

Commercial lease about to expire? Take these five must-do steps.

— Article from Office Leasing Expert, Rob DesBrisay

Sooner or later, every business owner faces an expiring lease. It's something you have to deal with and will cost you time and probably money. A decision to move will complicate your life: You'll be trying to cope with the wants and demands of clients and staff while seeking new premises to lease.

So first ask yourself: Do I renew my lease? Do I renovate? Downsize my space? Relocate? And then you have to start thinking about new furniture and office equipment.

But before any of that happens, here are your five must-do steps to take:

Step #1 Renew your existing lease

Find a copy of the lease you signed, along with any amendments or renewal agreements. If you can't find your copy, ask the landlord for one.

Once you have the lease and related documents, you will need to review five critical areas:

- 1. True lease expiry.** You'll find this information either in the first two pages of the lease or attached as a schedule.
- 2. Deposit.** Almost all leases require a deposit, so you will need to review the original amount, how it was to be applied, and how it is to be returned. For instance, the deposit may be slated to go toward your final month's rent. If so, you need to make sure you don't automatically pay out the full amount of the rent that month — otherwise, you'll have to go through the rigmarole of seeking a refund. If your deposit was intended as a security or damage deposit, you need to know the terms under which it is to be returned.
- 3. Renewal option clause.** You should be able to find this in the table of contents of your lease. It will either be listed as a specific term or included as a schedule or in the appendix. You need to be very clear on the terms of renewal options and the amount of time you have to exercise it. Whether or not you do exercise a renewal option depends on current market conditions, your needs and your negotiation strategy.
- 4. Holdover clause.** The holdover clause describes the terms of remaining on as a month-to-month tenant after your lease expires. Suppose you need to remain for a month or so after your lease expires before you can move into a new space. What then happens to your rights as a tenant? Ideally, you won't be a holdover tenant. But if you have to be one, you ought to know whether the holdover clause will double your rent.

- 5. Surrender of premises.** The surrender of premises can be a tricky part of your lease. You can find it under such terms as the end of the lease, surrender of premises or fixtures and improvements. What you need to confirm is what specifically your obligations are at the end of your lease. Many tenants are shocked to discover that their landlord can bill them to restore the premises to the base building state the premises were in before their occupancy! That even includes removing such things as any new lighting or wiring you put in.

Step #2 Work out a timeline

It's important to allow enough time to decide what you're going to do — and, in the event, you end up relocating, enough time to find your new space and coordinate everything necessary for relocation. Ideally, you will get the best deal you can in a market where vacancies are increasing. Do not wait too long and risk a turn in the market. Time gives you the luxury of choice, both in location and in your leasing options.

In a nutshell, if you plan to stay, give yourself enough time to negotiate a lease you can live with. The same holds if you plan to move.

Just what is a proper amount of time? Well, you need to allow enough time to: find space, negotiate a lease, design and renovate the space, furnish it and transfer all your services (such as phones, mail and Internet). Enough time, as well, to coordinate your move, so it has the least effect on your business. Plan your move on a weekend, though not right at month's end. And, be able to relocate before your current lease expires.

*Here's reverse timetable for a typical move:

- ▶ 1 week for completion and physical move
- ▶ 7 – 12 weeks for physical construction
- ▶ 4 – 16 weeks for permits
- ▶ 1 – 3 weeks for design, costing, move coordination and service arrangements
- ▶ 1 – 2 weeks for lease finalization and negotiation
- ▶ 1 – 2 weeks for Offer to Lease negotiation
- ▶ 1 – 6 weeks for premises search and due diligence
- ▶ 1 – 4 weeks for preliminary research

*Note that time frames vary for every situation and market.

That adds up to anywhere from 17 to 46 weeks before your lease expires. So, a year before your lease expires, begin considering your options and reviewing your lease. But don't open negotiations with anyone just yet, including your current landlord.

Step #3 Conduct preliminary research

Depending on your requirement anywhere between eight months and two years before your lease expires, you should have a good idea of whether you want to renew or relocate. It would help if you also had an understanding of your lease obligations, the beginnings of a plan for your future and a contingency plan in case things fall apart at the last minute. This does not mean that you need a firm commitment in place, but that you have an idea of the preferred result to pursue.

When you do start to source information, you can do it alone. Use websites such as Spacelist.ca, Loopnet.com and Altusinsite.com to help you find suitable vacancies. Just keep in mind while you're Googling that all the information you find will need to be verified. For example, posted rents never accurately reflect the kinds of deals you may be able to negotiate. You can certainly call the various agents about properties that arouse your interest. But remember: They work for the landlord and only get paid if you lease their space.

Step #4 Consult a space planner

You have toured a few spaces and had a couple of possibilities in mind. Now it's time to consult with a space planner. All office buildings quote rentable square feet — but not all spaces are equal just because they are about the same size. The term "rentable square feet" includes the space you can occupy, plus common areas, plus supporting columns and a few other things. What you want to know is how a given space will lay out in a way that is both useful and comfortable to be in.

Space planners have the training and experience to make sure that you get a space that works. We recommend using both a space planner and a design-and-build firm who will guarantee their price and delivery dates. Some firms do this and have a reputation for sticking to budgets and meeting deadlines. If you need suggestions or introductions to reliable planners and builders, we'd be happy to share our list of contractors with you.

Step #5 Hire professional movers

It always surprises me how often people leave planning the physical move until the last minute. Once you have decided on space and done your due diligence, your very next step should be to invite competitive quotes from professional movers. Don't assume that any old mover can do the job, or that the mover that used last time will be available on short notice. Assign one of your staff the job of contacting movers and finding out how much lead time you need to book your move for each. That same person can also check with your phone and other service providers for similar information about lead times.

You don't have to do it all yourself!

As your lease expiry nears, your phone will almost certainly start to ring with people offering solutions for your relocation or renewal. You need to know if they are solely trying to sell you some services versus genuinely being able to help you. NAI Commercial is in the business of helping tenants with a full range of services that will make sure you get the most suitable lease for your business. Over the past 25 years, we have helped plan and execute thousands of commercial leases, renewals and relocations for businesses of all kinds and sizes.

Here's an offer you shouldn't refuse

If your lease is expiring, and if you are not already working with a commercial leasing agent, we are certainly willing to review your current lease for you. At NAI Commercial, we will prepare a confidential, written report on the five critical lease areas mentioned at the start of this article.

If you wish to join our group of satisfied clients, we would be happy to talk to you about our lease renegotiation and relocation services. These include everything from lease reviews to lease negotiations, working with contractors and finding the right service consultants. We cover you from start to finish, throughout the term of your lease. Our services include walking you through all the steps you need to take, and any problems that may arise during the term of your lease. The landlord covers our fee for all this. It is disclosed to you ahead of any commitment you might make. That way, you can be sure we represent only your interests.

We welcome the chance to connect with you, and we wish you well in all your endeavours!



To get in touch with Rob or to receive a copy of his quarterly marketing update, please e-mail or call him:

Rob DesBrisay, Managing Partner
604 691 6602 | rob@naicommercial.ca