



By Dale Willerton

Tactics

Many tenants will openly admit to me they are poor negotiators. These people I can help. Its the business owners, retailers and tenants who think they know it all that invariably won't do any homework. At my seminars, I teach tenants that good preparation is an excellent substitute for brilliant negotiating ...so do your homework.

THIS IS YOUR ASSIGNMENT:

Seven ways for tenants
to improve their chances
before and during
commercial lease negotiations.

Adopt a "Negotiate To Win" mindset.

Many tenants get so focused on not losing their shirt they don't even try to win. When the CBC television network asked me to appear on their Venture program I agreed. A crew of four followed me around for half a day filming and interviewing me in action. Most of that footage was left on the cutting room floor but one statement that made it to air was this "there is nothing wrong with negotiating aggressively".

Tenants need to realize that the landlord's realtor or leasing agent is negotiating to win - and tenants can (and should) do the same. I've actually had tenant clients discourage me from getting them too good of a deal or it might spoil the landlord/tenant relationship. No wonder some tenants are paying too much rent in poor locations. You don't have to apologize for negotiating aggressively if you speak and act professionally.

Determine what motivates the landlord.

There are many different types of landlords such as financial institutions, pension funds, local developers and even small family property owners. You need to determine or find out who the landlord is and what their long-term goals are if you expect to have successful negotiations. For example, some landlords prefer the security that comes with a national tenant. Other landlords will want to maximize cash flow - so if an independent tenant will pay more rent than the national chain store they lease to the independent. While many landlords willing participate with flexible tenant incentives such as free rent and allowances this is not always the case. If you learn that a landlord for a particular property always insists on a personal guarantee and you are not prepared to give one then having this information in advance from the landlord's leasing representative is helpful. Gathering information about the landlord will save you hours and even days going down what turns out to be the wrong path.



Ask questions - but watch what you say.

Asking questions is simply the most useful activity you can engage prior to actually starting negotiations. Is the building for sale or conversely how long ago did the landlord develop or acquire it? Who really is the landlord and who makes the final leasing decisions? Ask which tenants recently moved in (or out), seek them out and interview those tenants. Be prepared to lead the initial leasing interview by asking pertinent questions. It's also a good idea to prethink your answers to possible questions they will ask you. What you say and how you say it will help you or hurt you. Try to be friendly without being too informative. By telling the landlord's realtor that your current lease is expiring in six months, that you like the location she has just shown you; or that you've just purchased a franchise for this area you may be prequalifying your tenancy in their mind. Ask probing questions so that you will become an informed negotiator.

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Avoid purely emotional decisions.

A lady called me one day to inquire about our lease consulting services. She went on to tell me that just prior she had met with a local mall manager and looked at space for lease. Even though she didn't know what the landlord was asking for rent she wanted to lease the space and made her desire very clear to the mall manager. She loved the space and was determined to have it whatever the price. Keep your emotions in check to avoid being taken advantage of by the landlord. I admit that the majority of the decisions we make as humans are emotional decisions. Your intuition can be extremely helpful at times and should not be ignored. However, a tenants ability to weigh these emotions quietly on the side and make calculated decisions that will ultimately prove most effective in the overall decision making process.

Ask for more than you want.

A retail tenant whom I have subsequently negotiated several Lease Agreements for was pleasantly surprised to hear that I had successfully negotiated the first 12 months free of rent on his five-year shopping center lease. I was hoping you would get me at least three months free, how did you do it, he questioned me with excitement. I replied by explaining

that originally I had asked for 18 months of free rent, then settled for 12 months. The point is, most landlords will counter-offer your proposal so ask (or more precisely - negotiate) for more than you need, expect or want. This also applies to tenant allowances, the deposit, rent reductions and so on. Another tenant told me she needed a \$500 per month rent reduction to make her business viable. I opened negotiations with the landlord asking for a \$1000 per month reduction. We settled on \$800 per month, saving the tenant \$48,000 in rent over the next five years.

Walk away from the negotiating table.

Once you've invested days, weeks or months negotiating on a particular site it's hard to walk away from the negotiating table, but more often that not this is when the real negotiating begins. Some of the best deals I've gotten for tenants was after the deal fell apart or after we walked away. Most tenants can afford to walk away from a potentially bad deal, but few can afford to make a five or ten year mistake. If you are feeling unsettled about the deal I recommend you take a cooling off period of a few days before signing the Offer to Lease or Formal Lease Agreement.

Consider delegating the negotiations.

When I wrote my book *Negotiate Your Commercial Lease* I hired a person experienced in the book industry to negotiate the terms and conditions of my publishing contract. Even though I am a skillful negotiator I recognized that I was emotionally involved - unfamiliar with the industry and that I couldn't afford to pay "stupid taxes". This is the money you waste making unwise decisions. Consequently, the end result was much more in my favor with a lot less stress than had I stumbled through it myself. A professional Lease Consultant can help you with lease negotiations, site selection, document review or simply provide you with ongoing consulting. In my opinion it is a grave mistake to let a realtor represent you if that realtor's fee is being paid by the landlord. It's virtually impossible to serve two masters, which is why as a Lease consultant I exclusively work for tenants.

Dale Willerton is The Lease Coach - a Lease Consultant exclusively for tenants.
 Willerton is author of the book **"NEGOTIATE YOUR COMMERCIAL LEASE"** and speaks at franchise shows in Canada and the US. For Dale's free cd :13 **Costly Mistakes Tenants Make Negotiating Their Lease or Renewal"** call The Lease Coach toll free 1 (800) 738-9202 or Fax (780) 448-2670.
 Visit www.TheLeaseCoach.com or email DaleWillerton@TheLeaseCoach.com. Consulting inquiries and leasing questions welcome.