

The Importance of Options

In many lease transactions, an option to renew is negotiated as part of the lease. This is a benefit to the tenant to have the option to renew the lease for a specific term and typically at an agreed upon rent. The tenant does have to be in good standing on the lease with no defaults or outstanding issues. The tenant is required to notify the landlord by a certain time frame prior to the expiration of the lease term that they would like to renew. Otherwise, they forgo their option to renew. The typical timeframe to exercise this can be anywhere from three months but typically six to nine months prior to the lease expiration.

The notification typically must be in writing unless otherwise specified in the lease. Some leases do not allow email notification and instead require a letter to be sent to the landlord. I recommend doing both to ensure proper and timely delivery. It is also good to get confirmation of the landlord receiving the letter either by using certified mail and for email to use a delivery and read receipt. If you do not hear back from the landlord, I recommend calling them to follow up. Again, this is a benefit to the tenant typically so a landlord may not be as motivated to respond.

Once you have confirmed receipt, an amendment should be drafted to extend the term. This is typically a simple one-to-two-page document extending the term for the specified timeframe and stating the rent during those periods. This should be signed by both the landlord and tenant and a fully executed copy delivered to both parties.

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In a market especially like we have today with little space available, it is important to keep mindful of your lease option and the timeframes you need to correspond by. I recommend putting reminders in your calendar to alert you so that you do not miss this notification and leave yourself some leeway time, so you do not miss the expiration of the option. If you have any questions or would like assistance in navigating your lease option, feel free to call me at 626-358-8287 or email Linda@TopComRealty.com

I hope you have a wonderful holiday season!
Best wishes for 2022!

**Current SBA 504
Effective Rate for
December 2021 is 2.79-3.02%**

Supply Chain Issues and the Effect on The Economy

Although the container backlog issues eased a bit in November there is a backlog that has been caused by the shipping delays estimated at a cost of \$3 Billion in goods that have been ordered but not yet shipped. The initial cause of this was due to plant closures caused by the pandemic as well as international border closures due to COVID. Instead of consumer demand to go down as expected due to the pandemic, it actually increased substantially. This was fueled by stimulus funds and people

Staying home investing into their homes with improvements projects and buying goods. It took longer than expected for the US factories to ramp up production. In addition to this, there was a shortage of shipping containers that piled up in places in the world that needed goods from China but did not have goods to ship back to China. This caused the cost of shipping to increase dramatically- about ten times as much prior to the pandemic. The tariffs and shipping costs increased the overall costs to consumers which is

Why we have so much inflation occurring. There was also a ship stuck in the Suez Canal for a week that caused shipping delays. All of these factors along with shortage of staff at ports as well as US ports not working 24 hours like China- the US just could not keep up with the pace needed. Now we have an abundance of empty shipping containers in the US which is causing a backlog on imports and exports resulting in increases costs and delays in every sector of the economy and shortages of goods and materials.

Source: Connect CRE Newsletter 12/13/2021

Substantial Price Reduction!



900 S. 1st Avenue Arcadia, CA

\$750K Price Reduction!

10,000 SF medical office building for sale on almost an acre of land located at corner intersection of 1st and Duarte Rd. Minutes to Methodist Hospital and City of Hope.

Completely renovated in 2009-2010. Separated into four medical practices- Excellent for multiple partner ownership. The building has an elevator, sprinklers, common area lobby and restrooms. No expense spared on build-out.

Excellent owner/user opportunity. Occupy 51% with SBA and lease out remainder for income.

Linda Vidov (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.



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