

## When To Renew Your Lease

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### RENEWING YOUR LEASE IS A LOT LIKE TELLING A JOKE: IT'S ALL IN THE TIMING. YOU WANT TIME ON YOUR SIDE AT ALL TIMES (NO PUN INTENDED).

Typically, if you're 10,000 square feet or smaller, you want to give yourself 9-18 months whether you're moving or renewing. That said, the sooner you start looking for a new space, or looking into renewing your lease, the better. Here's why.

- **Increase Your Options:** Simply put, you wait too long to start the process, you will paint yourself into a corner. It takes time to find space, negotiate a deal, do construction, set up I.T. and move. Let's say you're a ten person firm and you wait until you have three months left on your lease, your landlord will think he's GOTCHA! He knows you can't move in three months and he knows that he has a nasty little provision in his lease called a HOLD OVER PROVISION that has steep penalties if you're not out on time. So the bottom line is if you wait too long, you might not be in a position to snag that great space that has everything you want, but needs a few months worth of construction (that the new landlord would be happy to do). If your landlord knows that you've been viewing other places and you have enough time to actually move they're more likely to offer you a fair or even below market deal to get you to stay. Landlords hate to lose their tenants, even small ones and especially good ones – so play your cards right and you'll like the outcome.

#### **Avoid Giving Your Landlord Extra Leverage:**

On the flipside, if you wait until the last minute to look for a new office space, or even to discuss renewal, your landlord will use this against you. Don't let them GETCHA!

- If you don't have a new office space by the time your lease is up, your current landlord can charge you double or even triple your normal rent. This is the nasty HOLD-OVER PROVISION mentioned earlier. They can even start eviction proceedings. You want to stay in power – don't wait until the last minute! Doing so gives your landlord the upper hand.

**Available Space Can Be An Issue:** The more space you're looking for, the sooner you should start to look.

- The bigger your company is, the more lease time you need. Bigger spaces take more planning; there are also less of them out there. If you're a big business with 2500 people working for you, those are 2500 people you have to relocate in a timely manner. If you wait until the last minute, that's 2500 desks to move, 2500 pounds of paperwork to relocate, and 2500 questioning employees to deal with.

**Understand Market Conditions:** Another thing to consider when renewing is that if you signed your lease before the market crashed, you may be paying too much!

- If you're prepared to extend your current lease, you may be entitled to get a rent reduction immediately. Example: you have 5,000 square feet in your current building, two years left on your lease, and you're paying \$80/square foot. Market rate now is a \$40/square foot, so you're paying \$40 too much per square foot! Multiply that by 5,000, and you're paying a heck of a lot more than you should be.

What you can do: approach your landlord. Tell him you want to renew your lease early, and that you want to add an additional 10 years to your lease. This works in the landlord's favor, because he/she is now getting a tenant for 12 years instead of the original two. In return, you tell the landlord you want a \$40 rent, and that you want to take the \$80 you're paying over the market for the next two years and you want to re-amortize it over ten years. When all's said and done, you'll be paying \$48/square foot in the future instead of paying your current \$80.

- Time is your best friend. Start early, and the cards will play themselves in your favor.
- Raise the stakes. Make it look like you're preparing to take your business elsewhere – even if moving is the last thing you want, you may be surprised by what's out there – and whether you're serious about moving or not, losing tenants strikes fear into the hearts of landlords.
- How much space you need is a big factor – the more of it you require, the more lead time you need. Under ten thousand feet, 9-18 months, over ten thousand feet, talk to an expert, but 2 years is not excessive and if you're over 100,000 feet, you might need more than 2 years.
- Follow the market, know what other buildings are offering, and get what you deserve.

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