

Lease Negotiations & Renegotiations



PROPERTYworks
LEASE MANAGEMENT SOFTWARE & SERVICES

Most tenants accept their lease options and conditions as if they're etched in stone. But just when you think something is non-negotiable in the commercial real estate world, think again.

When the Property Works Advisory Group works on your behalf, they'll seek more favorable terms and TI allowances. They'll even renegotiate contracts when sales decline, and restructure or liquidate under-performing properties.

Paying special attention to the bottom 20 percent of locations in the portfolio, they'll help you make the tough decisions. The most common strategies for managing under-performers include:



1. Terminate

When it's time to "cut bait," the preferred recovery method is to terminate low-performing leases. Negotiating this type of exit is the cleanest and most risk-averse. However, it typically requires a lump sum payment equal to a percentage of the remaining rent obligation. Skilled negotiators may even entice landlords to accept termination payment in installments.



2. Sublease or Assign

The next preferred option is to sublease or assign the property, but that can take several months to execute a marketing plan.

Subleasing carries some risk exposure with subtenant performance and credit, but can preserve capital in contrast to a lump sum termination payment. If rent is under market, assigning the lease is a great option. This removes an element of financial risk and would likely generate an assignment fee for the assignor.



3. Renegotiate

Renegotiating lease terms can be effective, especially when the tenant can demonstrate a reasonable hardship due to changing market conditions like surrounding vacancies, never-ending construction projects and rising crime rates. In the case of a required remodel, landlords also may be willing to reduce or abate the rent, provide a longer lease term and/or contribute improvement funds.

Managing the bottom 20 percent of a portfolio can be more labor-intensive than most in-house companies can effectively resource. In fact, internal negotiators can spend 80+ hours of preparation, dialogue, correspondence and execution for each property. However, an experienced, dedicated team of negotiators with a national marketing network in place can drastically shave critical time off the process.

If your company is actively seeking to restructure its portfolio, see how the team at Property Works Advisory Group can shorten the time to recovery, and manage projects with a high level of accountability and success.