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Economic uncertainty leads to tenant opportunities

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As the business community struggles with the looming threat of a recession, landlords are becoming more responsive to tenant requests. Most landlords are more responsive to the needs of tenants when market conditions are trending downward. In most instances, the reason for this is due to rental rates decreasing and space no longer being at a premium. Therefore, tenants have the ability to relocate to higher class buildings for less or comparable rent.

Historically, asking rental rates decrease when negative economic indicators are present. These indicators can be directly related to the real estate market or the overall stability of the economy. In niche markets, rental rates can fluctuate due to supply and demand pressures or vacancy associated with major relocations. The catalysts associated with these swings are virtually impossible to pinpoint or list but the trend can be identifiable with the aid of a commercial real estate professional.

Landlords understand downward trends and have developed appropriate survival techniques to persevere. The most obvious technique is to keep pre-existing tenants. This is accomplished by increasing communication, addressing nagging property management issues and creating monetary incentives. These incentives are to the tenants' advantage and can translate to major cost savings.

The age old adage of real estate being location, location, location still stands true today but for tenants in a changing economy its timing, timing, timing. The stock market prides itself on the Bear and the Bull and traders choose an investment strategy based on which ever is prevailing. The commercial real estate market shares a similar mantra called landlord and tenant markets. Unequivocally, we are in a "tenant" market which means many opportunities are available for tenants.

However, knowing real estate is a cyclical business, tenants' should be aware that the pendulum will shortly swing the other way and therefore should immediately take advantage of the incentives that are available today.

To accomplish this goal tenants should contact a local commercial real estate professional because incentives can be marketplace specific. These professionals can advise on market conditions, lease comparables, vacancy rates and also negotiate on their behalf. Re-negotiating and or renewing should not be adversarial and often proves to be a win, win for both tenants and landlords.

A popular multiple listing service recently reported that quoted rental rates have remained flat throughout the 495/Mass Pike West Market, while the 495 and Rte. 3 North Markets quoted rental rates have declined between 1st and 2nd quarter 2008. This is a statistic that may very well exemplify market uncertainty and instability.

One thing is for certain, leases will always expire and tenants will always renew or relocate. The time in which they chose to do so will always remain a critical business decision.

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