

'All part of the game': Commercial landlords seek ways out of long-term leases as more lucrative tenants arrive

Landlords are finding ways to oust long-term tenants and replace them with new businesses willing to pay premium asking rents, two attorneys told the *Business Journal*.

[Jordan Isrow](#), a partner in the Fort Lauderdale-based Government Law Group, said he has helped at least three landlords get out of renewing their leases with their long-term tenants so they could obtain new, more lucrative lease deals with companies relocating from New York and other parts of the country.

"With businesses moving to southeast Florida, commercial real estate has increased in value. That, in turn, makes it harder for tenants to stay in their lease or renew," Isrow said. "[Landlords] are trying to capitalize on an opportunity that is presenting itself."

The trend has come back mostly in South Florida's retail sector, where [average asking rents](#) have risen 13.5% in Broward, 15% in Miami-Dade, and 16% in Palm Beach County from last year, according to recent figures from Colliers.

The rise in retail rents and fall in vacancies are largely driven by out-of-state restaurant operators who want their businesses in a region that has attracted high-income households, [brokers and developers have told the Business Journal](#). At the same time, out-of-state companies are [opening branch offices](#) and, in some cases, even [moving their headquarters](#) to South Florida.

New arrivals include chains and franchises who have the infrastructure to pay higher rents and make capital improvements to retail properties, said Dominic "Nico" Romano, a real estate attorney affiliated with Coral Gables-based Spiritus Law Firm.

"Now you have real estate that is much more valuable and [landlords] taking advantage of the increases in prices," said Romano, who also owns retail property in North Lauderdale.

[Dave Preston](#), executive managing director of retail services at Colliers' Miami office, said landlords are typically eager to oust tenants locked in at lower rates when market rents are rising.

"It's just the natural dynamic of landlord-tenant relations," he said.

Isrow said his clients have been able to get out of lease renewals by exploiting contract clauses, including their ability to make renovations or upgrades.

For example, when one landlord announced he was going to reconstruct the parking area, the tenant opted not to renew the lease. The landlord opted not to pursue that renovation project after signing a lease with the out-of-state tenant, he said.

Another method is to be a stickler with contract terms when a tenant gives notice that he or she wants to renew their lease. In one case, a landlord declared his tenant in default after the renter failed to include a return address.

Finally, landlords often use their right to inspect their properties to eject tenants. So if a tenant is doing an activity not explicitly allowed in the lease, the landlord can hold that business in default.

For instance, a flex industrial building landlord was able to oust a grocery store using that method because it had a butcher shop on the premises, something not explicitly allowed by the lease, Isrow said. A financial firm replaced the grocery tenant.

"This is all part of the game right now," Isrow said.

Mom-and-pop businesses usually don't have the time or money to go through litigation to contest the situation, so they'll usually take a settlement, Isrow said. Landlords are also willing to pay current tenants to move so they can bring in newer clients, he added.

Romano said tenants can negotiate a lucrative payment from a landlord who wants them out.

"Maybe [the tenant] has a huge asset like a liquor license," he said.

Romano said mom-and-pop businesses in high-demand locations will be forced to close or move elsewhere.

Romano also said he sees no reason why retail rents will drop anytime soon.

"We have been fortunate in South Florida to have been in an inviting climate, both from a meteorological standpoint and a business standpoint," Romano said. "As long as those things keep going, rents are going to keep increasing."