



## LEASE NEGOTIATIONS CAN BENEFIT BOTH PARTIES



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In these challenging times, landlords and tenants are both looking for ways to cut costs and increase profitability. When it comes to lease terms and base rent payments, landlords need stability, while tenants want flexibility. Is there room for both?

**Lease Negotiations.** If a commercial tenant's lease term is within 12 months of expiring, a wise landlord will open up communications with the tenant quickly. Not only does the landlord not want to be blindsided by a tenant who gives notice and vacates, but the sooner the landlord begins feeling out the tenant, the better the

landlord's position as the term nears expiration. Today, tenants are in the driver's seat: tenants coming out of long-term leases have many options for lower base rental rates. Nonetheless, fewer tenants than expected are willing to relocate their business, perhaps due to a fear of losing customers or simply the hassle of moving an active business. This is precisely where the current landlord's efforts to communicate with the tenant in advance of an expiring lease term pay off. If the landlord can offer the tenant near or slightly above market rents, the landlord will likely end up with a tenant willing to sign another lease, thus providing the landlord stability and giving the tenant the flexibility to pay, most likely, a reduced rental rate.

**Lower Real Estate Taxes.** Both parties realize that the largest part of operating expenses relates to real estate taxes, which are based upon a valuation assigned to the property by the county Auditor. When a landlord files a Complaint Against the Valuation of Real Property with the County Board of Revision and is successful in obtaining a reduction in the property valuation, the tenant and landlord both benefit. Any unoccupied square footage receives the benefit from lower real estate taxes, including vacant suites and common areas. Perhaps the biggest incentive in obtaining a reduction in real property valuation is the fact that any reduction will be applied to the relevant tax lien date, January 1. Since real estate taxes are collected a year in arrears, a successful complainant could receive a real estate tax refund from the county Treasurer for the overpaid taxes.

Despite what may often seem like conflicting goals, landlords and tenants who work together and communicate effectively can come out ahead. For further information on leases and tax valuations, please contact Jackie Hager at 628-0814 or [jlh@cpmlaw.com](mailto:jlh@cpmlaw.com).