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Finding Hidden Liquidity and Reducing Risk

Considering the current financial chaos that's gripped the US and global economies, companies are concerned about their ability to find liquidity and reduce their risk. In many cases, liquidity, or ready access to cash, is within sight of companies but, they often only look for it in traditional locations, like banks.

Too many companies fail to analyze non-traditional opportunities to identify and capture liquidity through their leased real estate.....yes, that's right! I wrote "leased" real estate, not owned real estate.

Most companies recognize their ability to sell owned real estate as a means of generating cash, especially when using sale / leaseback transactions. Interestingly enough, most companies fail to properly capture maximum value in sale / leasebacks because, like when borrowing from a bank, the best terms can be secured not when a company is disparate for cash but, when they don't really need it. Banks, lending institutions, and real estate investors would prefer to provide cash, whether through traditional debt instruments or through transactions like sale / lease backs, to companies that don't have a serious immediate need for cash....those whose financial profiles suggest they are less risky. But, I'm not writing about sale / leasebacks today. Check back for that story in the future.

Leased real estate often offers tenants a tremendous source of liquidity and the ability to mitigate risk. Look, commercial landlords are experiencing the same liquidity and credit crisis as everyone else. Commercial landlords need rent paying tenants. In order for office, distribution, tech, medical, and other building types to have real value to investors and others, in most cases, leases must be for a long term, 7, 10, 12 years or longer. No matter whether a company's lease has 2, 3, or even 5 years remaining, extending it to a longer term can create real value for a commercial landlord and can create an opportunity for the tenant to achieve value, too.

We're in the process of negotiating a number of lease renegotiations right now and have completed many in the past. In each instance, we've secured any combinations of:

- Immediate reductions in leased space
- Immediate free rent
- Lower rents locked-in over the extended lease term
- Cash payments from the landlord to the tenant
- Construction allowances
- Greater flexibility through additional options and rights, and more

Lease renegotiations can be very profitable transactions for tenants. Since they're paper transactions, they minimize management distraction and employee disruption, cost, required resources, time, and those challenges typically associated with relocations and other traditional cost saving approaches to real estate.

To learn more about Lease Renegotiation transactions, read <http://www.realstratpublications.com/BPS/articles/February2007/Article15Opportunities.htm>, and visit www.LeaseRenegotiations.com.



Andrew B. Zezas, SIOR, is Relationship Manager, Strategist, and President & CEO of Real Estate Strategies Corporation, Publisher of "Business, Profits and Strategy", a monthly online publication read by thousands of business, financial, and real estate executives nationally, and, is the author of two new real estate books, The CFO's Guide to Understanding Corporate Real Estate Transactions and The CFO's Guide to Hiring the "Right" Real Estate Service Provider, both of which will be available at www.TheCFOsGuide.com.

Andrew Zezas is well-known for his energetic, motivational, and informative style of conference speaking, and has given informal talks, formal presentations, and has lead training, educational, and career enhancement programs for financial and management executives; business, professional, government, and trade associations; throughout the US and Canada, including the Financial Executives International (FEI), the Financial Executives Networking Group (FENG), the Institute for Management Accountants (IMA), American Management Association (AMA), the U.S. Postal Service, RealComm, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and others. Andrew is founder, former National Chairman, and currently Co-Chair of the SIOR Tenant Representation Specialty Practice Board, a group of over 300 tenant representation focused commercial real estate professionals from around the world. He is a licensed real estate broker in New Jersey, New York, Connecticut, Pennsylvania, and Florida, and is a licensed real estate instructor in Texas, Indiana, and other states. He can be reached at 908 245 5999 or via email.

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