

Renew Early To Capture Lower Rents

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Companies, more than ever, are looking for creative solutions to improve their bottom-line because of ongoing concerns of an even longer economic slump. Renewing early to capture today's lower rental rates is an obvious but often overlooked opportunity to reduce costs. Your tenant advisor, or commercial real estate broker, should recommend a window of time to

commence early lease renewal negotiations based on an analysis of market rental rates, your in-place rental rate, remaining lease term, office space needs and the landlord's leasing situation. If your tenant advisor has not, we will. ***Since rent is typically a business's highest "fixed" cost decision-makers should always be open to evaluating their leasing situation to explore new opportunities to reduce costs.*** And, Mid-Atlantic will perform a courtesy lease analysis at your request.

Early lease renewals allow for win-win opportunities for landlords and tenants. Landlords benefit by uninterrupted income and a more stable property to better position the property for a future sale. Even if there is two to three years remaining on the lease term an early lease renewal could lock in a lower rental rate generating substantial long-term savings. Twelve to eighteen months is more realistic. Tenants may also benefit by negotiating a generous tenant improvement package to upgrade their space or possibly downsize. Mid-Atlantic knows how to navigate the negotiation to maximize the economic benefits for their client while achieving greater contractual flexibility in the lease to improve rights, reduce obligations and mitigate risks.

For example, a business could save up to \$60,000 by renewing a 10,000 square foot lease two years early with a \$3.00/SF rental rate reduction in the remaining term. A tenant improvement package could be worth, conservatively speaking, \$10.00/SF (more or less depending on the situation) or \$100,000. The total economic value of an early renewal could be \$160,000! What does the landlord get? Steady income, a stabilized property and less pressure from their lender! Tenants, however, should understand some landlords may be adamant to negotiate an early renewal at lower rental rates or just say no. The benefits of stable cash flow may not offset their lower cash flow, a potential impairment to the property's value or a violation of loan covenants.

Contact us to request a courtesy lease evaluation to determine the best time to renew early.