



WHY USE A TENANT REPRESENTATIVE?

Helping you avoid pitfalls, uncover economic opportunities, save time and money, and turn your space into a strategic asset.

Before proceeding, ask yourself these five questions. First, do you have the time and expertise to research the real estate market, including opportunities that are currently available as well as those which are coming available in the future? Second, do you know the market and the effective leasing rates and inducements being offered to those leveraging their real estate requirement? Third, do you have the time and expertise to deal with all the different brokers and landlords, while handling all of your other job responsibilities? Fourth, do you know how to use real estate to improve the financial and competitive position of your corporation? (Keep in mind, real estate costs are typically the second largest line item expense and normally equate to some 25% to 40% of a corporations overall budget.) Fifth, do you know that the quoted rental rate of your building includes brokerage fees? If you do not use a tenant representative, this fee will go entirely to the listing agent (landlord's advocate) for your building. If the answer to any of these questions is no, then you need a tenant representative and the following information will be very helpful.

Selecting space for your organization – and successfully negotiating the most attractive lease arrangement – are complex, time-consuming tasks, full of potential pitfalls. The pitfalls only multiply if you undertake the process on your own – without the benefit of an experienced commercial real estate professional serving as your tenant representative.

Hiring a tenant representative who acts on your behalf will eliminate many of the hassles in site selection and negotiation and save you a substantial amount of time. It will prevent potentially disastrous missteps. And it can cut much of your real estate expense. More importantly, aligning yourself with an experienced tenant rep can turn up real economic opportunities and help turn your space into a strategic asset.





Working on Behalf of Tenants, Not Landlords

Only a select few real estate professionals exclusively represent tenants. Such exclusive tenant reps never work on behalf of owners and developers. Other real estate professionals divide their practice between both tenant and landlord representation and have a conflict of interest. Make sure you select a tenant representative that does not have a conflict of interest.



Tenant reps have made a name for themselves during the past 15 to 20 years, since real estate agency laws required real estate brokers to disclose the party for whom they are working. Your goal in working with a tenant rep is to obtain true economic savings and secure space on terms that best serve your needs over the life of your lease. While working on your behalf, a good tenant representative will generate savings and benefits.

From Needs Analysis to Exit Strategy

You can expect a proactive tenant representative to:

- **Analyze your space needs.**

The tenant rep will assist you in calculating your actual need for space and determining your particular layout needs. This will prevent you from wasting time on property negotiations that are not right for your organization. Most importantly, it will prevent you from leasing too much space. The landlord has no incentive to help you economize on space and save money.



- **Investigate all available properties and determine which are the most appropriate for your needs.**

This involves more than scanning the available listing services. A professional tenant rep will identify a property that is not an obvious choice to meet your needs. This could result in lower rental rates and space that is better suited to your needs.

- **Create a bidding war among several landlords for your business.**

A good tenant rep will leverage your requirement by launching a successful bidding war and prevent you from being a “captive audience” to one developer. The optimal number of bidders is usually three. Even if there is one property that you and your representative agree is the best, creating a three-way competition will optimize your negotiating position. The result will be concessions and incentives that exceed the norm in the marketplace.



- **Protect you during lease negotiations so that you come away with terms that meet your present and potential future needs.**

The tenant representative knows all the ins and outs of real estate transactions and will help you avoid possible pitfalls. For example, a tenant representative would ensure you retain such options as subletting or termination in case you eventually shrink your organization, outgrow the space, or need to close the office. Options for an exit strategy are overlooked at your peril.

- **Serve as a buffer between you and the landlord.**

A tenant rep can act as the “bad guy” when necessary during negotiations. At the same time you are securing major economic concessions, relying on a tenant rep to act as “bad guy” will keep your relationship with the landlord cordial.

- **Identify lease provisions that could cost you money during the lease term.**

These often are hidden in the document and are easily overlooked. The tenant rep will reveal the hidden costs of leasing.

- **Handle the paperwork and other details of the lease negotiation.**

Having a tenant rep prepare all proposal requests, financial analysis, and letters of intent will help to resolve issues before the final lease is prepared. A professional tenant rep is familiar with real estate documents and how to compare proposals on an “apples to apples” basis. In addition, the tenant rep will help you avoid disasters caused by signing something by accident or out of ignorance.

- **Settle disputes that arise even after the lease is signed.**

The tenant representative will serve as an experienced set of ears and eyes to verify the details of a transaction. The rep’s transaction files will provide the documentation necessary to clarify what was said and done during the negotiation.





■ ■ **Spotlight the savings**

- When you see rental rates quoted for space, those rates include the marketing costs for any leasing representative or for the developer's in-house marketing. Compensation for the tenant representative is also part of the stated price. *If a tenant representative is not utilized, the landlord's listing agent (landlord's advocate) will get the entire fee and the tenant will not have an advocate.*

Here are a few examples of the savings a tenant representative can win for you:

- **Ensure you get the most value in any improvement allowances.**

For example, without good representation, the tenant may sign on to an improvement allowance of \$35 per square foot, not knowing that the actual market price for such work is \$20. The tenant representative knows the market and would negotiate that any remaining funds be applied to lower the rent. (For a 100,000 sq. ft. building, that would mean a savings of \$1.5 million!)

- **Safeguard you against signing onto any provisions that run against your economic interest.**

For example, many leases pass through operating and tax expenses increases along to the tenant over a base year. Which base year? What is included in the base year expenses? Can the Landlord charge items in a different base year from that in which the expenses were incurred? These are all costly issues that will be addressed by the tenant representative.

- **Define lease terms to benefit you.**

If your lease holds you responsible for ongoing maintenance, as many do, the tenant representative can assure that the definition of ongoing maintenance does not include the repair of pre-existing deficiencies, such as roof problems that may already have plagued the building. The tenant rep will know how to look at the move-in condition as a benchmark indicating the point at which your wear and tear commences.

- **Win concessions that anticipate your actual needs.**

For example, a tenant representative can negotiate to receive a rent concession for "moving and set-up time for racking." This means your lease begins, but you won't pay rent during the time it takes to become operational move in, set up racks, etc. Because you will still operate out of your old space during moving and set-up time, this concession prevents you from paying double rent during the overlap period.



**IMPROVE
FINANCIAL** **AND
COMPETITIVE
POSITION** **OF YOUR
COMPANY**

The tenant rep is a specialist in selecting space and negotiating leases. Making effective use of a real estate professional will generate cost savings and give you space and terms that improve the financial and competitive position of your company.