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### Lease negotiation in a depressed market

**We have recently seen an increase in calls from businesses complaining that landlords are not reflecting the depressed economic climate in their rent demands for new leases and lease renewals. We look at a couple of basic negotiating principles that are regularly overlooked by tenants, but that must be followed, in any economic climate.**

Firstly, let's be clear that this is a negotiation that we are entering into, and the commercial property agents who have not been made redundant are going to be the best negotiators. Secondly, landlords in some markets are beginning to lower their advertised rental rates for properties that have been on the market for a while.

Whether you are negotiating a commercial property lease or any other contract, there are a couple of key principles that must be followed.....do your 'homework' and develop a negotiation strategy.

Most prospective tenants will carry out only the basic 'homework', of market rents being paid in that area. Few look at the negotiation from the landlord's perspective. To do this we need to understand: who the landlord is (local entrepreneur or pension fund), what are vacancy rates in their other properties, how long has the property been on the market, will they be liable for empty property rates, what are their chances of renting the premises if you don't take it.

And ask yourself..... "why would you be a good tenant for the landlord to have?"

Your negotiation strategy should include a list of 'must haves', points that you know (?) the landlord won't accept but are not on your 'must have' list, and a genuine alternative property (that is with a different agent!).

Now is the time to be creative in how you structure your offer.

Of course the 'headline' rent is important to you, the tenant, but it's usually the most important aspect to the landlord as well. So are there other points that are going to be of real value to you, that the landlord is now prepared to let you have?

Of course you should make an offer on the rental being asked, and for an extended rent free period, but what about: not upward only rent reviews (typical in commercial leases), staggered annual rental rates, monthly rather than quarterly in advance payments, capping service charges and landlord's costs, additional lease breaks. Remember it's not all about the 'headline' rent. Service charges and end of term dilapidations costs are often a significant cost of any lease.

There are some great deals to be had for tenants, but now is the time to go into the negotiation with a well structured strategy and having carried out your homework.