

Tips If You Have a Lease Renewal in 2006

If your office lease is expiring in 2006, you will be facing some tough decisions in the near future. In particular, you will need to evaluate the following statements:

- “My office is set up the way it needs to be, so I would like to renew my existing lease.”
- “I need more space or to reduce the size of the office.”
- “I would like to upgrade the appearance of the office or to reduce my rental expense.”
- “I no longer need the office.”

Each statement represents a strategic direction that your company will take in the next year. If you are happy with your office and simply want to renew the lease, you still should evaluate options outside the office as well as review the positives and negatives of your current office environment to ascertain that staying is the best decision. Review your company's workflow: How do people work within the office? How do they communicate with one another? Review the office systems: Does the equipment work properly? Is it time to upgrade the data wiring or the phone system? Does the office convey the image you are looking for? Are you paying fair market rate rent? If you decide to renew your lease, approach the landlord at least six months before the lease expires to ask for a renewal quote. The smartest decision at this point is to hire a real estate broker; this informs the landlord that you plan to evaluate all your options. A real estate broker can immediately determine if an offer meets the current market for the space.

In almost all cases, the landlord will pay the broker as part of a fee that is built in to their costs, so this service is free to you. Once you have a quote from the landlord, instruct your broker to look at alternative spaces to confirm your decision to stay while using the competition to evaluate your landlord's offer. A competitive environment will ultimately lead to the best deal for your business. If you decide to close your office because it is no longer needed, you may save money by informing your landlord of this decision as soon as possible. With advance notice, the landlord may be able to release your office ahead of your lease expiration date, possibly saving you months of additional rent.

If you need to expand, upgrade, or reduce in size and you plan to leave your existing office, give yourself at least six months to complete the move. The first step is to hire a real estate broker to represent you. It is far better to work with one broker whom you can trust rather than with multiple brokers. If you hire one broker who knows he or she will ultimately make a deal with you, you will have that broker's full attention. The broker will diligently complete a full review and follow up all the options available to your firm.

Here is a timeline for making a move

- 1) Finalize and negotiate a lease. If tenant improvements are necessary, estimate the space needed and the cost of those improvements. Have your attorney review and assist in negotiating the actual lease document. (Four weeks)
- 2) Build out the space. If the necessary improvements are more than painting and carpeting, a building permit will be required. An architect needs a minimum of two weeks to prepare final space documentations for the permit. Figure a minimum of thirty days to actually secure the permit, as well as eight weeks on average to build out a space from shell condition. (Four months)
- 3) Order furniture and phone systems; this takes a minimum of four to six weeks after you have decided what you want.
- 4) Order your telecommunications services; this takes a minimum of four weeks.

Some clients have attempted to shorten the process considerably, only to find themselves in a big mess. I had a client who dragged their feet in the final decision-making process, only to learn that the chosen space would not be ready in time for the planned move, the current landlord would not allow additional time to stay in the existing facility, and the only option was to make a second move at a considerable cost. Although I prodded the client consistently to make decisions and move forward, they simply were not willing to give this process the time needed for it to succeed.

Properly scheduling your office leasing decisions will allow your firm to secure the best deal possible, while ultimately creating the right office environment for your employees.

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Peter Rosenthal is a real estate professional with over 15 years of experience. He has worked on numerous development projects in New York and San Francisco. He spent much of his career heading up the real estate actives of actor Robert DeNiro's holdings company Tribeca Film Center.

Specialization

Rosenthal specializes in tenant representation and advocacy services in San Francisco CBD. In addition to his work at Starboard, he is a partner in a small real estate investment fund focused on stable assets, which generate above-average current returns.

Highlights

- 15 years of real estate experience in lease management, negotiation, development, and capital structure analysis
- Total transaction closings in excess of \$30 million in 2004
- Earned Starboard's Goal Maker of the Year award in 2003 and 2004
- Evaluated buy/sell options on behalf of ownership entities
- Underwrote JV debt structure at Appian Ventures

Past Clients

- Grovsener
- Venture Corp
- Blue Shirt Group
- Film Arts Foundation
- Leadership Public Schools
- Breast Cancer Fund
- *Mother Jones* magazine



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Stephen Newhauser is an experienced real estate professional. Throughout his career, he has consistently ranked as a top agent and salesperson while working on numerous complex transactions. Stephen brings the highest level of integrity to each deal.

Specialization

Stephen's primary focus is tenant representation and project leasing in San Francisco's submarkets and investment sales across the United States.

Highlights

- Starboard TCN Worldwide total transaction value in excess of \$30 million
- 2004 Goal Maker of the Year
- Awarded top Sales Person honor at MCI, Exodus, Asoki, Starboard
- Has closed more than 100 deals since starting with Starboard TCN Worldwide

Past Clients

- Brite Vision Media
- Canyon Pacific Management
- Knk Builders
- Melting Pot
- Rose Pistola
- SEIU Local 250
- Solid Gold Financial
- Bank of Stockton
- SEIU 250

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