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## Is Your Company's New Lease Too Old

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Unlike a fine wine, your corporate real estate lease - no matter how well negotiated – may not improve with age. Depending on how long ago your company leased its office, technology or industrial space, **your lease may be too old, too inflexible, and too expensive**, even if it's only a few years old!

Three years ago commercial real estate markets peaked. Landlords were having a field day as tenants competed for space amid a growing economy with dot-com's eating up every bit of office, technology and industrial space they could find. Prices were driven up and landlords often took aggressive stances on pricing, flexibility and business terms. If your company signed a lease for office, technology or industrial space more than two years ago, **you may be paying above market rents and have little flexibility!** Because of the common misconception that leases are like blocks of concrete and cannot be changed, your company's management may incorrectly assume that there's nothing they can do about that. There's more to the story.

Landlords are having a difficult time these days. Demand for commercial real estate is at one of its lowest points in history. With interest rates as low as they've been recently, landlords are seeking to refinance their mortgages and reduce monthly debt. Long term **tenant leases of five years or longer** make refinancing much easier, and often can be the deciding factor for a landlord to qualify for favorable mortgage terms. This is where your company comes in!

If your company's office, technology or industrial lease is more than two years old, your company almost certainly is paying higher rents than today's rates, the lease probably contains little flexibility, and as a result, **your company may qualify to refinance or restructure its lease.** A lease restructure could provide many benefits, including the ability to:

- immediately reduce costs by reducing excess space;
- secure a lower rental rate now;
- maintain lower rental rates on a sustained basis;
- secure more flexible legal and business terms

What should your company do to explore this alternative? **Have your leases reviewed by a qualified real estate solutions advisor** to determine the viability and benefits

associated with a restructure. Not all companies will qualify. Your advisor should project the achievable financial and business terms, should compare them to current market conditions, and should guide you as to how effective and profitable such an endeavor could prove to your company.

If your company occupies a portfolio of properties, engage an advisor capable of providing solutions on a larger scale. Your advisors should be sufficiently experienced and diverse in order to counsel your company on those leases which, if restructured, are most likely to yield the quickest and greatest returns based on local market conditions, property types, geographic economic constraints, landlord expectations, and more. **Your advisor should provide your company with a lease restructuring plan** that is well thought-out, coordinated, proactive, geared toward multiple leases, and takes into account your company's operational and financial issues, while seeking to **increase overall corporate profitability** from lease restructuring.

If your company does not have an advisor, get one now, or call Real Estate Strategies Corporation at 908 245 5999. As we have for so many other companies, we'll help you find savings and greater profits hidden in your company's real estate.

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Andrew B. Zegas, 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 shortly at [www.thecfosguide.com](http://www.thecfosguide.com).

Mr. Zegas is well-known for his ease and informative style of public speaking, and has given talks, presentations, and has lead educational programs for business, professional, government, and trade associations, including the Building Owners and Managers Association, American Management Association, the U.S. Postal Service, RealComm, Society of Industrial and Office Realtors (SIOR), and others. Andrew is National Chairman of the SIOR Tenant Representation Specialty Practice Board, and is a licensed real estate instructor in Texas and Indiana. He can be reached at 908 245 5999 or via [email](mailto:andrew@realstrat.com).

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