

Insider's View To Corporate Real Estate

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5 Reasons Why You Should Blend & Extend Your Office Lease

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If used properly, blend and extends can be a powerful tool to save money on your office lease or avoid investing your company's capital in tenant improvements. Below are the five reasons we have used blend and extend leases and how they have benefitted our clients, when their current building has been suitable.

1. **Tightening Market** – As availabilities decreased, rental rates increased in the *submarket* in which our client's office was located. Projections revealed this trend would continue in the future. In order to save money, we blended the remaining years of the current lease into a competitive extension lease that locked in a lower real estate cost than if our client waited until its lease expired in about three years. (Note that there are nineteen submarkets in the Pittsburgh area, each of which is trending differently.)
2. **Expanding** – Our client needed additional space but had less than two years remaining in its current lease. The landlord would not pay to construct the expansion space with only a short term commitment remaining. To avoid having our client invest its capital in tenant improvements for the short term, we blended the remaining years of the current lease into a new, longer term competitive lease and the landlord constructed the expansion space at its expense.
3. **Contracting** – Our client was downsizing its space but only had four months remaining in the current lease. To avoid paying some \$75,000 for space it no longer required, we reduced the size of the space and extended this lease which saved our client nearly \$75,000 in the first year of the new lease, and also achieved competitive terms thereafter.
4. **Updating the base year** – The operating and tax expenses increased to the point that they were adding \$3.20 per square foot to the real estate cost. To reduce the overall cost, we negotiated a new, competitive extension lease, including an updated base year.
5. **Changing Corporate Standards** – New corporate standards provided employees with workstations instead of the current enclosed offices. To completely reconfigure the space was going to be costly. To avoid having our client invest its capital in significant tenant improvement costs, we blended the remaining years of the current lease into a new, longer term competitive lease in exchange for the landlord reconfiguring the space at its expense.

About the Author

Carrie S. Holstead is the founder, president and CEO of the longest established tenant representation firm in Pittsburgh, Pennsylvania, and is the chairman emeritus of ITRA Global, one of the largest organizations in the world dedicated to representing users of corporate real estate, with experience in nearly 300 markets around the world. If your company has a local or global corporate real estate need(s), including expanding, contracting, merging, relocating or renewing one or a portfolio of office leases, contact Carrie Holstead at (412) 833-1030. To receive the Insider's View To Corporate Real Estate electronically, sign up for the newsletter at www.carrieholstead.com.

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