
TOP 10 MISTAKES TENANTS MAKE WHEN RENEWING OR RELOCATING THEIR OFFICE LEASE



by Scott Covington
S.E. Covington &
Company, Inc

1. STARTING THE PROCESS TOO LATE

This is number one in costing tenant in rental rates, options and square footage.

2. THE COMPLETE SCOPE OF THE PROCESS IS NOT CLEAR TO THE TENANT

Tenant usually is not aware or shown a project chart with a target outcome.

3. NOT EVALUATING CURRENT MARKET VALUES AND THE ANALYSIS OF APPROPRIATE RENT FOR A PARTICULAR SPACE

As with airline tickets, today where no two seats on the same flight tend to cost the same, each traveler has a different price – so it is with office space. Misunderstanding the current market and the relationship of a particular building in that submarket can effectively and needlessly raise rent a tenant pays.

4. LEASING MORE SQUARE FOOTAGE THAN NEEDED

Each building being compared for relocation or renewal will usually have a different common area factor and foot print of the space needed. Understanding the optimal space layout prior to going to the market is a must for the tenant.

5. SIGNING A LEASE WITHOUT UNDERSTANDING HOW THE RATE COULD INCREASE PRIOR TO COMMENCEMENT

Today, more than can be remembered in last two decades, landlords are dealing with unknown tax and utility increases. In addition, construction cost has escalated over the last year. Most leases are signed without full construction drawings, and this many times leaves a risk to the tenant of cost and or rental increases prior to lease commencement.

6. NOT UNDERSTANDING ALL THE COST ASSOCIATED WITH THEIR LEASE TRANSACTION AND HOW THESE COST ARE PAID

Having a clear understanding along with a breakdown of cost of a lease transaction usually helps make the tenant an active partner in the lease negotiation. The cost breakdown will usually show when the landlord starts and stops paying fees.

7. NOT UNDERSTANDING THE COST ADVANTAGES OF A RELOCATION VS A RENEWAL

Most tenants review the market but never actually have an architect and broker work together as a team prior to

going to the market. Taking the time to look at current needs prior to negotiating a renewal or a relocation should be the team's priority.

8. NEGOTIATING WITHOUT AN ARCHITECT REPRESENTING THE TENANT'S INTEREST

An architect representing the tenant and working closely with the broker representing the tenant from the start is very beneficial to the tenant's bottom line.

9. NOT REALIZING A SIGNIFICANT OCCUPANCY COST SAVINGS FROM MARKET

There are numerous factors that go into a lease transaction, far more than rental rate and a tenant improvement allowance, understanding how to put these factors together in a win-win transaction is not only art, but science.

10. NEGOTIATING WITHOUT HAVING TWENTY YEARS OF HOUSTON REAL ESTATE EXPERIENCE ON YOUR SIDE

Dealing with landlords, everyday all day long, is the only way to understand the local market. In addition, having a long history of successful negotiations representing tenants with the many owners and landlords over the city of Houston speaks for itself when dealing with lease negotiations.

Scott Covington is president and founder of S. E. Covington and Company, Inc. The company was founded in 1984 and has become one of the most recognized commercial real estate firms in Houston, by providing a highly qualified comprehensive level of real estate service to corporate, institutional, medical and entrepreneurial firms. One of the firm's most recognized clients is The Lakewood Church where Scott represented the church and assisted in the acquisition of the Compaq Center. Scott can be reached via email at scovington@secovington.com.