

# Insider's View To Corporate Real Estate

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## **10 Golden Rules For Office Tenants In A Renewal Negotiation**

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Office tenants face an inherent disadvantage in the renewal negotiation and they usually lose money due to the fact that landlords know, unless there is a compelling reason to leave, tenants will renew 70% of the time to avoid the cost and disruption associated with relocation. Tenants can shift the odds back in their favor following the guidelines outlined below.

### ***1.) Hire a 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 about once every 5 to 10 years. A qualified tenant representation broker will know the terms offered by the current landlord's competitors, and the simple presence of a broker will signal that the tenant is considering relocation, prompting more competitive terms from the landlord.

### ***2.) Introduce competition for your tenancy***

The tenant must do this regardless of market conditions and its ability or intention to relocate. If the current landlord does not believe the tenant is considering relocation, then the tenant has no leverage in the renewal negotiation. The tenant and his representative must convince the current landlord that he is competing for the tenant's occupancy.

### ***3.) Start the lease analysis process early***

Allow for enough time to evaluate the market, negotiate the transaction, and relocate, if necessary. By starting early, the tenant has enough time to walk away from the first above market proposal offered by the landlord as well as enough time to be wooed back by the landlord. If the tenant starts late, he doesn't have the leverage, flexibility, or time to achieve better business terms.

### ***4.) Reveal the landlords position first***

Insist that the landlord present a proposal first, revealing his position.

### **5.) Do not accept the first proposal**

Ask for more than you can get. As a general rule, make your first counter proposal 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.) Avoid costly mistakes**

Do not allow emotions to drive the negotiations 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 get a better deal because he 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.) External strategy**

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.) Get an attorney**

While a good tenant representative will negotiate the primary business terms of the transaction and make the initial review of the lease document, it is always in your 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.

*Carrie S. Holstead Real Estate Consultants, Inc/ ITRA Global represents users of corporate space, and is the longest established tenant representation firm in Pittsburgh, Pennsylvania. If your organization needs to expand, contract, merge, relocate, or renew an office lease(s), or is interested in a sale-leaseback, contact Carrie Holstead at **412.833.1030** or [carrie@carrieholstead.com](mailto:carrie@carrieholstead.com). To stay informed or see our work experience, conflict-free services, and media appearances, visit [www.carrieholstead.com](http://www.carrieholstead.com) . For additional information, visit [www.itraglobal.com](http://www.itraglobal.com) .*