

Three tips for renewing your warehouse lease

How negotiating your industrial lease can save you money, increase flexibility and improve your bottom line



Lease renewal time can be a critical moment for your business. With the changing market conditions, landlords are more open to negotiating key terms, making it an opportune time to take action on your lease.

According to JLL research, approximately 10,000 U.S. industrial leases will expire in the next 24 months. This presents an opportunity to assess your current lease, explore the commercial real estate market and position your company to negotiate a better arrangement.

However, it's important to approach the lease renewal process with caution. Counting your chickens before they hatch could result in your business paying more in rent than necessary, overlooking to add key terms or even losing your current space.

On the other hand, if you come to the negotiating table as an informed occupier who understands your leasing options and how they relate to your evolving business needs, you can ultimately secure a cost-effective deal and establish control over future costs.

Here are three tips to help prepare for your lease renewal:

1 Get ahead of the market

Stay informed

Monitor the market for changes in rental rates, lease terms and other factors that could affect your negotiations.

Don't limit yourself to your current space

Consider all your options when it comes time to renew your lease. Your business needs may have changed over time and by exploring other properties in the market you can create the atmosphere for a productive conversation with your landlord that will result in a better outcome for you.

Start early

The earlier you start researching your options, the more time you will have to gather information, assess your needs and develop a negotiating strategy.

Secure professional representation

If you're unfamiliar with the market or don't have the resources to manage lease negotiations, consider hiring a professional. A qualified advisor can help you to understand your rights and not only get you the best possible lease terms but also include things you may not have thought of.

2 Understand your landlord's motivations

Don't be afraid to ask questions and do your homework before signing on the dotted line. It's critical to understand the value of your lease in the market, as well as your landlord's overall portfolio and financial situation, and use that knowledge during negotiations. This includes your value as a tenant vs. downtime in vacancy, tenant improvements and other costly items the landlord will face in the process of finding a new tenant.

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In lease negotiations, it's important to approach with confidence and avoid misfires. When you understand the process, you are in the driver's seat to secure the best possible terms.

Craig Meyer
President, JLL Industrial

Here are additional details that motivate your landlord:

- Privately or individually held
- Public held, i.e. REIT, Real Estate Investment Trust
- Portfolio owner, i.e. Institutional investor
- The size and value of their property holdings
- The types of properties they own
- Financial performance and debt/mortgage structure
- Investment goals and future sales
- Current agreements with other tenants
- Property basis or time held

3 Maximize operational efficiency

When negotiating a warehouse lease, it's critical to consider how the space will meet your company's needs now and in the future. Look at your current space and ask yourself, "What does our business need to improve efficiencies and create the ideal work environment?" These should be your "must haves" in your lease discussion points. In some cases, your landlord may be willing to incur some of the update costs if it means keeping you on as a tenant.



Get the most out of your industrial lease

It's crucial to approach your lease renewal with a thorough understanding of your business needs and market trends and select an action plan that makes the most. By leveraging your position and negotiating lease terms, you can create a workspace that aligns with your changing business demands. Your warehouse space isn't just a place to store goods, it's a vital component of your business operations where employees work and interact with customers. Investing in a comfortable, efficient and sustainable workspace can help set you up for long-term success.