

YES YOU CAN!!

by Jerry King, CSM

Most tenants operate under the belief that once their lease is signed the landlord will never be willing to change it unless they are willing to pay a lot more rent. After all it's a lease—a legal document—the contract between the landlord and tenant, a “historic documents” like the Declaration of Independence or the Bible. It was drafted by several brilliant lawyers and should never be altered by mere mortals!!

Think this through and you reach the opposite conclusion. The lease document represents the agreed position of the parties at a point in time. Change is certain and the relative positions of each must have changed as both moved to the current point in time. Can you change the lease? YES YOU CAN, but you first need make a realistic determination of what has changed for both parties, what negative events have or are about to happen to each and what actions you can take to avoid these unpleasant future events.

The trick to all of this understanding landlord's needs at a point in time vs. your needs at the same point in time. This could be today or at some point in the future (i.e. the upcoming renewal.) What do you have to trade? How much is it worth to the landlord? What can the landlord give you of equal value? When that point in time arrives, you then bundle both needs in a package and present them to your landlord.

In order to do this you need to put on a landlord's hat. Be the landlord; look around the center where your store is located. What is wrong or missing? How could you make more money from the real estate? What do you need to achieve a higher return on your investment? What or who stands in your way?

I recently represented a tenant who wanted to close or reduce the size of a poorly performing store. They believed that the landlord would have to be paid a fee to accomplish this goal. The lease imposed significant use restrictions on the landlord. When the lease was signed Kmart looked like a good long term bet, but now it was vacant. They were both at a new point in time but just did not realize it. We were able to recognize this and lead both to a more comfortable new point in time. The landlord got relief and was able to divide the vacant store into three new tenant spaces. Our client got her store size reduced and the rent for the remaining space was reduced well below the market value of the space at NO cost to my client.

So next time your store is in a bad place, give some thought to your new point in time and where your landlord is. Can you change the lease to recognize the new point in time? YES YOU CAN!