A Message from

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The New Timing to Find a New Tenant

In Greenwich Village, the East Village, NoHo, and the Meatpacking District, there is an interesting trend in the timing that property owners use to find a new tenant as the lease on their retail space is expiring. Traditionally, many of these people would wait either for their space to become vacant or at least for their tenant to have indicated that they would be moving out. This way of doing business, however, is losing ground to another timeline.

The time to begin the process of retail leasing is six months to a year before the expiration of the existing tenant's lease. This is because in today's market, it is possible to market a space and sign a lease for a new tenant before the previous tenant leaves. There is a tremendous benefit to the property owner using this method because it allows him or her to continuously have a tenant occupying the space without missing a single month of rent. When the retail income in a building is a significant proportion of the income for the entire building, this benefit is further magnified. For example, a landlord on Bleecker Street recently retained Massey Knakal to market his space to potential tenants, even while it remains occupied. In the East Village, meanwhile, a landlord with a tenant that is getting behind on rent is considering listing the space in the event the tenant is not able to continue paying.

The process typically has five steps. First, the owner must set his or her priorities for the lease. Second, the owner should prepare as much material as possible for marketing the space. Third, an expert on the retail leasing market in the neighborhood (usually a broker who specializes in the area) should give the owner an analysis of the value of the space. Fourth, a broker should be hired to start marketing the space, even while the existing tenant remains in possession. Finally, a signed lease coming into effect when the existing tenant vacates, will allow the owner to never miss a day of rent.

The first step, setting priorities for the space, simply means that six months to a year before the lease expires, a property owner should put some thought into what they would look for in a new tenant. What uses are acceptable? In these neighborhoods, one sees everything from large, brand name banks with corner locations and high fashion in the Meatpacking District to adult-oriented stores on Christopher and parts of West 4th Streets and laundromats scattered about the side streets. These types of tenants are all possibilities, so knowing one's boundaries is important. Are restaurants acceptable? What about food without cooking (for example, a frozen yogurt or coffee shop)? How important is the tenant's credit? A tenant with better credit may pay less for the space, but is more likely to last in the long run; many owners prefer this option to a risky tenant who will not pay a loftier rent for the long haul.

The second step is to prepare for the marketing process. This simply means finding a copy of the existing lease and getting the floor plans. In the event the previous tenant has already vacated the space, it is crucial the space is prepared for marketing: wash the windows, sweep the floors, get rid of extraneous wiring, and generally make the space look presentable.

Asking an expert on the retail leasing market in the neighborhood to provide an analysis of the value of the space is the third step. It is important to understand both the value of the retail at its specific location as well as the market trends and needs in the area. A classic example of this is Bleecker Street's transformation from the early 2000s to the end of the decade. While it was always a location for stores, it was critical to understand the dynamics affecting the rapid transition it underwent from groceries and laundromats to Marc Jacobs and Ralph Lauren during that decade to properly price and market a retail space.

The fourth step is to begin marketing the space, even while the existing tenant is in possession. While window signage can play a role in the marketing of a space, it is not the sole component to finding a creditable tenant. Marketing can be executed on a non-disruptive basis, so as not to disturb the existing tenant, if necessary. The best tactic a broker can implement for a property owner is to generate a number of bids from a wide array of potential tenants by exposing the space to the full marketplace. At Massey Knakal, for example, brokers routinely reach out to tens of thousands of potential tenants for every single space they represent. Within eight to ten weeks of marketing, a property owner will have a number of bids on the table and will be able to make a comfortable decision.

Last, the property owner will sign a lease that comes into effect when the existing tenant vacates the space, allowing the owner never to lose a single month of rent, because the new tenant takes over the day the previous tenant leaves.

The best thing a landlord can do as a lease is due to expire or a tenant is thinking of leaving is to speak with an expert who specializes in the retail leasing market in the neighborhood, because without employing this new process, the property owner stands to lose a significant amount of money by letting their store sit vacant. As a Sixth Avenue landlord recently discovered, significant dependence on the income from a store can make facing four months or more of vacancy a harrowing experience. On the contrary, perhaps the most appealing part of the process described here is that it affords a significant amount of time for careful planning, while keeping the specter of months of lost income at bay. Planning, marketing, and leasing retail space well in advance can give the landlord an opportunity both have the proverbial cake and eat it too.