

Don't jeopardize the good chemistry with your landlord

Description

I was helping a Turkish client to negotiate a lease contract for premises on which my client wants to open a Turkish restaurant. The two parties are in a really friendly and amicable atmosphere.

As always, the most difficult part of negotiation is the contract price. We know the landlord needs money and we try to cut landlord's initial quote. Apparently, the two parties, lessor and lessee, cannot agree on a fixed amount monthly rental. At that point, the landlord put forwards a new suggestion that if my client can make a turnover of more than RMB A a month, the rent will be RMB B and if the turnover is more than RMB X a month, the rent will RMB Y, a floating mechanism, that sounds very reasonable.

My client paused for a short moment, and seemed to nod her head to the new suggestion. However, I realized that this is not a good idea for my client, and for the good relationship between the parties in the future. Linking the rent to the turnover of the business will inevitably require that my client will have to disclose all the financial books to the landlord for auditing in order to know the amount of the turnover. There are a number of reasons to object to this way of calculating rental: (1) client will expose her business secrets, (2) if the business is doing great, landlord will definitely want to increase the rental. Even if we can assume the first two reasons can be well avoided because the landlord is a really integral and outright person, such a practice will harm the trust that underpins the good relationship of the parties.

The concern is clear. Financial books of a Chinese company can hardly reflect the true picture of its fiscal conditions. There are always many ways of hiding and concealing true figure of turnover. Landlord will never really be sure of his finding resulted from his auditing. Business fluctuates all the time. The suspicion will be daunting the landlord and gradually and eventually erodes the trust with the tenant, leading to dispute and business failure.

I nudged my client to refrain from consenting to landlord's proposal and explained my understanding of the proposal. People agreed.

I suggested that both parties have one more day to consider the other party's last offer, and convened to discuss the next day. On second day, the landlord sent a SMS to my client saying he agreed to our offer.



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