



DO YOU QUALIFY FOR A RENT RESTRUCTURE?

There are many reasons why one would want to restructure their lease. Financial duress, a change in size needs, facilities, market conditions, business purchase and a variety of other business scenarios are potential factors.

What many do not realize, is that it is sometimes possible to restructure your lease during the term.

While a lease typically represents an inflexible commitment, there are numerous scenarios where leases can (or should) be restructured. It's not easy, but it's possible with the right approach and preparation.

Orange Group Commercial Real Estate is dedicated to helping tenants. We are a leader in Canada for tenant renewals and rent restructures.

Most landlords realize that a tenant who is satisfied with their lease, tends to pay the rent, pay on time and is more likely to renew. This not only preserves landlord cashflow but reduces their risk. Accordingly, most landlords are prepared to act reasonably and evaluate situations where it is vital to evaluate the terms of the lease as it relates to the tenant's future in the property.

Rent restructures sometimes involve space reconfigurations, lease modifications and also rental changes. Those that involve rent relief or abatement are especially difficult to procure. This said, it is not impossible provided sufficient preparation and information is assembled in order to make a compelling business case. If you are in a position where rent relief/abatement is required, following are the things that maximize the chances of procuring a successful restructure agreement.

TIMING



If you are nearing the end of your lease (say 2 or 3 years left in the term), you should already be preparing for your renewal. Evaluating space alternatives, needs and market conditions are essential parts of renewal preparations.

We identify situations where aggressive landlords with substantial vacancy may buy out the remainder of your existing overpriced lease so they can sign you elsewhere for a longer term lease at a lower rate.



There's many options that real estate experts utilize that business owners are not typically aware of. Even if you don't relocate, your existing landlord may be prepared to lower your rent now, in return for an extension of your term (thereby lowering their risk and mitigating a vacancy) in the future.

COMPREHENSIVE FINANCIAL STATEMENTS



If you are showing significant earnings and a reasonable level of profitability, then a rental restructure is highly unlikely unless we can derive leverage from somewhere else* Typically, you'll need to show that your business is in potential jeopardy without some form of rent abatement or assistance. This is

typically derived through evaluation of net profit as opposed to EBITDA **.

*This could include leveraging multiple locations in a portfolio, other business relationships, related agreements, contracts and a variety of other factors.

**Earnings before interest taxes, depreciation and amortization. The initial capital investment in a location can substantially impact the differential between EBITDA and net income due to amortization, interest and depreciation.

We'll typically require your most recent financial statements (minimum 2 years), that outline your financial position. This will include profit and loss statements, balance sheet and cash flow statements (if applicable). Upon completion of this, we will review your lease and work to establish other leverage points. Moreover, we typically find about 20 "landmines" in almost every commercial lease – so if nothing else, you'll be in a position not to make similar mistakes in future renewals.

WHAT ELSE?

We'll need to demonstrate that you are taking reasonable steps to mitigate the situation that is resulting in your rent restructure and a plan of action (and/or business plan). You'll need to also demonstrate that you've actively sought restructures, savings and/or relief from other suppliers and business contacts. Singling out your landlord as the only one to sacrifice returns / profitability during a restructure is not a realistic (or equitable) proposition for most landlords.



DETAILS



We'll work with you to create a rent relief proposal that caters to the specifics of the landlord / property owner and the decision makers involved. For example, local and regional landlords may have different criteria and objectives than larger national ones. Certain individuals in a company may have different objectives and they might be more flexible. In rare cases, the landlord might have other tenants that may already want to take your space or other scenarios could exist. Each landlord has its own unique internal nuances that will impact your level of success on a rent restructure and it is important to research and understand those motivating factors.

OUR FEES



First, we only will accept and contract a rent restructure scenario where we believe there is a compelling request and a reasonable chance at success. If you cannot convince us that you need relief, we are unlikely to be effective at convincing a landlord.

If we accept the challenge, we charge \$1,250 to complete an in-depth review your financial statements and complete a preliminary review your lease (which includes any lease "landmines" or suggestions for your next lease/renewal). This fee also includes the preparation of a formal rent restructure request to the landlord, negotiations and all associated documentation.

WHAT'S THE CATCH?

WHY SO **INEXPENSIVE** FOR SO MUCH WORK?

We keep a percentage of savings as a contingency bonus for successful outcomes based on the present value of the savings we derive for the balance of the term. We stipulate the percentage in our contract and *you keep the balance*.

SUMMARY

Most landlords would prefer to know if their tenants are experiencing financial duress so they are not surprised by sudden rental interruptions or full tenant default. Working with your landlord in a collaborative manner is an important aspect of any commercial lease relationship.

Our focus is to ensure there is a level of sustainability in the landlord and tenant relationship whereby future lease obligations can reasonably be fulfilled while preserving the tenants ability to operate a successful business.



We are a specialized Commercial Real Estate firm that provides advisory services for tenants. We focus on companies where location, position and rent has a tangible effect on financial performance. Our mission is to help our clients increase profitability through real estate.

We have offices in Vancouver, Toronto and Calgary, with partner offices in Edmonton, Winnipeg, Montreal and the Maritimes. Our account executives combine industry leading programs, process and analysis with experience to ensure our clients obtain and maintain great locations at favorable terms.

Please visit our website at www.orangegroup.ca or call **Grant Kosowan** at **403.209.4291** for more information or to book a presentation.

NEW LOCATION PROCUREMENT • PORTFOLIO MANAGEMENT • ANALYSIS & DUE DILIGENCE

orangegroup
COMMERCIAL REAL ESTATE

DEDICATED TO HELPING TENANTS