

What Does Office Lease Renewal Look Like Right Now?



As WFH continues to dominate today's business scene, offices are facing many unprecedented challenges. Teams are teleworking, the office space is snoozing, and even after two months, there's no official word yet on when things will be back to 'normal'.

With uncertainty on the radar and no clear end to COVID-19 in sight, office lease renewals will definitely pose a challenge for many landlords and property owners. Let's take a deeper look at the details to gauge exactly what the industry is dealing with:

Tenant Troubles

A real estate field can only be as strong as their tenants - and right now, the office pool is in the weeds. With the economy slowing down due to coronavirus implications, many companies aren't seeing the gains they've gotten used to during the United States' longest streak of economic expansion - that we've just fallen out of.

As a result, a substantial number of office tenants may not be able to renew their leases. Some companies are taking a break to see how things play out, but others are calling it quits altogether. Others are skipping out on rent altogether, causing serious cut-backs into rental profits.

Tenants who are maintaining a strong stance may be wary about returning to the physical workspace, and this extended bout of remote working is offering perks that are changing the ways companies perceive the necessity of a leased office space.

The coronavirus took a considerable toll on the office sector, and it's going to take a lot to get everyone back on their feet.

What Does Office Lease Renewal Look Like Right Now?

The Tomorrow of Office Leasing

In today's market, any tenant is a good tenant. Flexibility is the key to riding out the pandemic successfully. Property owners will need to reconfigure their normal protocols to account for the current status of business markets.

1. Communication is Key

Touching base with your tenants is a must as communication will make all the difference. If you know what your tenants are going through and what they're near future looks like, you can adapt as needed, or plan for a strategy pivot. Getting caught off guard with a last-minute lease cancellation is the last thing any property owner wants right now.

2. Supply Outweighs Demand

For landlords with vacant units on their hands, the same level of tolerance is required. The market will likely shift into a new balance of supply and demand - where the supply outweighs the tenant population. If this comes into play, landlords and property owners can expect the competition to skyrocket as more and more listings hit the market.

3. Win Tenants Trust Back

Office owners will need to bring their A-game to win over tenants. Besides a winning-attitude characterized by patience, understanding, and adaptability; landlords shouldn't hesitate to flex their office-upgrade plans. The ability to meet the market's pain points will play a huge role in appealing to office tenants.

4. Re-Assert the Value of Your Asset

Get your office space ready for the return to work by throwing in some incentives, like discounted WiFi packages or utility bundles, to sweeten the deal. Consider new amenities and interior designs that can make your office space shine.

Offices are certainly navigating unknown territory, but an optimistic and confident approach is the first step to staying afloat until COVID's waves calm down.

