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The Lease Negotiation Field Kit

Rent is the second-biggest number in your school. This is how you stop handing it to somebody else.

Everything here works with your own numbers. Print it, write in it, and take it into the room. It pairs with the article "Your Second-Biggest Expense" on mastermoody.com.

Read this part even if you read nothing else.

Your leverage is built long before the letter arrives. If you have not looked at another building, you don't have an alternative, and you can't manufacture one in three weeks. Everything in this kit is easier eighteen months out and mostly theoretical three weeks out.

1 Greg Moody's Three Stages of Landlords

Know which stage you're in before you open your mouth. It changes what you should expect and what you should ignore.

Stage	What they're like	What it means for you
Selling you the lease	Pleasant while they're showing you the unit the first time.	Everything is possible. Get it in writing now.
During the term	Ambivalent. They don't want to hear anything except the check clearing.	Those are the good years. Use them to prepare.
At renewal	INCREDIBLE A%$^%$S, and it can feel personal.	It isn't. It's a repricing event. Stay on the arithmetic.

2 The eighteen-month clock

When does this start? Not when the letter arrives. Put the eighteen-month date in your calendar the day you sign any lease, and work backward from your expiration rather than forward from the landlord's letter.

When	What you do
18 months out	Start looking – check your lease and know the terms.
12 months out	Check again. Look for opportunities – you may not want to move but maybe you stumble on a great opportunity!
9 months out	Reach out to landlord and start the conversation.
6 months out	Try to finalize around here.
The meeting	Open on structure and the cost of your vacancy. Never on fairness.

3 What to request from the landlord

You may have all this in a report they send on CAM charges (some states require). If not ask for all of it in one message, early, and in writing. What if they won't send it? Then you've learned something for free… a landlord who won't document an increase they blamed on costs is not recovering costs.

- ☐ **Operating-expense history.** Three to five years of taxes, insurance, maintenance, repairs, utilities and common-area costs. This separates a real recovery from a market reset wearing a recovery costume.
- ☐ **The current expense allocation, in writing.** Exactly which costs sit with them and which sit with you today, and confirmation that the renewal doesn't change it.
- ☐ **Their proposed rent schedule, year by year.** Not an average, not a percentage. Five dated numbers.
- ☐ **Any capital work planned for the center.** Roof, parking, HVAC, signage. Ask whether any of it gets passed through to tenants and under what clause.
- ☐ **What they've done on other renewals in the center.** They may not answer. Ask anyway – how they decline tells you where the flexibility is.

Say it plainly: **"You mentioned taxes, insurance and maintenance. Can you send me what those have actually done over the last few years? I'd like to understand what I'm helping cover."**

4 Lease structure decoded

The base rent is the number everybody watches. The expense allocation is the one that decides your bill, and it's the cheapest concession a landlord can win off you. Which one are you on? Go read your lease before the meeting, because plenty of owners guess wrong about this.

Structure	Who pays property costs	What to watch
Gross	Landlord pays taxes, insurance, maintenance, common area.	Rare now. If you have it, defend it hard.
Modified Gross (MG)	Split. Usually you pay your own utilities; landlord carries the rest.	Get the split written out line by line – "modified" means whatever the lease says.
Triple Net (NNN)	You pay base rent PLUS taxes, insurance and common-area charges.	The additional rent can run \$3–\$6/SF or more. It never appears in the headline rate.

The conversion is the one to watch.

A landlord who can't win on base rent can move you from modified gross to NNN and win more, while the quoted rate barely changes. On 6,000 square feet, \$4.50/SF of additional rent is \$27,000 a year. If they want to convert, that's a different deal and the base rent has to come down a long way to match. Don't let it ride in on the same handshake as the rent number.

5 Build your counter – the math that wins the room

Fill in the left column with your numbers. The last two lines are the argument, and they're arithmetic rather than opinion, which is why they're hard to push back on.

	Your number	Worked example
A – Current monthly rent	$ ____________	$6,000
B – Square feet	____________	6,000
C – Current $/SF/yr (A × 12) ÷ B	$ ____________	$12.00
D – Their year-1 ask	$ ____________	$7,200
E – Their $/SF/yr (D × 12) ÷ B	$ ____________	$14.40
F – Immediate increase (D – A) ÷ A	____________ %	20%
G – Their year-5 ask	$ ____________	$8,103
H – 5-yr total, their proposal	$ ____________	$458,688
I – 5-yr total at today's rent A × 60	$ ____________	$360,000
J – THE GAP H – I	$ ____________	$98,688
K – Gap vs a reasonable counter	$ ____________	about $38,208
L – Six months vacancy for them D × 6	$ ____________	$43,200

Compare L against K. That comparison is your whole case.

Six empty months costs the landlord more than the entire amount you're arguing about – and that's before a leasing commission, before build-out for the next tenant, and before free rent to get them in the door. In most schools L beats K comfortably. Put both numbers on the table and let them do the multiplication themselves.

Then build three counters and walk in with all of them.

Counter	How to build it	Trade-off
A – Gentle reset	Start near your current $/SF, then a conventional 3% a year.	Saves the most. Hardest for them to accept.
B – Simple steps	Round dollar steps from a lower year-1 number.	Same money as A, easier for them to say yes to.
C – Smoothed to their endpoint	Even annual climb landing exactly on their year-5 figure. Rate = (G ÷ A) to the power of 1/5, minus 1 – about 6% on the worked example.	Saves the least. Very hard for them to refuse – you conceded the destination.

Open with A. Expect to land near B. Hold C for the moment they dig in on the endpoint – it still saves you real money and it costs them nothing they said they wanted.

6 Concessions beyond the rent

Rent is one term in a document with thirty of them, and most owners negotiate exactly one! Everything below is worth real money to you and easier for a landlord to agree to than a lower rate, because none of it touches the number their building gets valued on.

- ☐ **Rent abatement.** More variations here than owners realize. The obvious version is a few free months at the front of the term or half rent for 6 months. One lease, I got 3 months free and 6 months half plus tenant improvement money. I've seen owners negotiate every April free, every year of the lease and some other strange combinations.
- ☐ **Tenant Improvements.** This is pretty common, I have gotten either money or the landlord did the TI's themselves. Note: make sure if they do the improvements, it's in the lease to build to all applicable city and state or other codes. This can even include signage. (if you're renewing a lease you can get these too).
- ☐ **CAM limits.** Unusual, and it can get negotiated in. A cap on how much your common-area maintenance can rise in a year protects you from the one line in your lease you have no control over (and the one that tends to surprise people in year three).
- ☐ **HVAC warranties or replacement.** On 6,000 square feet you may be sitting under three or four rooftop units, and something is going to die inside a five-year term. Get a warranty, or get a written commitment to REPLACE rather than repair a unit past a certain age. This is the one I'd fight for.
- ☐ **Roof warranty or repair.** Usually the landlord's responsibility already... usually. Get it in writing anyway, with who pays and how fast.
- ☐ **Other repairs and updates.** Parking lot, exterior lighting, storefront, signage, restrooms, HVAC balancing. If the center has been let go, this is where you get that addressed, and you're mostly asking them to do maintenance they already owe.
- ☐ **And read your lease.** All of it, carefully. The concessions available to you are the ones your particular document allows for, and no article can tell you what those are. What can you ask for? Whatever is in there, plus whatever you can talk them into.

> **Think about it from their side.**
>
> Another consideration, from the landlord's point of view all these are cash built into the lease. If they offer $15,000 in TI money, you can often flip that into other concessions.

7 Two numbers to set before you go

Only you can set these, and set them at home. You'll be asked to react to something in the room, and a number you decided in your kitchen holds up better than one you decided across the table.

Target first-year rent: ________________________________

Walk-away ceiling: ________________________________

8 What to say when you sit down

Do you have to sound tough? No... the arithmetic does that part for you. Just don't open on fairness, and don't tell them you have no intention of moving.

1. **Concede the direction.** *"We know the rent can't stay where it is forever, and we're prepared to participate in a reasonable increase."*
2. **Name the real objection.** *"Our concern is the size of the first-year step, not the escalation after it."*
3. **Put the arithmetic on the table.** *"We've been here twenty-plus years in a space this size. Before we talk about the number, I'd like to look at what it costs to re-lease this footprint if we can't get there."*

9 If you're mid-lease and want out

In most states a landlord has a duty to mitigate damages, which means if you leave early they can't just let the space sit empty and bill you for the rest of the term – they have to make a real effort to re-lease it. You may still owe something. They generally can't collect five years of rent on an empty box they never marketed.

I'm not an attorney and this isn't legal advice, and the duty to mitigate is a state-by-state thing, so find out what YOUR state actually requires before you count on any of it. What I can tell you is what happened to me. I've needed to get out of a location before the lease was up, and usually it took something like 90 days of rent or less. Again not legal advice and YMMV.

10 Before you sign

Have a commercial real estate attorney read the actual document. The expense allocation, the assignment clause, any personal guarantee, and whether you're getting a renewal option on the back end. That review is cheap next to what's in the paper. There is a tendency to be cheap here and not do this but it reminds me of the old adage "pay full price for lawyers and roses!"

This kit is negotiation strategy, not legal advice. I'm not an attorney and I'm not your broker. Use this to prepare, and then have somebody licensed read the lease before your signature goes on it.

If you're sitting on a renewal right now and want to work through your numbers, bring it to me. Most owners have more leverage than it feels like from the inside, and it usually costs nothing to go find out.

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