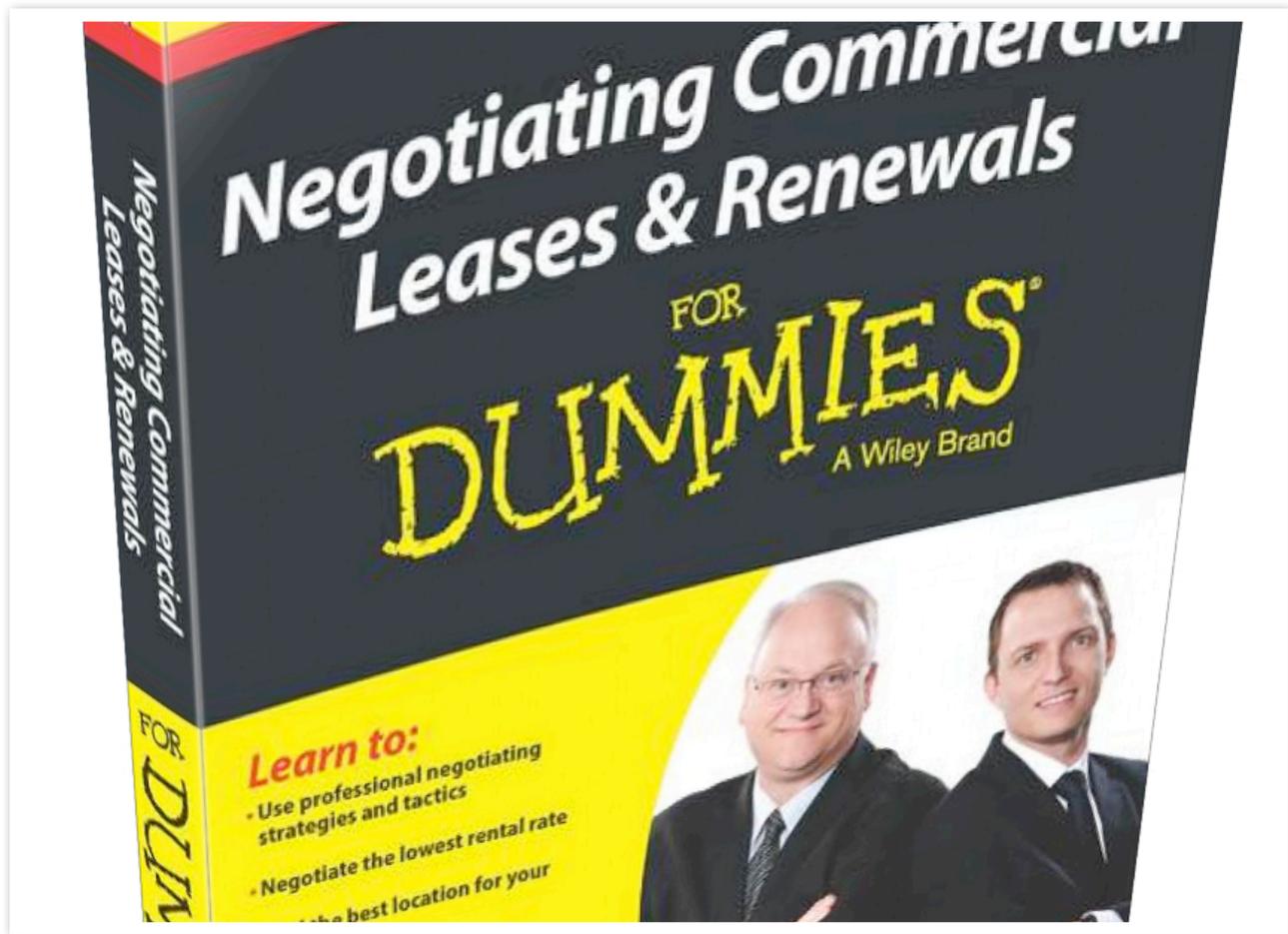


DOING SITE SELECTION EVEN IF YOU DON'T WANT TO MOVE FOR FOODSERVICE TENANTS



By Jeff Grandfield and Dale Willerton, The Lease Coach

Readers of our book, *Negotiating Commercial Leases & Renewals For Dummies*, will learn (in part) that one of the most valuable exercises a foodservice tenant can go through prior to negotiating their lease renewal is site selection. It may have been many years since you last looked at other commercial properties available for lease (or even for purchase if you are financially able to consider doing this ...) and it's time to do this again.

Many foodservice tenants resist doing this homework is because they say don't have the time, there isn't space available near them, or they don't plan to move anyway ... why waste time looking at other locations? Actually, the converse is true. The more you think you want to stay in your current location, the harder you have to look at what other commercial space is out there available for lease – if you want to get a good lease renewal deal.

We recommend that foodservice tenants check out what the competition has done over the past five years. Your closest competitors may be closing out of business, moving, downsizing, or struggling to stay open. Would this information change or affect your own lease renewal plans? Of course it would.

Kicking the tires on other locations for lease takes time, but it's free to do. When viewing new sites, it can be a good idea to visit these locations in reverse order of preference to gain confidence and to not make a hasty decision that you could greatly regret later. The more sites you look at and the more information you gather, the smarter you become and the wiser your decisions will be.

Getting lease proposals on other sites can increase your renewal leverage. Remember, timing is critical when you request lease proposals from other landlords and their listing agents. Ideally, you will want to do all of your site selection within a few days and receive multiple proposals, including any lease renewal proposal from your current landlord. This allows you to better compare all of the deals on paper side-by-side.

Sometimes a landlord's real estate agent will send you a casual e-mail proposal, which is not as effective as a full proposal on company letterhead. If you want to show this competitor's lease proposal to your landlord to create stronger leverage for your renewal negotiations, the letterhead offer will look far more official and carry more clout than a casual e-mail.

Ideally, a foodservice tenant wants to start the lease-renewal process about 12 – 15 months in advance of their lease expiration date. More precisely, look at your renewal option clause. If it says that your cutoff date for exercising your lease-renewal option is six months before the lease expires, you would start the renewal process six months before that, or a total of 12 months in advance.

Your strength or leverage may lessen the closer you get to your cutoff deadline, so the farther in advance you can find out what the landlord wants to do with your tenancy and rental rate, the more time you have to react. If you're going to get bad news (e.g. a rental increase), you want that information sooner rather than later. Keep in mind that most landlords want and plan to have their tenants renew, so you're usually on the same page plan-wise anyway.

This also applies in cases where you don't have a renewal option and want to remain in your same location. The closer you get to the end of your term, the less relocation time you have and it becomes clearer to the landlord that you cannot or don't intend to consider moving. There's also the peace-of-mind factor of putting the lease renewal to bed well in advance, if possible. You may also want to plan renovations, or if you're a foodservice franchise tenant, you may need to negotiate your franchise renewal agreement or extension as well. For foodservice franchisees, ideally, your lease agreement and your franchise agreement should run parallel, both expiring at the same time.

For a copy of our free CD, *Leasing Do's & Don'ts for Commercial Tenants*, please e-mail your request to DaleWillerton@TheLeaseCoach.com.

*Dale Willerton and Jeff Grandfield - The Lease Coach are Commercial Lease Consultants who work exclusively for tenants. Dale and Jeff are professional speakers and co-authors of *Negotiating Commercial Leases & Renewals FOR DUMMIES* (Wiley, 2013). Got a leasing question? Need help with your new lease or renewal? Call 1-800-738-9202, e-mail DaleWillerton@TheLeaseCoach.com or visit www.TheLeaseCoach.com.*