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[Lawrence E. Bloom, MAI](#), a certified commercial real estate appraiser and Member of the Appraisal Institute, is the manager of Ringel Business Valuation Services' Real Estate Appraisal & Consulting Group. Over the last 25 years Larry has valued more than a thousand commercial properties across the country and provided a variety of consulting and litigation support services.

Ringel Business Valuation Services
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Ringel Business Valuation Services offers a broad array of valuation and real estate appraisal services, including closely held businesses, bankruptcy, litigation support, marital dissolution, gift and estate, promissory notes, undivided interests in real property and commercial and residential real estate.

IT'S A TENANT'S MARKET

"The Tenant Saved More than \$350,000 Over the Term of the Lease."

[Gary Ringel, CGREA](#) and [Lawrence E. Bloom, MAI](#) With metropolitan Phoenix office vacancy rates climbing above 24% in the second quarter of 2009 and our local unemployment rate exceeding 9%, landlords and property managers are highly motivated to retain existing tenants while aggressively pursuing new tenants to occupy their empty spaces.

Accordingly, there are enormous opportunities in the current market for tenants to lock-in favorable lease terms and receive a variety of creative concessions, such as free rent, discounted rental rates, out clauses and increased allowances for tenant improvements. Sometimes landlord-tenant negotiations can take months and become quite heated, but the lessee is well rewarded for his perseverance and patience.

Case Study

Below is an illustration of the type of tenant consulting services provided by our Real Estate Appraisal & Consulting Group. This case study involves a tenant who took advantage of the available leverage while negotiating a new lease for 7,655 square feet of office space that it had occupied for the past five years. The leased space is located in a high-rise office building in central Phoenix.

We first read the property manager's initial proposal, which had been submitted to the tenant approximately ten months prior to the expiration date of the lease, and quickly concluded that a much better deal could be struck. Taking into consideration the building's vacancy rate of approximately 40% and the property manager's strong motivation to retain the tenant, we next gathered market rent comparables in the submarket and spoke to numerous leasing agents to get our arms wrapped around asking rents and concessions offered by competitive office buildings in the area. Mindful that the agents were merely tossing out preliminary numbers for the sake of discussion, we were now prepared to deal with the property manager.

Taking advantage of our rent study, information obtained from brokers with whom we have long-term relationships, and statistics provided by our appraisal data sources, we presented the property manager with a written counter-offer and then negotiated back and forth for months over the various terms of the lease.

When it became obvious that we had reached a stalemate, the property manager was informed that the tenant was very willing to relocate unless we were presented with a more attractive lease package. The deliberations continued until a few weeks before the termination of the existing lease. With time running out, the landlord finally offered a deal that couldn't be refused. The tenant received six months of free rent at the beginning of the lease term; the present rental rate of \$22.50 per square foot was lowered to \$20.00 per square foot; the allowance for tenant improvements was doubled; and additional reserved parking spaces were included at no charge.

Taking all of the rent concessions into account, the tenant saved more than \$350,000 over the term of the lease.

If you are interested in further information about consulting, litigation support or real estate and business valuation services offered by Ringel Kotzin Valuation Services, contact Gary Ringel at [602-544-3551](tel:602-544-3551) or gringel@ringelvaluations.com.