

Own vs. Rent

It's common today, when speaking with a client, to hear that they have the desire to own rather than lease. That is because a signature building is commonly thought to be a tangible representation of a firm's success and the desire to reach this pinnacle is a historic goal of corporate America.



When questioned about their motive, clients tell us that they believe they're paying a costly rental charge when they could be accumulating substantial equity in a building. Such thinking arises from the mistaken impression that rental dollars paid equal net proceeds because clients only see their gross payments to landlords. However, when gross rent is dissected and costs are properly attributed to operational expenses, reserves for future repairs, vacancies, tenant improvements, brokerage fees and transactional costs, the prospect of ownership can be substantially less desirable.

Another important consideration is scenarios likely to impact business stability. That is to say, for example, is the business more liable to remain a constant size

for at least a ten year period or more liable to be subject to changes in size? Might the business model change to meet the demands of the industry? Will the advent of new technology change the complexity of the space requirement? A tenant can control the amount of space committed to, for a relatively shorter period of time, through proper negotiation and forecasting. Further, while a tenant can retain the ability to adjust square footage with little investment, ownership doesn't afford this opportunity.

There are also other considerations. For example, does the desired location requirement match the budget? Will the location be well positioned for appreciation? Will the location remain prime for the service of clients and your supply base? Where will the real estate cycle be at the time of sale? Do you have the time to commit to be a landlord?

Every investment must be measured against an alternative, using proper due diligence, in order to determine whether it makes financial sense and ownership must be measured against leasing. However, it takes more than a calculator to completely assess this real estate decision. It takes a consultant who can apply a systematic framework for decision-making.



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How Would You Negotiate Your Firm's Lease Renewal?

Written by Zac Conley

As a business owner, or office manager, you probably possess keen negotiation skills that have played a major role in getting you to where you are today. In fact, because you've been negotiating different types of contracts for years, you probably have your method down to a perfect science and, if this is the case, you wouldn't think twice about settling any contract that crossed your desk. You shouldn't act too quickly though, especially if you're negotiating your company's lease renewal, because your excellent contract negotiation skills do not necessarily equate to knowledge of the actions you must take in order to secure a lease that not only meets your budget but also addresses all your non-economic needs.

What approach have you used in the past when you wanted to renew your business' lease?

As you would with any other contract for a good or service, you have to shop around before you can start negotiations. You should never begin negotiations without going into the market and requesting proposals for viable alternatives. *A renewal is a new contract and should actually be treated as if it were a relocation.* In order to properly negotiate a lease that addresses all of your needs your current landlord must understand that you are ready to relocate if there is a better offer available. Once your current landlord recognizes that you are considering alternatives, he will most likely become more aggressive with his proposal in order to retain you as a tenant. *Landlords should compete for your tenancy.*

Now that you realize the inherent value in researching the market, do you know how to evaluate your needs?

While price isn't the only factor to consider, everything does have a price. These are just some of the factors to consider:

- *Does your company utilize the same amount of space it did when you first signed your lease?* Maybe you've grown in size or maybe you've contracted. Your space could be inefficient and/or obsolete. Do you know how much space you really need?
- *Do you know what you pay for utilities annually, and is this amount consistent with market prices?* Maybe the building you're in is old and utility prices are running you much more than similar users who are located in modern facilities.
- *What is the reputation of the property management firm?*
A good management team can help a building run efficiently and this leads to lower annual operating expenses and savings for tenants.

Lease renewals are complicated and most companies do not have the resources or expertise to address all of their needs. The problem isn't that you lack the skills to negotiate the lease's terms. The problem is that you may not be able to identify all of the correct terms that you can negotiate. Conley Associates specializes in this very process and can offer you their time, experience and expertise to help you with your next lease renewal at no cost to your organization.

Call us at (518) 463-5500 or visit us online at
www.conleyassociates.biz

Staff Spotlight



Zac Conley joined Conley Associates in 2004 as a consultant and he provides tenant/buyer representation and consulting services to a wide array of clients. Zac assists clients with making real estate decisions to fit their business needs by performing programming studies, facility reviews, market analysis and financial analysis of available options so that clients have the proper information to make educated decisions. Zac assists clients through every step of the real estate process, from establishing objectives to providing contract negotiation, whether their goal is to lease or purchase.

Zac comes to Conley Associates with a financial background, having earned a B.S. in Business Economics at SUNY Plattsburgh. He possesses exceptional economic and analytical skills and together these strengths allow him to provide the most accurate and detailed analysis for his clients to base their decisions on.

Zac is in the process of completing the required courses for his Certified Commercial Investment Member (CCIM) candidacy which, upon completion, will serve to qualify him as a recognized expert in the field of commercial real estate.

Obtained Enhanced Improvements & Significant Savings

Client: Schmeiser, Olsen & Watts, LLP

Location: 22 Century Hill Drive, Latham, NY



The Client had already begun the process of finding new office space on their own. They had narrowed their options down to two; one was a new location, the other was their current location. As the terms of the transaction became more and more complex, they decided to call on Conley Associates for help.

Conley reviewed and analyzed the proposals that the Client had received from the landlords and then educated the Client on the full economics of each location. The Client decided that they wanted to pursue the new location, which was a raw space that needed improvements. The landlord was offering an allowance for tenant improvements, but not knowing the full cost to perform those improvements created the potential for the transaction to be more costly for the Client. Because of this risk, Conley negotiated for the transaction to be turn-key and clearly defined the scope of work and finishes required by the Client.

Conley Associates was able to quickly expedite a transaction for the Client while still maintaining the integrity of the terms. Significant savings for the Client were observed through the enhanced improvements and lease terms that Conley Associates was able to negotiate on their behalf.

FAQ

Q:

I am planning on staying in my current space and renewing my lease. Do I still need a tenant representative?

A:

Yes. We will examine several aspects of your current lease. One, do the terms of the lease meet today's economy? Two, does the space meet your current need? We will conduct an in-depth analysis of your space usage. We will then go into the marketplace to identify viable opportunities. Next, we will solicit from your landlord their terms for a lease renewal while including necessary requirements to correct deficiencies of the lease space. We then measure the opportunities in the marketplace against the current landlord's proposal. This process guarantees that the current landlord is offering a market-driven transaction while providing the lease space to match the current requirement.



194 Washington Avenue, Suite 620
Albany, NY 12210-2314

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Conley Associates' Services

- Tenant/Buyer Representation
- Occupancy Services
- Valuation & Appraisal
- Financial Services
- Market Research Services
- Physical Planning
- Project Management
- Construction Supervision
- Interior Design Services
- Advisory Services

Did you know?

The weathervane atop the State University of New York's Central Administration Building (the original Delaware and Hudson Railroad Station) is a replica of the Half Moon ship in which Henry Hudson sailed up the Hudson River to settle in Albany. The weathervane, weighing in at 800 pounds, is the largest working weathervane in North America.



Don't lease space without us.

If you're responsible for your company's office leasing arrangements, we're the partner for you. As this region's only exclusive tenant representation, Conley Associates has all the tools you'll need to assure you are getting the best space for your company's dollar.

We're locally based and have the market knowledge and expertise necessary to help your company make the best decisions for its future. Together, we'll work to:

- stay clear of unfavorable long-term leasing obligations
- take full advantage of your valuable time and effort
- fully analyze your opportunities
- avoid overpaying for space
- make sure you're not locking in space that doesn't meet your company's functional needs and long-term objectives

It's not too soon to have Conley Associates start evaluating your leasing needs and options. To schedule a no-obligation market review, or learn more about our complete tenant services, visit us online at www.conleyassociates.biz, or call us at (518) 463-5300. Conley Associates. Don't lease space without us.

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194 Washington Ave., Suite 620
Albany, NY 12210-2314