

“Rare Space was able to improve the Landlord’s original proposal by 35%. This allowed us to move into great space that meets our needs today and allows us to plan for future growth.”

Mike Hughes, Director, RESOLVE Inc.

Closing the Commercial Real Estate Deal

In our last newsletter we discussed methods for evaluating different building alternatives, and subsequently how to select the best location for your company.

This month we will address the tasks necessary to finalize the lease contract. The key elements of the closing process include:

- **Tenant & Landlord Negotiations/Maximizing Concessions:** Your broker should obtain every reasonable concession based on your financial strength, the length and value of the lease, and the existing market conditions. In a soft market, common concessions for strong tenants with substantial lease commitments include: free rent, moving allowances, buy-outs of financially remaining lease terms, free parking, and other incentives. The negotiating phase should progress smoothly and quickly if your broker has created a competitive bid environment as previously outlined.
- **Prepare Financial Statements for the Two Previous Years:** It is fair to assume that a prospective landlord will request your company’s financial statements for the two previous years. It is advisable to have your audited statements prepared in advance in order to expedite the process of closing the deal.
- **Ask the Landlord for a Letter of Understanding:** Once the landlord has reviewed/accepted your financial statements, and an agreement has been reached on the business terms of the lease, it’s a good idea to have all of the items set forth in a *letter of understanding* from which the lease agreement will be drafted.
- **Request & Review the Building’s Lease Form:** Prior to asking the landlord to prepare a lease for signature, you, your broker, and your attorney should review the building’s basic lease document and note any provisions or language that you want modified for your protection.
- **Hire a Reputable Local Real Estate Attorney:** Your real estate broker is not an attorney; the Colorado Real Estate Commission specifically prohibits brokers from what they call “unauthorized practice of law”. Therefore, it is important to hire a real estate attorney to review the lease contract. We strongly recommend hiring a local attorney due to the fact that laws and customary practices vary from state to state.
- **Negotiating the Lease Document:** It is critical to make sure that all the proposed terms and conditions that have been agreed to are accurately reflected in the lease document. Throughout this multi-week process the brokers and attorneys will negotiate the provisions and language of the contract until the lease is accepted by all parties involved.
- **Execute Lease:** After a mutual agreement has been reached a final lease document will be presented for your signature. Once the landlord has also executed the lease your lease will commence at the agreed upon date.

Next month our newsletter will address the components and stages of designing the ideal space for your company. In the meantime if you have any commercial real estate questions or space needs please contact us.

Best regards,



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Rare Space is a Tenant Advisory firm that uses the latest commercial real estate technology, including real time property information, sophisticated financial modeling tools and a comprehensive real estate process to produce superior results for our clients.