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By Michael Stein, Windsor Commercial Real Estate An expert within the industry discusses when it is best to renegotiate your office lease

While 2003 appeared to be a relatively flat leasing year, one might better state that the activity of last year was merely backloaded. As in the adage you may have heard



a thousand times, the tough got going. There is plenty of business going on, and brokers with the fortitude to take matters into their own hands have done just that. As a result of a lot of hard work last year, 2004 appears to be ready to deliver on promises. The year or so after the September 11, terrorist attacks had many business wondering if we were about to see unprecedented hard times. As a result, business tightened their belts, put certain changes and moves on hold and sat back to watch. When the doom and gloom forecasts didn't pan out, it became apparent that business was going to go on, whether or not executives sat on the sidelines. Savvy business owners have realized that with the market just starting to tighten up again,

there is no better time than the present to secure the future. Even with two or three years left on your lease, you can and should still take advantage of conditions today. Most of our clients have already trimmed down to their fighting weights, and are now planning to take that new efficient entity through the next five or ten business years. So with the market starting to look stronger, vacancy rates starting to head back down again and rental rates again turning upward, now may be just the right time to extend that lease for another term. While you may believe that with 2 years left on your lease that it is too early to do anything that is going to be productive, you have to take a true look at what it takes to move a large corporation, and how long it takes to get the job done. To do this we'll back in to the numbers. It will probably take up to 90 days to permit, build, furnish and cable your new facility for business. In addition, if the deal is sufficiently complicated, and they all seem to be when you get right down to it, it could take six months to make offers, negotiate busi-

ness terms on 2 or 3 suitable properties, request leases and then battle over the le-

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gal terms of the deal. If your broker does not go through the trouble of keeping 2 or 3 options viable throughout the negotiation process you could end up with only one place to go and a landlord that knows it, and is more than willing to take advantage of you. In real estate as with everything else, you find yourself in the strongest negotiating position when you are ready, willing and able to walk away from the deal. Now throw in 6 months of budget crunching, to decide what you can and can't afford and then put 3 or 4 months worth of looking at every viable option that presents itself and you find yourself 18 months out from being able to turn the key on a new office. So if staying put is an option, when do you want to consider it? Well the answer is simply that you

want to discuss renewing while there is still a credible option to relocate.

Why would a landlord consider giving you an attractive new lease so early in the game? To answer that, you have to look at what it costs a landlord when you move out. Does he put a tenant into that space the day you walk out, or is there a couple of months vacancy? Does that new tenant walk into your 5 or 10 year old space and say "This is perfect." Or do they have a different corporate culture? Maybe they need smaller offices, or less offices or more open area... etc. In most cases the landlords cost to rebuild the space is as much as a years rental. Does it pay to keep you as a tenant, even if they have to lower the rent a little, give you some new paint and carpet and a couple of other miscellaneous incentives? You bet. At what point will you have the best leverage to renegotiate your existing lease? When you are ready, willing and able to walk away from the deal, and while there is still a credible option to relocate.

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