

Negotiating Commercial Office Space Leases

Negotiations and Timing

It is always best to have three options or at least a good 2nd option when it comes to space alternatives. Use one to leverage the other to extract the best terms when negotiating. Don't be afraid to say "no" and walk away. Not having a good 2nd option minimizes the aggressiveness of your negotiation and can cost your firm money. Had you been able to "play hardball" and use leverage to its fullest potential, more economically favorable terms and concessions would have been achieved.

Plan ahead and start searching for space early. It is best to start the search process at least 9 months in advance for you to uncover your best choices. For example, waiting, whereby you only have a three month minimum timeframe or "window" limits your choices as your best choice might not even be in play during this short timeframe. Not only does a minimal timeframe limit your choices, it minimizes your ability to conduct an effective negotiation. Potential landlords and their brokers will sense or "read" your urgency with a short window and negotiate accordingly to achieve their best terms. When you have a longer time frame you can utilize time by effectively stringing out the negotiation and extracting additional concessions as you are in no rush to make a decision and the landlord's situation may be that he needs your firm's tenancy right away. Time is your ally when you have it and your enemy when you are racing against it.

Also note that your current landlord will try to "string you along" should you be negotiating with him for a renewal and on other sites. He will try to have you run out of time so that

you will have to renew because there now isn't enough time to build out what would have been your new space in time as your current lease expires.

Harness Your Emotions

A lease or a sale is unfortunately, an emotional thing. Once a user or buyer gets emotionally attached, they are at a disadvantage. Do not let that happen when dealing with commercial real estate, especially in today's changing market. Pay more attention to utilitarian issues such as space layout, future growth, general location and economics. Either complete the transaction based on the merits of the economics and the real estate verses letting your emotions detract from quality decision making.