



BLEND AND EXTEND

When to Renegotiate an Office Lease Early

Most companies don't think about renegotiating their office lease until the expiration date starts getting close. That's the default playbook, and for a lot of tenants it's the right one.

But under the right circumstances — a stable space need, a landlord that's motivated, a building going through some kind of change — waiting until renewal can mean missing an opportunity that's available right now. By the time your lease is actually up, the leverage that existed today may already be gone.

What is a Blend and Extend?

A **Blend and Extend** is a lease restructuring strategy in which a tenant agrees to extend its lease beyond the current expiration date in exchange for the landlord revisiting the lease economics today. Depending on the situation, that can mean lower rent, a reset of the operating expense or tax base year, rent abatement, tenant improvement dollars or other concessions.

In other words, a Blend and Extend allows tenants to potentially **capture the value of their future office tenancy today**.

It's not the right strategy for every company or every building. But for tenants with stable space requirements, several years left on their lease and a landlord motivated to secure long-term occupancy, it's worth exploring well before a traditional renewal process begins.

How Does a Blend and Extend Lease Work?

Say a company signed a 10-year office lease several years ago.

That lease set a rental schedule for the entire term, usually with annual rent escalations built in. The company knows what it's going to pay in years five, eight and 10 — and so does its landlord.

But the office market doesn't sit still for 10 years. Rental rates move, buildings trade hands, new owners put capital into properties, vacancy rises and falls, taxes and operating expenses change, and landlords roll out new concessions to win tenants.

So the economics a tenant locked in when the lease was signed can end up looking very different from what's actually available in the market a few years later. A Blend and Extend is one way to close that gap.

Rather than waiting for the existing lease to expire, the tenant offers the landlord something of value: **a longer commitment to the building**. In exchange for that additional term, the landlord may be willing to restructure some of the tenant's existing economics.

What Can Be Negotiated in a Blend and Extend?

Every building, lease and landlord is different. A Blend and Extend doesn't automatically produce a lower rental rate, and tenants should look at the full economic package rather than fixating on one number.

Depending on the circumstances, negotiations may include:

- A reset of the current rental rate
- Rent abatement
- A new tax and operating expense base year
- Tenant improvement dollars
- Funding for furniture or a refresh of the existing space
- Other economic or lease concessions

The timing of these benefits can vary too. A landlord might hand over some concessions right away and hold the rest until the extended term actually kicks in — it's rarely all front-loaded.

For tenants in modified gross leases, the **expense base year** can matter as much as the headline rent. A tenant that signed years ago may now be paying several dollars per square foot over its original base year in tax and operating expense increases. Resetting that base year can meaningfully lower occupancy costs, even when the change to the face rental rate looks modest.

Why Would a Landlord Renegotiate a Lease Early?

A Blend and Extend has to work for the landlord too.

The biggest thing landlords are buying is **certainty**.

A tenant with three years left on its lease represents three years of known income and then a question mark. Locking that tenant in for additional years gives the landlord more visibility into future occupancy and cash flow, which can support the building's long-term value.

Retaining an existing tenant also tends to cost the landlord a lot less than replacing one. If a tenant likes its space and doesn't need a major buildout, the landlord's cost to get an extension done can be relatively limited — mostly commissions and some rent abatement. Compare that to what happens if the tenant leaves at expiration: vacancy, construction costs, a new tenant improvement allowance, more abatement, and everything else it takes to attract a replacement.

Given that math, giving up some economics today can be a good trade for a landlord looking to lock in a tenant for longer.

Why Building Ownership Changes Can Create an Opportunity

One of the clearest signals that a Blend and Extend is worth investigating is a recent change in building ownership.

A new owner often comes in with a lower cost basis, a fresh capital plan and a need to generate leasing activity fast — and that combination can create real leverage for tenants. New ownership may offer aggressive economics early on while investing in amenities and common areas, and value early renewals because those deals show momentum to prospective tenants and the brokerage community.

Those conditions tend not to last. As renovations wrap up, occupancy improves and leasing momentum builds, ownership typically starts pushing rental rates back up. For a tenant that already likes the building, there's real value in exploring a lease **restructuring before that transition finishes playing out**.



What Happens to Rents After a Building Changes Hands?

New ownership almost always moves through the same cycle: aggressive economics to build momentum, then rate increases once leasing traction and renovations kick in. Chicago has two clean examples of it.

At the Chicago Board of Trade, Cresa saw gross asking rates fall into the mid-\$30s per square foot after Apollo took the property back in 2023 — down from the low-to-mid \$40s beforehand. As common area improvements were completed and leasing activity picked up, rates moved back above \$40 per square foot in most cases, an increase of roughly 10% to 20% from where they bottomed out.

230 W. Monroe tells a similar story. After Menashe Properties acquired the building, ownership aggressively contested real estate taxes and got a handle on operating expenses. As vacancy fell from roughly 40% to around 10%, quoted economics climbed into the high \$30s and low \$40s per square foot.

Every market has buildings moving through this cycle right now. The specific numbers will differ, but the shape doesn't — the economics available while a building is repositioning can look very different from what's available once that repositioning takes hold.

Who Is a Good Candidate for a Blend and Extend?

A Blend and Extend makes the most sense for a tenant that can confidently trade additional term for economic value — which generally means the tenant expects its current space to keep working for the business.

Professional services firms tend to be good candidates because their headcount and space needs are usually steady. Law firms, accounting firms, financial services companies and similar office users often have a clearer read on where they'll be in a few years than businesses going through rapid staffing changes.

A tenant may be a good candidate if:

- Its office lease expires within roughly the next two to four years
- Its headcount and space requirements are expected to stay relatively stable
- It's happy with its existing space and building
- The building recently changed ownership
- Ownership is putting significant capital into the property
- Leasing activity at the building is picking up
- Its existing lease was signed in a stronger rental market and has kept escalating
- It's paying meaningful tax or operating expense pass-throughs above an older base year

On the other hand, a company expecting significant growth, contraction or another major shift in its space needs is usually better off preserving flexibility. Same goes for a tenant that already knows it wants to relocate.

How Early Can you Renegotiate a Commercial Lease

There's no universal point at which a landlord will agree to renegotiate an existing lease.

That said, the Blend and Extend conversation can become relevant several years out. Cresa generally sees tenants within about three to four years of lease expiration as realistic candidates, and some landlords will reset economics two or three years early depending on the building and the circumstances.

What matters more than how many years are left on your lease is what value your landlord would place on locking you in for additional years. That depends on your existing economics, current market rents, vacancy, the owner's strategy, capital requirements and how important your tenancy is to the building.

Why It Can Be Worth Testing the Market Even If You Don't Extend

Evaluating a Blend and Extend doesn't mean a tenant is committing to sign one — and that's worth remembering going in.

A business that signed its lease five or six years ago may have very little visibility into today's office market. Leadership knows what the existing lease requires, but probably doesn't know what its landlord would offer today, or what competing buildings would offer to win the company's business.

Exploring the opportunity gives you a current-market baseline. You can compare your existing lease against current building economics, see what the competitive market looks like, and get a read on what your future commitment might actually be worth to the landlord.

If there's a compelling deal there, you can decide whether extending makes sense. If there isn't, you keep operating under your existing lease with a much better understanding of where you stand.

Don't Assume Your Lease Has to Be Near Expiration to Create Leverage

Tenants often think of time remaining on a lease as a disadvantage at the negotiating table. Under the right building conditions, it's the opposite.

Those future years represent potential occupancy and cash flow for the landlord, and for a tenant that wants to stay, offering more of that certainty can create leverage to revisit economics sooner than you'd expect. How much opportunity is actually there will vary a lot from building to building, which is why understanding the landlord, the property and the surrounding market matters.

Before assuming your lease has to run out before you can negotiate, it's worth finding out **what your future tenancy is actually worth to your landlord today**.



Blend and Extend Lease FAQs

What is a Blend and Extend lease?

A Blend and Extend is a lease restructuring in which a tenant extends its lease beyond the existing expiration date in exchange for the landlord potentially revisiting current lease economics. Negotiated benefits can include changes to rent, expense base years, rent abatement, tenant improvement dollars or other concessions.

When should a tenant consider a Blend and Extend?

The strategy may be worth considering when a tenant has approximately two to four years remaining on its office lease, expects its space requirements to remain stable and would be comfortable staying in its existing location for additional years. Building ownership changes, renovations and increasing leasing activity can create additional reasons to evaluate the opportunity.

Can a Blend and Extend lower office rent?

Potentially, but a lower base rental rate is not guaranteed. The economic benefit can also come from resetting tax and operating expense obligations, securing free rent, receiving tenant improvement dollars or negotiating other concessions. Tenants should evaluate the total occupancy cost and overall economic package.

Why would a landlord agree to a Blend and Extend?

Extending an existing tenant provides a landlord with longer-term occupancy and cash-flow certainty. Retaining a tenant can also require less capital than replacing one, particularly when the existing tenant does not need a substantial buildout. Those benefits can give a landlord an incentive to negotiate before the current lease expires.

What happens if the landlord doesn't offer enough value to a tenant?

Exploring a Blend and Extend does not require the tenant to execute one. If the proposed economics do not justify extending the lease, the tenant can remain under its existing agreement. The process can still provide useful information about current building economics and the competitive office market.

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