

Considerations That Will Save You Money on Commercial Leasing

Space Productivity and Efficiency

In today's market, the key is to clearly define your usage, budget, and location. An efficient use of space will save you money especially in light of today's economic conditions. Apply BOMA standards to usable/ rentable space to make sure you are getting all the space you are paying for and are not paying for space you don't get. Have your space planner verify measurements and be creative with design.

A creative design can place your productive people on the interior of a space rather than by window. Wonderful things can be done to the interior to create a great working environment even if the outside of a building may not be as appealing. A good architectural firm can convert most buildings to accomplish the environment you require, ie. an Old Victorian to an Ad Agency.

Be flexible on other issues and the transaction will fall in place. Today, Landlords are less likely to pay for lavish tenant improvements, so efficient space usage and simple, but tasteful improvements are key. For example, upgraded improvements to your reception and common areas that visitors to your firm actually see while being very basic in the individual offices and the "back" areas goes a long way in keeping the high image you need yet not costing extra improvement dollars.

Operating Expense Charges

With an operating expense cost-pass-through, more rent will have to be paid as building operating expenses increase over a base year and cost-pass-through's take effect. You should compare previous years increases in your analysis of alternatives, thus make sure that the starting point is appropriate. It is very typical in today's market to request and receive CAMT Breakdown's from each landlord whose property you are considering. Try to negotiate some type of cap on annual increases, if possible, as costs (ie: energy; maintenance; materials just to name a few) are escalating at a rapid pace each year.

Be aware of categories that are typically included in CAM charges in your particular market vs. those that are not. For example, are light bulb and ballast replacement typical CAM charges in your market or not? Is a particular Landlord charging tenants for general capital improvements to the building or project vs. for only those capital improvements that are designed to reduce operating costs for the building or project?

Since CAMT charges range from \$7.00 – \$9.00 psf in Class B office buildings and from \$10.00 – \$13.50 psf in class A office buildings, it is imperative that you don't get charged for items that should not be charged for.

Plan For Disasters

What would you do if the elevator broke and your customers could not reach your office? What if a fire on another floor prevented your employees from reaching your office, or if the ceiling collapsed because of a water leak? It would at least be difficult to operate your business and you certainly would not want to pay rent during those times. But many form leases require you to do just that. Make sure that your lease states that your obligation to pay rent stops (the legal term is

“abates”) during the time you are denied reasonable use of, or access to your space.

In addition to fire or damage, the same scenario plays out for eminent domain, forces of nature, strikes etc. Make sure your rent abates during these times. Also, don’t let the lease allow for more than 90 days for the Landlord to make the determination as to whether or not he can repair the premises or building and return to normal business function if one or more of these aforementioned events occur.

Other Considerations/ Clauses

Holdover

Option to Renew

Option to Expand