

Commercial Real Estate

My View: Navigating business lease challenges in age of COVID-19



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Apr 8, 2020, 6:00am EDT

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Dealing with your company's lease during the coronavirus economy presents lots of challenges. Valley commercial real estate broker Andrea Davis offers these tips to businesses trying to navigate through these rough waters.

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It been a rough start for 2020. But whether the turbulence proves to be short-lived or not, this change in volatility just underscores the value of being well prepared to handle any unexpected economic challenge as a business owner. That includes the challenges faced when you are leasing commercial real estate space amid the downturn.

Despite the disruptions in the market and economy due to COVID-19, it's important to remember that challenges can bring new opportunities. The actions you take during this time could affect the future of your business.

Need rent relief?

Be proactive. If your company is legitimately under duress and you need rental relief, contact your landlord and property manager directly, in writing. There is no standard negotiation between tenant and landlord. Be kind during the ask and throughout the negotiation process. Everyone is in this together.

Your landlord may offer the following options:

A rent waiver for a short period of time (they will request proof that you are financially overwhelmed). A rent waiver is not paid back to the landlord, however they may want something in return such as a personal guarantee or an additional guarantee; they may ask you to renew your lease a year early if the landlord has debt on the property, the lender may be involved in these negotiations

Rent deferral. A landlord may defer your rent for a few months, yet in return have you extend your lease out that accordingly. Again, the landlord will want proof that your business is under duress.

Remember, you are in a commercial lease and the landlord can evict you if you choose not to pay rent on time without a written agreement stating otherwise.

Is your lease expiring before the end of the year? Negotiating or renewing a new lease during the COVID turmoil maybe in the tenant's favor. Below are a few tips that I hope will be useful for businesses that are searching for their dream office and negotiating a lease:

- Hire an experienced tenant representation expert to guide you through the entire lease transaction - at no cost to you so you can have your dream office without breaking the bank. Talk to more than one expert to find someone you are comfortable with.
- Understand the balance between economics and location. A high-profile location is sexy and costly, yet not always necessary to conduct a successful business.
- Define your space requirements ahead of time. Poor utilization of space is where companies lose a lot of money. Often the landlord will pay for a space plan.
- Purchase an industry guidebook that guides you through the lease process, provides details to find the perfect location, explains how to negotiate a killer lease and put more money into your business instead of your landlord's pocket.
- Everything in a lease is negotiable. Don't settle for just OK.
- Always have agreed-upon lease terms in writing. In disputes, the written lease rules.

It is too soon to know the outcome of the pandemic and how the country will fare. One thing is for sure. It's never a bad idea to take control of your long-term interests and feel confident knowing your business is protected.

Andrea Davis is principal with Andrea Davis CRE and has practiced commercial real estate for over 20 years.