

7 Negotiating Blunders Salon/Spa Tenants Make When Negotiating Their Commercial Lease Renewal

By: Dale Willerton and Jeff Grandfield – *The Lease Coach*

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Are you ready to rumble ... with your landlord? By anticipating, preparing and bringing in expert help, you can renew your lease with far fewer headaches and even receive valuable tenant inducements from your commercial landlord. As *The Lease Coach*, we have seen many tenants make a number of common mistakes and share these errors in our new book, *Negotiating Commercial Leases & Renewals For Dummies* (Wiley, 2013). Here are a number of those blunders; don't fall into the same traps!

- 1) **Failing to Allow Sufficient Time:** Lease renewal negotiations should begin 12 months before the term expires. This will give you sufficient time to do your homework and look at other sites. If you can't get a decent renewal rental rate and deal, would you rather find out that you need to move with six weeks or six months left on your term? Time will be your ally or your enemy – depending on how you use it.
- 2) **Undermining Your Bargaining Strength:** Several factors will determine your bargaining strength in respect to negotiating a lease renewal. These include the overall vacancy rate of the building and recent tenant turnover. Your salon/spa size in relation to the entire property is relevant. It is not so much whether you occupy 2,000 or 5,000 square feet, but what percentage of the building that counts. Your business history is also important. Professional salons and spas are not that plentiful compared to other industries so use "scarcity" to your negotiating advantage with landlords.
- 3) **Keeping Quiet About What You Want:** Recently, a tenant came to us hoping we could negotiate a \$500/month rent reduction for her business. During the ensuing months, we met with the landlord and insisted on a \$1000/month reduction. Eventually, our efforts paid off with an \$800/month rent reduction or approximately 25% less than the tenant had been previously paying. Ask for more than what you want or need when negotiating other terms including free rent, signage, leasehold improvement money and so on. The worst the landlord can do is say "No!"

- 4) **Overlooking Renewal Option(s):** Do not forget to negotiate your Renewal Option(s) in advance and specify that it (they) be *assignable*. Some leases state that renewal options cannot be transferred, thereby making it difficult to eventually sell the salon/spa business. Stating that the Renewal Option be *for up to* five years, for example, will give you more flexibility if you want to renew for two more years instead of a full five years. Better yet, have an experienced lease consultant advocate for you. Renewal Option wording can be tricky ... read this carefully.

- 5) **Allowing Your Landlord to Retain Your Deposit:** If your lease agreement requires you to make a deposit for the initial lease term, it is not acceptable for that deposit to continue indefinitely. Ask yourself, are you a security risk? Have your rental payments been made promptly? If so, resist further security deposits and make sure that you state this amendment in the renewal amendment. Otherwise, your deposit, which was to be applied to the last month, needs to be replaced for the renewal term.

- 6) **Neglecting to Anticipate Your Lease Assignment:** Landlords anticipate that you will eventually sell your medical spa business and you will want to assign your lease agreement ... you should too! Most lease agreements say that the landlord can unilaterally terminate your lease agreement rather than grant an assignment. In some leases, it states the landlord can automatically raise the rent for the new tenant (the buyer) or even a piece of the sale price. Check this clause very carefully before you knowingly agree to it ... then negotiate for changes.

- 7) **Failing to Negotiate for Renewal Term Free Rent:** Years ago, salon/spa tenants were accustomed to renewing their leases with little or no landlord incentives. Today, receiving free basic rent (as part of a renewal package) is achievable. If you are closing for renovations, this period of time should definitely be rent-free. Your wellness facility business success will depend on the vacancy rate and your willingness to move. If the landlord is frequently enticing new tenants moving into the property (say with three months free rent), why should he/she not give existing tenants the same amount – or even more – free rent to stay?

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.