

## strategies for commercial real estate negotiations

*By: Aaron Kuhl*



**In today's real estate world, the confidence and strength in which the landlord will negotiate against a tenant varies greatly based on factors such as their financial stability, perceived leasing activity, vacancy rate, strength of existing tenants or their belief in a 2011 market recovery.**



Notwithstanding the nuances related to the psychology of the preceding paragraph, if you'd like to secure the best rental rate in a building with the least amount of headache, follow these steps:

**assemble your team**

According to Jim Collins, national best selling author of *Good to Great*, "...the main point of this concept is not just about assembling the right team - that's nothing new. The main point is to first get the right people on the bus (and the wrong people off the bus) before you figure out where to drive it."

1. **Designate a "point person" within your office to be your business contact person.** This can be your office manager, trusted assistant or spouse. Most landlords, contractors, vendors and brokers work Monday through Friday during normal business/patient hours. In order to keep the process moving smoothly and save you time, you may need to review certain information during patient hours. Your designee will be a great resource to minimize your voicemails or e-mails at the end of the day.

2. **Hire a commercial real estate broker that specializes in medical or tenant representation.** (I know, I am pitching my services, but read on before you pass judgment on the rest of this article). This service is free to the tenant and can save you both time, money and expose you to lease options many don't know are available. The landlord has a broker, usually an attorney and you should have representation too.

3. **Take the time to meet with your team together in person to set your goals and subsequent strategies.** Although this can be done on the

phone, it is recommended that you spend at least 15 minutes talking through the process and setting your goal. Setting your expectations in advance will save you hours of time and energy.

**set a defined goal**

Webster's dictionary defines a goal as: *the end toward which effort is directed.* There is no doubt that the level of effort put forth by your team is inversely proportional to the amount you will pay over the term of your

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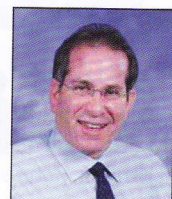
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“ **As with most things in life, a commercial real estate transaction is a game of compromise and balance. Ask yourself:**

**What is more important to you: rental rate or curb appeal?**

**Do you want a refurbishment allowance or a short term commitment?**

**Do you need room to expand or desire an early termination?**

**Do you want to stay at your existing building?**

**Do you want to look at moving to another building?** ”

Aaron Kuhl

lease. A defined goal helps clarify and direct your team's efforts.

As with most things in life, a commercial real estate transaction is a game of compromise and balance.

*What is more important to you: rental rate or curb appeal?*

*Do you want a refurbishment allowance or a short term commitment?*

*Do you need room to expand or desire an early termination?*

*Do you want to stay at your existing building? (If so, read #1 at your right)*

*Do you want to look at moving to another building? (If so, read #2 at your right)*

1. *Provided that you like your building, neighbors and landlord, the major questions you need to answer are size and length of term.* Do you really need all of the space that you have? Should you expand or give some of the space back to the landlord? With regards to your timeframe, is a three, five or seven year renewal appropriate for your long term goals?

2. *If you're like most physicians, you don't like to move, but may be forced to by a dilapidated building, unresponsive landlord, or changing demographics.* Although there are some administrative costs associated with moving, the bulk of the relocation cost is spent in moving specialty equipment if applicable and tenant improvements. For example, a primary care office can typically be moved and stationary replaced for the equivalent of less than one month of rent. None the less, will your term at the new space justify the cost and hassle of moving? Where would you move...closer to home or patients?

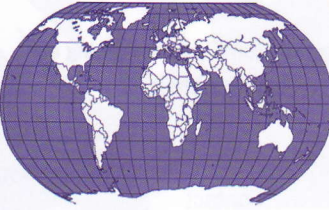
3. *Define your goal in a one sentence "SMART Goal".* Smart goals are Specific, Measurable, Attainable, Relevant, and Timely. A good example would be: "Renew my lease in the current suite, at a lower rate with new carpet and paint three months prior to my lease expiration." SMART goals help to gauge whether you have accomplished your goals.

**execute your strategy**

1. *Start early.* Whether you have a renewal option or not, ask your broker to start a dialogue with your landlord 10-12 months in advance. This allows your broker the necessary time to negotiate the most favorable transaction or to provide you with alternative options. Starting the process a few

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months before your expiration causes a loss of leverage as the Landlord knows you don't have a choice in moving with such a short timeline.

2. *Stick to your plan.*

3. *Allow your broker and/ or point person to do the legwork.* You are the decision maker and should not waste your time doing research and making phone calls. This is an opportunity for life balance. Spend more time with your family, go hiking or read a good book. Recharge. 



**Aaron Kuhl** is the Designated Broker for Medical Office Brokers (MOB) and has more than 15 years of experience in commercial real estate and contract negotiations.

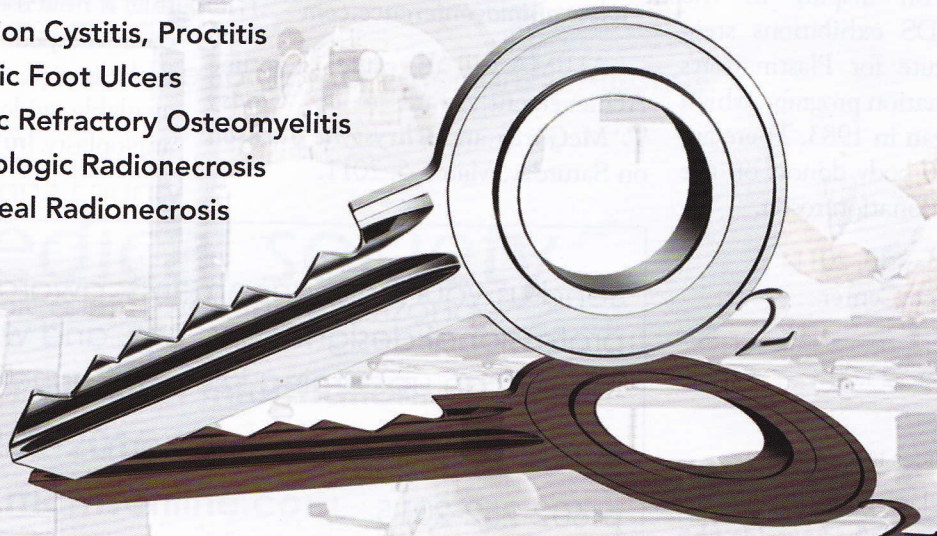
MOB is endorsed by the Maricopa County Medical Society as a preferred vendor and specializes exclusively in the representation of medical tenants and buyers throughout Arizona. Aaron Kuhl can be reached at (480) 947-5845 via email at [aaron@arizonamob.com](mailto:aaron@arizonamob.com) or [www.arizonaMOB.com](http://www.arizonaMOB.com).

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