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A qualified tenant rep. will save clients money in a variety of areas that usually go overlooked

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Tenant Rep. by definition: a leasing specialist whose responsibility as an advocate for the tenant is to negotiate the most favorable terms and conditions available in the marketplace without conflict of interest.

An important aspect of this statement is "without conflict". A true tenant rep. must service the needs of the tenant and only the tenant. If the tenant rep.'s firm also handles properties for landlords, it can create an area for a potential conflict of interest. The importance of engaging a tenant rep. and the financial benefits to a tenant will be highlighted in this article.

If a tenant enters the real estate market without a tenant rep. they are at a gross disadvantage. Even if the tenant is a sophisticated firm negotiating numerous leases, they are not on a level playing field with the landlord. Landlords know their product better than anyone. How much the basic tenant workletter can cost, how expensive upgrades can be, overtime charges, move in/out costs, even down to a listing in the directory. Not even an experienced tenant signing multiple leases will be equipped with the knowledge the landlord has. These disadvantages are compounded the further down the line you get in negotiations. Only an experienced tenant representative/advisor can begin to even the scales when negotiating with a landlord.

A qualified tenant rep. will save

his client money in a variety of areas that usually go overlooked. Let's analyze the process so the aforementioned statements will begin to paint a clearer picture.

Most tenants do not know what their needs really are. They may have grown in an unplanned, haphazard manner as additional adjacent office space became available and are now functioning in very inefficient space. They may be in several suites within the same building in non-contiguous space, which compounds the inefficiencies. Or in some cases, the tenant may have multiple locations within the same marketplace. The duplication of office equipment and headcount can greatly exceed the unnecessary rental costs. An analysis of savings produced by consolidation can substantially improve a company's bottom line.

This is one of the most critical aspects, which requires a detailed, well thought out plan to accurately determine the real square footage necessary for maximum efficiency. The revenues lost by paying for more space than you need over a ten-year lease term are considerable.

Prior to determining the real s/f number, and especially if a consolidation of two or more offices is under consideration, a tenant rep., with the assistance of the company's HR person, should create a "scattergram". This bird's eye view of where the company's employees live and travel from can be critical in determining where the office or headquarters should be located. This map can easily be color coded so that executives, salespeople and key employees can be tracked as well as every other level of employee, or expanded to display a company's customer base.

A needs assessment must go beyond space requirement and begin to analyze technology aspects, backup power needs, uninterrupted power

sources, supplemental air conditioning, hours of operation, the potential costs of overtime utility charges, etc. These items as well as the business terms begin to define the structure of the RFP (request for proposal). The RFP is designed by the tenant rep. after meetings with specific personnel from numerous departments such as HR and IT.

- A tailor made RFP will uncover hidden costs early on and allow the tenant rep. to negotiate added benefits for his client.

- The landlord's base building workletter (how far short does that fall from the tenant's needs)

- Upgrades required by the tenant that are not part of the landlord's work will be expensive if not addressed up front

- Hours of operation and overtime utility charges

- Electrical needs, specs for battery back-ups, dedicated outlets, specialized fixtures, etc.

The RFP can also begin to address legal issues that are critical to the financial health of the tenant.

- How the annual increases are determined

- Protection from abatements that may exist

- Refunds to tenants from the landlord tax certiorari proceeding

- A broad base use clause

- Flexibility in the sublease/assignment clause

- The ability for the tenant to profit on a sublease

The tenant must always consider an "exit strategy". The tenant rep. and the RFP can build in the flexibility to accomplish a company's changing dynamics. As the company grows in size or begins to outsource and requires less space, the need to sublease, terminate the lease and relocate can become a major expense if not properly planned for.

The tenant rep. should negotiate fair subleasing/assignment clauses

with the assistance of the client's counsel. The tenant rep. can calculate a fair buyout number allowing the tenant to walk away from their lease by paying a predetermined amount. If the tenant rep. has planned properly with his architect, the costs to divide a tenant's suite can be brought to a minimum. Consider this, by planning with demising walls (a costly and disruptive item to construct around the tenant in occupancy) and additional entrances and/or exits, a tenant now has the flexibility to divide their space and create alternative suites for potential subtenants.

By offering various sizes, which assists in the marketing of the sublease in its entirety, the tenant will also have the ability to downsize into one of the demised units and sublease the remaining portion thereby saving the cost of relocating.

A tenant advocate evaluates a tenant's needs in every aspect and enlists the services of other experts such as, architects, attorneys and accountants to develop and execute every part of the client's requirement. All of these services, for the most part, are provided free to the client.

The tenant rep. fee is customarily paid by the landlord who negotiates aggressively to "win" the tenant rep.'s client as a tenant. A broker's fee or a tenant rep.'s fee is always a line item on the landlord's ledger. Commissions are provided for with the landlord's lender and are also treated as another operating expense. Why not get the representation you deserve, receive all the added benefits a tenant rep. provides and level the field on your next relocation?

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