

Session Sponsored By:



What's Hot in Deal Making in Deal Making for Landlords and Tenants

Moderator: Karen Shriner, Esq., Rite Aid Corporation

Panelist: Brian Fernandez, RFMP, francesca's ® and Stan Schmidt, Stage Stores, Inc.

PRSM | **2016** National Conference
April 25-27 • Long Beach, CA

Agenda

- Current trends in lease and LOI negotiation
- Rent reduction opportunities
- Early option renewal that can provide funds for investment
- How to negotiate a favorable renewal option
- Hidden lease language to be aware of
- Best practices in building an effective landlord/tenant relationships

Introductions

- Karen Shriner, Esq., Director, Retail Facilities, Rite Aid Corporation
- Stan Schmidt, Director of Facilities, Stage Stores, Inc.
- Brian Fernandez, Senior Manager of Facilities, francesca's®

Current Trends in Lease Negotiations

- Radius restrictions
- Tenant allowances
- Specialty retailers looking for exclusive use clauses
- More fixed CAM with fixed percentage increases

Rent Reduction Opportunities

- Build in Center/Store Performance Thresholds for rent reductions and early termination.
- Negotiate % rent reductions based on Occupancy.
- CAM charges – negotiate fixed verses pro rata if recurring disputes.
- Visibility to Audit CAM charges.
- Cap CAM increases.
- Co tenancy paradox. Threshold is 70%. Center currently at 74%. If we leave LL will fall below threshold affecting remaining tenants.

Early Option Renewal that Can Provide Funds for Investment

- Extended term for rent reduction.

Example: Francesca's location in Chicago area needed a new 10 ton HVAC unit and for the system to be reconfigured. Discussed with LL and we worked a deal to renew the lease with extended term at reduced rent. That reduction paid for the new unit and a remodel.

How to Negotiate a Favorable Renewal Option

- Leverage Brand image and performance.
- Ensure all stakeholders are involved in the process
- How many things can you tie into lease contribution.
- Renew early

Hidden Lease Language to Be Aware of

- Threshold language. Look carefully before and after the specification for kick outs or timelines.
- Auto renew on sales threshold being met or exceeded during any 12 month period. Rolling average.
- Look for and/or statements. These can have a big impact.

Best Practices in Building An Effective Landlord/Tenant Relationships

- Honesty/ Transparency.
- Know your lease.
- Promptly respond to LL notices.
- Pick your battles carefully . Give them the small stuff.
- Get to know the Operations and GM's at your sites
Develop relationships. It's a partnership.

Q&A THANK YOU!

Karen Shriner, Esq.
Director, Retail Facilities
Rite Aid Corporation
kshriner@riteaid.com

Brian Fernandez, RFMP
Senior Manager of Facilities
francesca's ®
brian.fernandez@francescas.com

Stan Schmidt
Director of Facilities
Stage Stores, Inc.
sschmidt@stagestores.com