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Lease Renewals Take Work Too

By: David J. Rubenstein, Principal, The Miller Richmond Company

Finalizing terms on a new lease for office space requires strategy, a good deal of corporate energy and of course, professional advisement. However, many tenants fail to realize that the lease renewal process demands a substantial amount of planning and advisement as well. When searching for a new location, a company typically takes into account basic market and building data like cost per square foot, core factor, vacancy rates, concessions and amenities. Once settled in and productive, it is easy to forget about the ongoing dynamics of the current real estate market. After all, you have a business to run. Remember though, your landlord is never out of the real estate loop.

Every day, commercial landlords are making decisions about the space and buildings around you that will have an impact on your renewal. This is why it is critical for companies to understand that the same hard data and subjective characteristics used to secure their location initially are just as important in the renewal discussion.

Since landlords are keenly aware of the available vacancies (their competition) in the market, it will benefit you immensely to know what other space options can be a good fit for your company. Even if you know you do not want to relocate, arrange visits to possible locations. Discuss terms and potential new space plans. You do not have to get overly granular in your due diligence but work closely enough with your tenant rep to craft a viable relocation alternative to a potentially unfavorable renewal. It can be a critical tool in negotiations with your landlord. Once armed with a fresh understanding of the market and with a knowledgeable tenant representative by your side, you will be able to approach your current landlord with a sensible and professional renewal proposal that is in line with current market conditions.

Mr. Rubenstein is a Principal with The Miller Richmond Company, an Atlanta-based commercial real estate brokerage firm specializing in tenant representation.

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