodwill in your previous tenure in the building. A tenant will not achieve better terms because it has paid rent regularly for 15 years. Just the opposite! A renewing tenant will get a less competitive offer than someone with no history in the building.

8.) Internal strategy

Only involve key personnel in the negotiation and carefully control information. To achieve the best terms, your advisor will pursue an agreed strategy developed to protect your best interests. These efforts could be undermined if other parties are discussing the renewal/relocation.

9.) Single point of contact

Do not speak directly to the landlord or his leasing agent unless this is part of the strategy agreed by you and your advisor. Otherwise, you risk undermining a coherent leveraging and negotiating process.

10.) Legal review of lease

While a good tenant representative negotiates the primary business terms of the transaction and makes the initial review of the lease document, it is always in the tenant’s best interest to retain a real estate attorney for a legal review of the lease. Make sure your advisor and attorney are working in tandem.

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About the Author

Carrie S. Holstead is the Chairman Emeritus of ITRA Global with experience representing users of corporate real estate in nearly 300 markets around the world. She is also the Founder, President and CEO of the longest established tenant representation and advisory firm in Pittsburgh, Pennsylvania. Carrie was recently honored as a Woman of Influence by *Real Estate Forum Magazine*, is the acclaimed author of the monthly *Insider's View To Corporate Real Estate*, is a frequent speaker, and has made a number of guest television appearances. If your company has a local or global corporate real estate need, 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.