

Market Report
Second Quarter
Commercial Real Estate
Westchester County
Fairfield County &
...plus...

LEASE RENEWALS:
No time for amateurs

701 Westchester Avenue
White Plains, NY 10604
Choyce Peterson, Inc.
The Corporate Tenant Specialists



INSIDE:
The news article
your landlord hopes
you never read.

How to get the most favorable
terms on your renewal.



Choyce Peterson, Inc.
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CHOYCE TIPS

from Choyce Peterson, Inc. The Corporate Tenant Specialists

July 2006

LEASE RENEWALS: No Time for Amateurs

It's the most common mistake made by office tenants: missing a huge opportunity—and risking significant dollars—by negotiating their own lease renewal.

With the help of a real estate professional, a company seeking *new space* typically searches the market and negotiates relentlessly for the best deal. But when seeking a *renewal*, that same company abandons this proven approach. They go it alone, negotiating without professional representation because they feel it's "only" a renewal.

But landlords know that when tenants negotiate directly with their landlord, more than 80% simply stay in their current space. When your landlord assumes you're unlikely to move, your negotiating leverage is eliminated.

AMATEURS vs. PROS: Golf numbers tell the story

Sure amateurs can go up against pros, but they probably can't compete with them. Just ask a golf fan. In golf's two most recent Majors, 14 amateurs in all competed. But of those who made the cut for the Masters (47 players) and the U.S. Open (63 players), not a single golfer was an amateur.

Tenants who are "only renewing" need professional representation even more than when they're first searching for space, for several reasons.

- 1. Send the right message.** Landlords do offer concessions to renewing tenants, but only if they know they're competing for your tenancy. The mere fact that you've retained professional representation early in the process will result in more favorable terms than you'd otherwise obtain.
- 2. More dollars at stake.** The total dollar commitment of your renewal will likely be greater than the initial lease.
- 3. Change.** Markets change, building conditions change, even your landlord may have changed since you signed your lease. You need to be fully informed before you even hint of a renewal.

INSIDE: Thinking of renewing?
Start by giving your landlord the
silent treatment.



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Services include:

- Lease Renewals
- New Locations
- Expansions
- Portfolio Administration
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www.choycepeterson.com

BY ROBERT HOPPER

Office space is one of the largest expenses of any growing company. Negotiating a lease can mean savings, perhaps enough to hire a new employee or to launch a product development initiative. This is true when you negotiate an initial lease and it is just as true for your renewal.

When it's the same due diligence initially leased conditions will likely be the same. Markets will change and your landlord result, concessions will have also changed.

Make sure you are aware of the current market, concessions offered to attract tenants and how your building fits into that market. If you don't need what is being offered in the market, understand the value of the concessions and seek at least partial credit through lower rental rates, free rent or other items of value.

Remember, landlords competing for new tenants will provide concessions to secure a new lease. While landlords are just as likely to offer these concessions to keep a tenant, first they need to understand they are competing for your tenancy. Why? Because

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Not in the market for a move? Manage your renewal like a new lease

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Hopper

Office space is one of the largest expenses of any growing company. Negotiating a good lease can mean real savings, perhaps enough to hire a new employee(s) or to launch a product development initiative. This is true when you negotiate an initial lease and it is just as true for your renewal.

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losing an existing tenant means vacancy, lost rent and a full concession package to the replacement tenant. Landlords would rather keep a good rent-paying tenant than compete for a replacement.

So how do you begin? Begin early; make sure there is enough time to go elsewhere if necessary. Once there is no longer enough time to go elsewhere getting what you want can become more difficult.

Make a commitment to be totally objective and be prepared to approach the negotiations as the business proposition that it is — after all both you and the landlord are in business to make a profit.

ings, air conditioning and air quality are a few of the items that should be considered.

Review your lease diligently; this is your chance to improve its terms. Understand how building expenses are handled, electrical charges, after-hours costs, insurance obligations, sublease rights, renewal options, default and identify restoration costs (if any) that might come into play should you choose not to renew.

Finally, understand the market, how your building compares with the market, the status of other leases in the building and the condition of the landlord's business.

Knowing your lease and space let you

Understand the market, how your building compares with the market, the status of other leases in the building and the condition of the landlord's business.

Do not discuss renewals with the landlord until you have completed your due diligence. Avoid even casual conversations since even the most casual contacts may serve to set expectations and become the source of friction in the renewal process.

Review your space; make sure it works for your business today and in the foreseeable future. Objectively evaluate the space, identify what needs attention — electrical capacity, space layout, lighting, carpets, ceiling

know what your business needs, knowing the market will identify what you can get outside the current building and knowing your landlord's situation will let you know the likelihood of getting what you need in a renewal.

You are ready to begin, now close the deal.

Robert Hopper is vice president of Choyce Peterson in Stamford, a commercial real estate brokerage company with an office in White Plains, N.Y. Reach him at rhopper@choycepeterson.com.

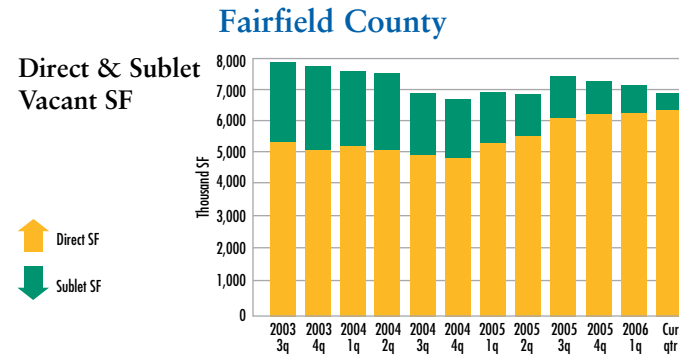
Contact any of the Tenant Specialists listed below

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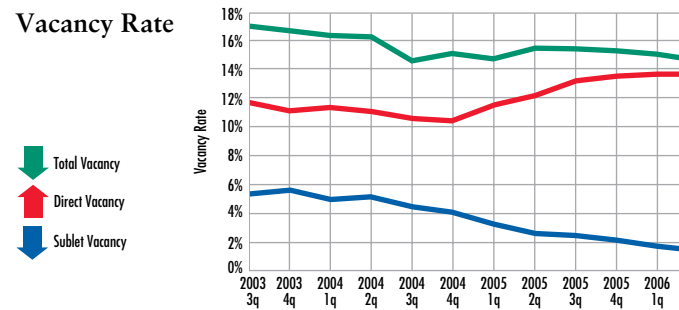
What about expansions?

An expansion is similar to a renewal, with added complexity. Your interest in an expansion often results in your landlord trying to "back into" a renewal on your current space as well. This combination of expanding while renewing your existing space is a negotiating opportunity — or a minefield. You'll make the most of it by securing professional representation before you even speak to your landlord.

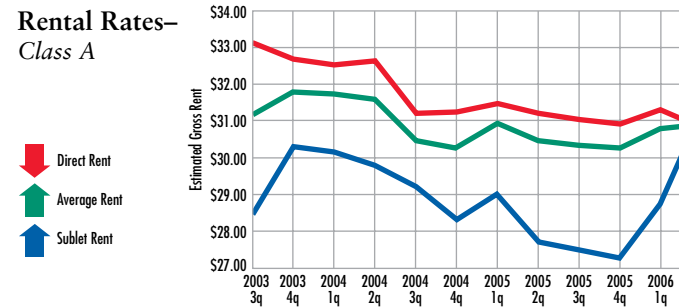
Arrows Indicate 2nd Quarter 2006 Trend vs. 4th Quarter 2005



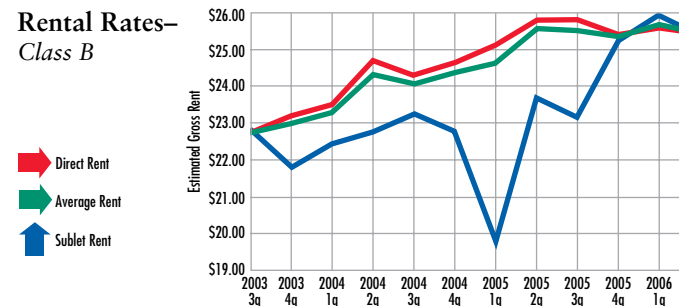
Sublet vacant square feet decreased approximately 434,000 square feet since the end of 2005.



The total vacancy rate decreased 0.8%, while the sublet vacancy rate fell 1% to 1.2%.



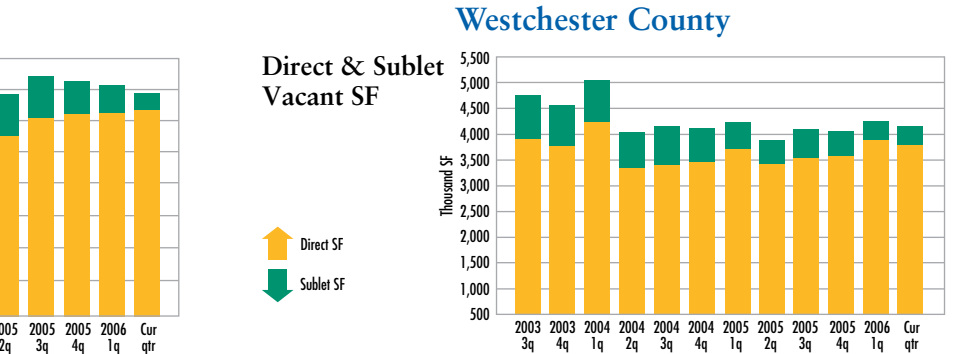
The sublet rental rate rose greatly since 2005 to \$31.41 per square foot.



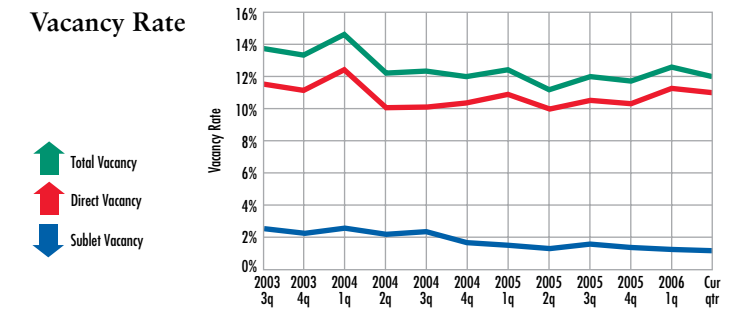
Rental rates remained generally constant, with a slight increase in sublet space.

Data source: CoStar Group, Inc.

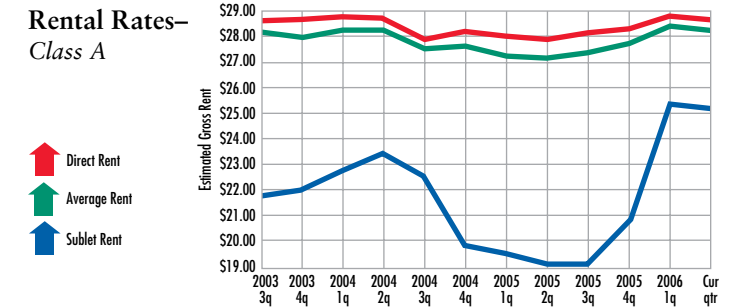
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Direct vacant square feet increased approximately 188,000 square feet since the end of 2005.



The total vacancy rate increased 0.2% this year to 12.1%.



The average rental rate increased slightly, while sublet rates rose \$4.28 to \$25.14 per square foot.

