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## Commercial Lease Renegotiation May Help Business Owners Get Thru Tough Economy

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**A severe recession is squeezing Landlords and Tenants alike.** After years of easy lending, low interest rates, and rising property values, the tide has quickly turned on Landlords. Many recently purchased their properties at relatively high prices, saw their taxes jump as they were reassessed for the first time in decades, then tried to keep them leased while the economy and markets soured and wiped out their equity. Now the Landlords hope that banks will resume lending so that commercial loans can be refinanced before they come due.

**Commercial vacancies are rising.** An exodus of Tenants is driving up vacancy rates in retail, office and other commercial real estate markets. Some large corporations are going bankrupt, downsizing their operations, or canceling expansion plans. Businesses are looking for lower-rent areas, or revamping business models to require less commercial space. Others are closing after being caught between falling profits and fixed expenses such as rent. Business owners often wait too long to sell, then cannot find a buyer, or at least one interested in a distressed business.

**Landlords and Tenants need to look for Win-Wins and avoid Lose-Loses.** Commercial leases make them "partners" in many ways, and entwine their destinies. Tenants need space to operate and generate revenue. Landlords need Tenants' rents for income and expenses. The faltering economy hinders Tenants' revenue and ability to pay the rent. Landlords must decide whether to accept less rent, or evict Tenants and lose income until replacement tenants can be found. In the meantime, the Landlord may sue the old Tenant for unpaid rent, but find it like squeezing blood from a turnip. There must be a better way!

**Commercial Leases can be amended to provide a way out, if both parties are willing.** If the rent can be reduced enough to allow the business to survive, and still pay the Landlord's expenses, this may be the best solution. Other options include:

- Temporarily reduce or defer rent;
- Avoid future rent increases;
- Restructure rent as a percentage of sales;
- Return or sublease unnecessary space; or,
- Shorten the term or terminate the lease entirely.

**Good information leads to sound decisions.** The Landlord and Tenant need the right information to make a sound, mutually-agreeable decision. The Tenant can provide historical and planned income statements, showing the rent and profit versus industry benchmarks. The Landlord can contribute survey data regarding current market rents. They might also consider hiring neutral third parties—such as business brokers and commercial real estate brokers—to provide information and help negotiate a solution.

## How past clients feel about BestSoCal Business:

"BestSoCal did an exceptional, professional performance of all duties as commercial real estate representatives. I would highly recommend their service to colleagues without hesitation!"

Olva Jang, Seller  
Top Banana

"BestSoCal made the whole process of selling my business as easy as possible. I feel confident that all the legal steps have been taken, and I can sit back and enjoy my retirement. I would recommend this service to my friends!"

Mick Ofield, Seller  
Design Works Advertising Agency

"Alan was very helpful. Always returned our phone calls (not everyone does). He made us feel at ease, and found us the perfect business! We were looking for about a year. He made this a great experience. A million thank yous!"

Debbie Rosetti-Colacion, Buyer  
The Good Day Café

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renegotiate a lease?**

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