

Window closing for commercial tenants to renegotiate leases

It's probably no surprise that many commercial landlords across Durham Region have had to drop their rents over the past year or so because of the economy.

However, according to Stan Krawitz, president of Toronto-based Real Facilities Inc. (www.realfacilities.com), the economic uncertainty that had gripped the commercial real estate market for most of 2009 is starting to ease and landlords are beginning to dig in their heels when it comes to negotiating or renegotiating commercial or office leases.

Krawitz, a commercial real estate consultant, says most landlords can still be persuaded to make the concessions needed to keep a stable tenant in place, but they aren't acting out of the same sense of desperation they were even a few months ago.

"The upshot," says Krawitz, a veteran at negotiating leases for tenants, "is that there are still very good opportunities for commercial and office tenants to negotiate significant concessions from their landlords, but the window is closing and the time to act is now."



According to Krawitz, there can be significant benefits in extending one's lease in exchange for a rent reduction or even a space reduction, if required. However, he adds, there is an art to this negotiation process and a science behind the financial calculations that many tenants simply do not understand. The challenge, he says, is to find the delicate balance between the extension term length, the rental rate and the

amount of space required. And finding this delicate balance is never easy, particularly if you are not a real estate expert.

With more than 19 years experience in Canadian office, industrial, commercial and investment real estate, Krawitz offers five crucial tips to help businesses recession-proof their operations during lean times:

- 1 Apply an integrated, organization-wide** approach to reducing costs, including looking at real estate, human resources, production processes and all other major cost centers.
- 2 Conduct a locational assessment** to determine the value and strategic importance of each distinct physical location in the organization.
- 3 If your company has multiple leased properties in different locations, leverage the strength** of your portfolio to negotiate with your landlord or landlords to cut space and increase the length of your lease term/s.

4 Undertake a space utilization study to make sure you are seeing maximum efficiencies across the organization.

5 Do a lease audit to uncover any hidden costs your organization may be bearing, and be prepared to renegotiate the terms of your lease with your landlord.

ABOUT REAL FACILITIES

Real Facilities Inc. (www.realfacilities.com) is a Toronto-based group of corporate real estate professionals representing the best interests of corporate space users across Canada, U.S.A., Asia, Europe and Mexico. Conventional service providers represent both landlords and tenants, buyers and sellers which creates a marked conflict of interest. Real Facilities only represents corporate space users. Real Facilities' FLOW process delivers tangible cost savings and productivity results for its clients.