

THE RENEWAL GAMBIT: PLAYING THE RENEWAL GAME TO WIN

UNDERSTANDING THE LANDLORD/TENANT DYNAMIC

Landlords capitalize on their experience and market knowledge in any direct renewal negotiation with a tenant and often profit disproportionately at the tenant's expense. Tenants that negotiate their own renewals gain some concessions, but with little idea of their true worth or how much more they could have negotiated.

3 COMMON TENANT MISTAKES

1. VIEWED LEASE RENEWAL AS AN ADMINISTRATIVE MATTER

With no operational need to relocate, renewal was viewed as a routine task. Renewals avoided the operational, logistical and cost issues associated with moving and was seen as an opportunity to "come out ahead" for the company and its shareholders. The reality is that the company left money on the table.

2. ENTERED WITHOUT A CLEAR STRATEGY

The company did not see the lease renewal as an opportunity to gain a competitive cost advantage. By underestimating the magnitude of the economic benefits that could be extracted from a "routine" renewal, the company missed a major cost-reduction opportunity.

3. FAILED TO UNDERSTAND THE ECONOMICS OF THE LANDLORD'S POSITION

Knowing all the factors that Landlords use to determine their optimal outcome creates leverage for the Tenant.

UNLEVEL PLAYING FIELD

Without representation a Tenant is walking onto an unlevel playing field for the following reasons:



THE LANDLORD IS IN THE REAL ESTATE BUSINESS AND THE TENANT IS NOT



THE LANDLORD HAS SUPERIOR INFORMATION AND UNDERSTANDS THE GAME'S STRATEGY AND TACTICS



LANDLORDS KNOW THEIR "BOTTOM LINE" - THE PRECISE POINT WHERE THEY BECOME ECONOMICALLY INDIFFERENT TO A RENEWAL VS. FINDING A NEW TENANT

COMMON TENANT MISCONCEPTIONS



"I'LL GET A BETTER DEAL FROM MY LANDLORD BY NOT USING A BROKER."



"I HAVE A RELATIONSHIP WITH MY LANDLORD."



"I CAN HANDLE IT - I KNOW THE RECENT DEALS IN THE BUILDING AND I'VE DEALT WITH MY LANDLORD BEFORE."



MARKET REALITY

A full commission is paid on the vast majority of deals, whether a broker is involved or not. The landlord will either pay himself or his representative a commission otherwise paid to a tenant rep broker.

Every tenant has a "relationship" with their landlord. Your landlord is a real estate professional who's in the business of maximizing a return on investment.

No matter how much you know, the landlord works on transactions daily. A tenant may work on a transaction every 5-10 years. Engaging a tenant representative will even the playing field.



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