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**Dale Willerton**  
**Jeff Grandfield**

*The Lease Coach*<sup>®</sup>



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**by Dale Willerton  
and Jeff Grandfield**

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## **Negotiating Commercial Leases & Renewals For Dummies®**

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# *About the Authors*

**Dale Willerton** is The Lease Coach. Before getting into commercial real estate, Dale owned many businesses that required him to be a tenant. His interest in real estate led him to work for commercial landlords, managing and leasing shopping malls, office properties, and strip plazas. In 1993, Dale realized it wasn't landlords who needed help, it was tenants. He switched to the tenant's side and became The Lease Coach, creating a new niche in the consulting industry. Within a few years, the demand for professional consulting services meant expanding into a much larger team. Dale partnered with Jeff Grandfield, who is responsible for much of The Lease Coach's growth and success today.

**Jeff Grandfield** is a senior consultant with The Lease Coach. Jeff completed his honor's B.A. degree in business administration with a designation in marketing from Wilfrid Laurier University. It was the challenge of the real estate industry and satisfaction of working with business owners of all types and sizes that drove Jeff to pursue a career in real estate and join The Lease Coach in 2005.

Dale, Jeff, and The Lease Coach team have successfully complete more than 1,200 consulting projects for tenants. They have conducted hundreds of seminars, workshops, and webinars. They frequently provide real estate training for franchisors and franchisees. Speaking at industry tradeshow and for healthcare organizations, they've helped tens of thousands of business owners and tenants. The Lease Coach has offices throughout the United States and Canada, exclusively representing tenants with one-on-one coaching and consulting, new and lease-renewal negotiations, site selection, lease document reviews, midterm rent reductions, lease assignments, building acquisitions, operating cost audits, and space measurements. The Lease Coach never accepts any fees from landlords and works with small and large, independent and franchise tenants. For a complimentary consultation or to inquire about having Dale and/or Jeff do a live speaking presentation, webinar or training at your next event, visit [www.TheLeaseCoach.com](http://www.TheLeaseCoach.com), e-mail [DaleWillerton@TheLeaseCoach.com](mailto:DaleWillerton@TheLeaseCoach.com) or [JeffGrandfield@TheLeaseCoach.com](mailto:JeffGrandfield@TheLeaseCoach.com), or call 1-800-738-9202 (ext 1).



## *Dedication*

This book is dedicated to the most important people in Dale's and Jeff's lives — their families: Linda, Alana, Jessie, Jean, Elaine, Louise, Lester, Janice, Brie and Vaughn, Miles, Terry, and Cory

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# Introduction

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**W**elcome to *Negotiating Commercial Leases & Renewals For Dummies!*

Over 10 million business owners, entrepreneurs, retailers, and healthcare and franchise tenants lease commercial, retail, and office space across North America. Prior to 1993, Dale worked for landlords, managing shopping centers and leasing their space. In 1993, Dale realized it wasn't the landlord who needed his help — it was the tenant — and that's when he became The Lease Coach. As a professional lease consultant, Dale brought on Jeff Grandfield as his partner, and both of your authors consult with and negotiate leases exclusively for tenants throughout North America.

Based on our two decades of experience in the commercial real estate industry, Dale and Jeff have developed keen instincts for which business concepts will have longevity and which are likely to struggle or fail, especially when we factor in their location and the lease deals being signed. Business owners need to start their business with the end in mind. That means looking forward *now* to be able to better predict the future.

In his book *Outliers*, Malcolm Gladwell talks about the 10,000 hours it takes to become a recognized expert or authority in your field. That is exactly what your authors have done, and it's all been worth it. Working with business owners is extremely fulfilling. Dale and Jeff get to meet tenants all over North America as they travel and speak at conventions and tradeshow. A great business in a poor location at a high rental rate may never achieve its full potential, if it survives at all. Often it takes a professional lease consultant who is working for you, and not the landlord, to actually steer you in the right direction and get you the deal you need.

## ***About This Book***

This book and its stories and cases studies are a compilation of over 1,200 successful leasing projects that the authors have completed for tenants to date. You don't have to read it from beginning to end; instead, if you're in the middle of negotiations and need certain information right now, use the table of contents or index to turn right to the part of the book where that info is

found and start reading. And you can keep returning to the book whenever you need a quick education on certain aspects of the leasing process. If you're more the orderly type, you can certainly read straight through from beginning to end. You'll find that the information is presented in a natural, logical way that leads you from one step of the process to the next.

One of the most popular seminar presentations The Lease Coach delivers is called "Thirteen Costly Mistakes Tenants Make Negotiating Commercial Leases and Renewals." Readers of this book, like many of our seminar attendees, come to realize that they've already made many lease negotiating mistakes.

But don't let that realization discourage you! This book will strengthen your negotiating position for all future dealings — and if you're in business, there will be more chances to negotiate. This book opens your eyes to what tenants need to know.

Feel free to take out your highlighter when reading the book and use it profusely. If you're like Dale, sticky notes come in handy too. This book will not only improve your negotiating skills as a tenant, but also raise your consciousness about commercial leasing.

## *Conventions Used in This Book*

To help you navigate this book, we follow these conventions:

- ✓ **Boldface** highlights key words in bulleted lists.
- ✓ New terms and words are emphasized in *italics*.
- ✓ Web addresses appear in `monofont`.

When this book was printed, some web addresses we mention may have broken across two lines of text. If that happened, rest assured that we didn't include extra characters (such as hyphens) to indicate the break. If you want to visit a website, and the URL has been broken, just type exactly what you see in this book, as though the line break didn't exist.

## *What You're Not to Read*

Sometimes we have to mention things that are interesting but aren't crucial to your understanding of the topic at hand. Sidebars contain discussions of "side" topics that you may find useful but that aren't necessary for you to get what we're talking about. Read these or not, it's up to you.



Sometimes we can't help ourselves and go into specialized detail that you don't have to read to get our main point. When this happens, we place a Technical Stuff icon to mark those paragraphs as skippable. Like this one.

## *Foolish Assumptions*

Your authors at The Lease Coach have written this book with the assumption that you're either about to open a business that requires space for lease or that you already own a business for which you're leasing space. Sections of the book are written toward first-time tenants, whereas other areas are dedicated to existing or more experienced tenants who may have already negotiated a commercial lease or two.

We assume that our readers are from all industries and professions and are interested in leasing all types of commercial space, including strip plazas, office buildings, shopping center space, and even industrial space.

We also assume that you're prepared to invest the time that's required to negotiate thoroughly. That means doing your homework and spending the time to create competition for your tenancy rather than jumping at the first deal that falls into your lap.

Finally, we assume that you're prepared to embrace the role of the negotiator or delegate the task to a professional lease consultant who's more experienced and capable than yourself.

## *How This Book Is Organized*

The leasing process is a just that — a *process*, not an event. The process has a predictable beginning, middle, and ending, whether you're dealing on a brand new location or a lease renewal. Lease agreements sent to us from all across the United States and Canada are quite similar in structure and format. We try to present the business terms and lease clauses in the order they commonly appear in the lease agreement, from beginning to end. We've also organized the material into various sections in our attempt to cover every leasing scenario for every type of tenant. There is some intentional content overlap to make each section complete unto itself, because you may want to pop in and out of the book to find the critical information you need at the appropriate time in the leasing process.

## ***Part I: Leasing 101 for Tenants***

In Chapter 1, we explain why negotiating a great lease is important to the tenant's financial well-being. Chapter 2 outlines the beginning of the leasing process. In Chapter 3, we explore the different types of properties for lease. Chapter 4 involves site selection and the proper method for conducting it. Using a real estate agent is dealt with in Chapter 5, and Chapter 6 outlines the professional assistance a tenant can hire.

## ***Part II: Negotiating the Offer and Key Terms***

Chapter 7 explores presenting and negotiating a lease proposal. In Chapter 8, we go over negotiation of the core business terms. Chapter 9 gets into negotiating the rental rate. In Chapter 10, we explain how area or square footage can affect your bottom line and how to measure your space. Chapter 11 deals with commencement dates and construction matters, and Chapter 12 includes negotiating the lease deposit and how to keep get it back when your lease term expires.

## ***Part III: Reviewing the Formal Lease Agreement and Dealing with the Landlord***

Chapter 13 is dedicated to understanding and negotiating the rest of the lease. In Chapter 14, we're finalizing the formal lease agreement. In Chapter 15, we explore methods for dealing with landlords including strategy and practical negotiating applications and wisdom.

## ***Part IV: Negotiating Your Lease Renewal***

Chapter 16 is especially relevant for existing tenants facing a lease renewal negotiation. We go deeper into the lease-renewal process in Chapter 17, exploring various clauses in the lease agreement that need to be negotiated.

## ***Part V: The Part of Tens***

In Chapter 18, we include many of the tips, tactics, and strategies we've developed for tenants. Chapter 19 is a list of pertinent questions that tenants

should ask the landlord's real estate agent when going through the site-selection and lease-negotiation process. Finally, Chapter 20 alerts you to warnings and situations to avoid.

## Icons Used in This Book

Icons are those little pictures you see in the margins throughout this book. They're meant to draw your attention to key points that help you along the way. The following are the icons we use in this book and what they signify:



Some things are so important that they need to be set apart for emphasis. This icon — like a string tied around your finger — is a friendly reminder of stuff you should remember and use over the long haul.



When you see this icon in the margin, the paragraph next to it contains a valuable, practical tip about the lease-negotiation process.



This icon highlights things you want to avoid. An important part of achieving success is simply eliminating the mistakes; the information marked by this icon helps you do just that.



This icon highlights information that may be interesting if you want to really drill down to another level of technicality, but it can be safely skipped without jeopardizing your understanding of the topic at hand.

## Where to Go from Here

Although we recommend reading everything in this book eventually, chances are you might want to jump in and then move around from one section to another. Every section stands alone and contains all the information you need for that segment of lease negotiation.

First-time tenants will get the information they need most by starting with Parts I and II. Existing tenants may benefit most by starting with Part IV.

When The Lease Coach is presenting a seminar or running our Leasing Bootcamp at a convention or tradeshow, we often survey the audience to determine why specific attendees are present. Invariably, some attendees are at the beginning of the leasing process, and others are at the end of it. Many

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## Negotiating Commercial Leases & Renewals For Dummies ---

are facing a lease-renewal negotiation. Chances are the readers of this book are also at different stages of the leasing process.

Our goal is for you to use as much of the content as you can to improve your negotiating position and the entire lease agreement. In a few years, you might be starting the process all over again — so keep this book handy for that eventuality.

# Part I

# Leasing 101 for Tenants

The 5<sup>th</sup> Wave

By Rich Tennant



"See if this is covered in our lease agreement."

## *In this part . . .*

**W**hether you're looking for a place to open a new business or searching out a new location for your existing business, you've got questions about the process. The location you choose and the terms of your lease can have a major impact on whether your business flourishes or folds. In this part, we help you weigh all the factors that determine whether a location is right for you. We also explain the role a professional leasing agent or real estate agent will play in your success or failure during the negotiating process.