

LEASE NEGOTIATION

By Mark Dattel

1) Know the facts

a. Call the postmaster/branch manager of your building. He/She is your natural ally in keeping your building occupied (and his/her job). Ask about operating hours, number of employees and number of routes run out of the building. Also ask about the percentage of PO boxes rented, and the capacity for growth in the space. Ask about nearby post offices, specifically the distance, size and age of those buildings. Does the community value and support its post office? Would citizens be upset if the building were to be closed? It is also a good opportunity to discuss any deferred maintenance, especially USPS maintenance, as this could become a factor in the unlikely event that the USPS does vacate the building.

b. Contact the AUSPL to get the USPS comps for nearby buildings and utilize the resources available to you through the AUSPL website.

2) Understanding the lease language

a. Familiarize yourself, if you haven't already, with the existing lease terms and language. Are there still options in the existing lease? If so, this simplifies the process. Who pays for property taxes and how often? Maintenance? Termination clauses were not common in older leases, but they are now.

b. If the existing lease is expiring and there are no more options, then you must read and understand in its entirety. Do not assume that the tax rider, maintenance rider or any general conditions are the same as your old lease. These changes can add expense and uncertainty to your investment, and shorter, riskier leases are not good for you (or the USPS).

c. Contact the AUSPL if you are uncertain about any language in a new lease.

3) The commission question

a. As we all know, the USPS has contracted with the real estate agency CBRE to handle its real estate portfolio. Taking a cue from private industries, the USPS is trying to put the expense of handling these leases on us, the lessors. It is important to remember, though, that CBRE did not bring us the USPS as a tenant, and in most cases, the agent is simply processing an existing option or, at the very most, negotiating a new lease for an existing tenant. This is not the same as bringing a new tenant to a vacant space. Having said that, it is imperative on each owner to determine the extent of payment, if any, CRBE should receive.

b. If the lease has expired and has no further options, consider utilizing the CBRE agent to get yourself a better deal. If successful, then it may be worth it to pay a commission or fee for his/her services.

c. If you are not comfortable negotiating with a professional agent, consider hiring someone on your behalf, who may be able to get a more beneficial renewal. The AUSPL can provide you with a list of people who can offer this service.