

## **USING A BROKER TO GET THE BEST RENEWAL DEAL**

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Your lease is coming up and you have not heard from your landlord yet, or, your landlord has been holding firm to a rental rate that appears to be higher than what you are hearing in the open market. What can you do to insure that you will get the best deal possible from your existing landlord to renew? HIRE A BROKER TO REPRESENT YOU.

Today, in this current economy, landlords are not seeing a lot of expansions or new businesses to absorb their vacant office space. Therefore, it is more important than ever to renew existing tenants. However, landlords typically will not present their best deal to the existing tenant until they feel that there is a possibility of losing that tenant. By using a broker to act as your negotiator, the landlord understands that there is a possibility that you will move. Therefore, they usually are much more willing to negotiate more aggressively from the start.

To understand the strategy on the landlord's side you must first understand the risks he is taking while negotiating with you. First, he understands that for a tenant a move is costly. The tenant has moving costs, possibly new furniture, phone and data costs, stationary costs and loss of potential business during down time. Second, the landlord understands that if you move, he could lose many months of rent waiting for a new tenant; spend a considerable amount of extra money on brokerage fees, architectural fees, build out costs and marketing costs. Clearly, if the tenant does not have to move, the best strategy for both the landlord and tenant is to create a "win-win" scenario and have the tenant renew.

This sounds simple but in reality more tenants are lost because communication stops between tenant and landlord because there is no negotiator in between keeping the lines of communication open and trying to facilitate a fair deal for both parties.

An example is a tenant I am about to move. My client told me that although they are seriously considering a move they would also consider staying if the landlord made a reasonable offer for them to stay. The first offer by the landlord, which was presented four months before the initial term was over, was clearly on the "higher side" of defensible rent for this space. My client did not bring me in to help negotiate with the landlord only to assist in finding new space. My client felt no pressure to respond to the landlord and was taking time evaluating new space alternatives. They saw little action on the part of the landlord to market their space and given their understanding of our soft office market felt comfortable that even if their lease expired, they could remain for a longer period of time until either they found the ideal space or the landlord became more realistic in a new rent.

In this case, the landlord surprised everyone by sending a letter to my client less than 30 days before the expiration of the lease to announce that a new tenant would be moving in fifteen days after the expiration of my client's current lease. My client was absolutely "broad-sided" with the news. They had no options to stay nor had they finalized even a short list to move to another space. When my client contacted the landlord, the landlord

indicated that when my client did not respond to their initial offer they felt that he had decided to leave, therefore they found a replacement tenant. They indicated that they would have wanted to keep my client and would have worked out a better rental arrangement but they felt that my client had no interest in staying.

This is a classic example where if I were involved as a broker, I would have kept lines of communication and negotiations going. My client would have had an opportunity to evaluate the direction and seriousness of the landlord to see if they would agree to a competitive rental rate while also giving us better direction and the speed and urgency of finding a new office space as an alternative. The landlord on the other hand probably has costs associated with introducing this new tenant that he could have saved if he simply negotiated a more competitive deal with my client. In the end both sides lost.

Usually, I will charge 1/2 a normal fee to negotiate a renewal. The landlord almost always pays for this fee. He usually is glad to pay such a fee because in the end he saves money. The tenant on the other hand usually does not pay a brokerage fee so they get a professional negotiator for free. In the end using a broker is a “win-win” for both parties.