



Lease Maintenance and Renewal

To assist you in managing your commercial leases we have created the following key points to assist you during your annual lease review and negotiations at renewal.

Lease Maintenance

- Take the time to review your commercial lease every January
- Review lease for upcoming elevators and impact on your rent increases to suite owners,
- Evaluate NNN costs and ensure they are being reported accurately and not rising above expected levels,
- Take a hard look at the shopping center and provide annual feedback to landlord if there are areas that need attention,
- Talk to any new tenants in the shopping center to review rates they are paying for tracking purposes.

Run a competitor analysis of all salon suites in the 5-mile radius to determine the following conditions

[illegible]

Lease Renewal

Below are some general guidelines to consider during lease renewal. The more proactive you are the better the outcome since market conditions have undoubtedly changed since you last signed your lease.

Review at year eight for the following:

- ✓ review current rates in the center in anticipation of renewing your current lease
- ✓ get pricing for at least 3 other comparable shopping centers in the area
- ✓ work directly with SBJC corporate to put together a budget and plan for remodel,
- ✓ determine who will help you with the lease renewal negotiation
- ✓ evaluate where you are on your current room pricing and what will be needed as part of the remodel to continue to raise rates.

Review at year eight and half for the following:

- ✓ engage broker to begin negotiations with the landlord,
- ✓ make sure you have confidence in the market pricing for the shopping center,
- ✓ tenant improvement dollars must be a part of the negotiation process,
- ✓ don't underestimate the power of starting 18 months early. It sends a clear message to the landlord that you're evaluating all possibilities and they'll work hard to make sure they don't lose a large tenant. Notify SBJC corporate office when you intend to renegotiate your current lease
- ✓ request a demographic analysis of your current location
- ✓ request a review of your current design, interior finishes, and FF&E by Salons by JC corporate
- ✓ submit your LOI to SBJC corporate for review and site acceptance prior to sending to the LL

At year nine you should be signing the renewal that will begin 12 months later. During year nine you should have access to the tenant improvement dollars from the landlord to complete the remodel

Proactive approach and starting early in the process is key as this is when you will have the most leverage to secure a renewal at or below market rates.