

## AVOIDING THE...

# 5 BIGGEST MISTAKES MADE BY TENANTS & LANDLORDS

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### AS A TENANT:

#### 1 KNOW YOUR LEASE.

If you don't know your basic rights, options, and notice dates within your lease, you may be missing an opportunity to lower your rent.

- (a) Have your broker or office manager put together a lease abstract.
- (b) Pay special attention to notice dates for renewals, options to expand, etc.
- (c) If you have a right to terminate, you can use this as leverage to renegotiate.  
IMPORTANT: You must start the process at least (6) months prior to your termination notice to maximize your leverage.
- (d) If you are within (3) years of your lease expiration or right to terminate, you might be able to renegotiate.
- (e) Look at the workletter and make sure you understand what happens if you don't use up all of your Tenant Improvement Dollars.  
Be careful of "if you don't use it, you lose it" clauses.

#### 2 DON'T FOCUS ON COST/SQUARE FOOTAGE, FOCUS ON TOTAL RENT.

The biggest savings are from efficiencies.

- For example: A 15,000 SF law firm paying \$30.00 Gross is paying the same rent as a 13,636 SF firm paying \$33.00, except one is in a better building.

#### 3 UNDERSTAND THE BUILDING'S INFRA-STRUCTURE VIA YOUR REQUIREMENT & QUANTIFY YOUR BASE BUILDING COSTS.

Does the building have enough power? Is the HVAC adequate? The difference between one property versus another can often times exceed \$10.00/SF in additional tenant improvements.

#### 4 ARTIFICIALLY LOW TAX & OPERATING EXPENSES.

With vacancies high and rental income low, don't be fooled by a building's low tax and operating expenses. As it fills up and the market turns around, the building will stabilize and tax and operating expenses could increase dramatically.

#### 5 UNDERSTAND THE FINANCIAL HEALTH OF THE PROPERTY AND ITS CAPITALIZATION STRUCTURE.

If you are large enough, negotiate a strong Non-Disturbance Agreement that obligates the lender to fund tenant improvements and honor the overall lease terms.

### AS A LANDLORD:

#### 1 BE AGGRESSIVE UPFRONT.

Also, don't let existing tenants get too excited about leaving.

#### 2 TIME KILLS DEALS.

Make the process easy; be fair and get it done. Your lease, lawyer and ego need to be insync and recognize the current state of the market. *(This goes for both Tenants and Landlords)*

#### 3 DON'T FALL IN LOVE WITH YOUR BUILDING AND THINK IT'S SPECIAL.

Unfortunately, in down markets and when the economy is reeling, space is often times a commodity.

#### 4 UNDERSTAND THE NEW ACCOUNTING RULES THAT ARE GOING TO TAKE PLACE AND BE IMPLEMENTED BY 2014.

This could have major implications, especially for public companies and retailers who are heavily vested in real estate: balance sheet, debt covenants, lease terms, etc. will be severely impacted by the new GAAP accounting rules.

#### 5 REACH FOR LARGE TENANTS, EVEN IF THE TERMS ARE INITIALLY UNATTRACTIVE.

Big tenants attract other tenants. Bring momentum to leasing and increase your chances of getting your money back when they eventually expand.

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