

LEASING REALITY

THE HOW & WHY BROKERS CAN MAKE A DIFFERENCE IN ALL PHASES OF A LEASE NEGOTIATION

HELP ON THE WAY



Leasing **RE**ality

MASTER YOUR LEASING DOMAIN

POWERED BY



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Introduction

Although brokers rarely channel Albert Einstein when it comes to making their pitch to a potential landlord or tenant (or when adding their own special “magic sauce” to help bring a deal across the goal line), the time has come for many brokers out there to ponder three of Einstein’s notable quotes that can truly make a difference for leasing professionals:

1. “Two things are infinite: the universe and human stupidity ... I'm not so sure about the universe.”
2. “Most people work just hard enough not to get fired and get paid just enough money not to quit.”
3. Most importantly, “Try not to become a man of success, but rather try to become a man of value.”



Introduction

“It doesn’t matter if you are flipping hamburgers at McDonald’s, be the best hamburger flipper there is. Master your craft.” – Snoop Dogg

If it isn’t already, adding value to your clients must become part of your everyday mantra.

Regrettably, we are all in a business that many people feel that many of us work too little and make too much.

For any of you out there who have ever worked 25 to 50 to 100 to 200 hours on a deal from beginning to end and never got paid, that reason in and of itself justifies that when you do get paid a commission on another deal, each and every penny you earn (and then some) is well deserved.

Whether you like it or not, the negative perception of brokers will not go away in the minds of many, and that is why brokers need to always find different ways to add value to their leasing tool-chest.



What in the World Does Drake have to do with Commercial Leasing?

Crazy as it sounds, many songs of hip-hop artist Drake can be applied to the manner in which brokers should conduct themselves. With that said, in order to succeed, a broker needs to know the nuts and bolts of commercial leasing, and in order to do so, like Drake you have to:

1. "Know Yourself," and
2. have "Started From The Bottom" if you want to...
3. fulfill your "Dreams Money Can Buy,"
4. because if you don't make yourself a student of your craft (with a thirst for knowledge), you will no longer have access to your "Hotline Bling."
5. But more importantly, you will have to "Shut It Down,"
6. because you were going about your job by "Doing It Wrong,"
7. leaving your clients to be telling you "Look What You've Done," and
8. as a consequence of you not being a master of your leasing domain, your iPhone will not only no longer "Light Up" with calls or texts from your customer,
9. but you will instead leave yourself pondering over and over again why you didn't heed the advice posed by the question "How About Now" when it came to mastering your craft and using your time more efficiently (or as JFK once said while president, that you "must use time as a tool, and not as a couch.").
10. And with that lesson behind us my friends - "Hold On We're Going Home."



Why CRE Brokers are Essential: Baker's Dozen List

In no particular order, here is a not-so-dirty baker's dozen list as to why commercial real estate brokers are an essential and integral part of any commercial lease transaction and "the system" itself:

1. Show Me What I'm Looking For

- i. As part of the many-tiered roles a broker plays, one is to narrow down the plethora of space choices a company has in the marketplace.
- ii. A tenant's broker has access to listings of essentially all spaces in the sub-market that fit a tenant's needs. This is something that will save a prospective tenant time, money and the opportunity cost not incurred by getting lost in the real estate supermarket.



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2. There are No Savings for a Tenant if it Doesn't Hire a Broker

- i. Generally, a landlord will pay no less than a full commission on a lease regardless of whether a tenant has a broker.
- ii. Simply put, if a tenant has a broker, that fee is shared with the landlord's broker. If the tenant does not have a broker, the landlord's broker gets the entire fee.
- iii. Even on many office deals where there is an "override" increasing the full 100% commission up to an additional 50% (with a 100% commission going to the tenant's broker and 50% commission going to the landlord's broker) – many landlords will agree that for the sake of getting a lease signed, it is worth the extra cost to have both parties represented by sophisticated brokers.



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3. Brokers Add Value and Level the Playing Field

- i. A commercial office, retail or industrial lease is arguably one of the more one-sided, offensive documents known to mankind.
 - a. They are pro-landlord
- ii. By being "players" in the market 24/7/365, a broker theoretically knows which landlords have a reputation for being "tenant friendly," and which ones are known for not playing nice in the sandbox with tenants.
 - a. Consequently, brokers play an integral role in helping tenants secure favorable lease concessions, and can act as a trusted consigliere to the tenant's attorney during the lease negotiations based on that broker's knowledge on what the landlord has granted (and what similar properties are granting) on recent deals.



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4. The Broker's Mantra of "We Can Work it Out" (by simultaneously channeling John Lennon and Mahatma Gandhi)
 - i. At times, a few rather large egos are on display when sitting in a room or on a conference call negotiating a letter of intent ("LOI") or lease.
 - ii. Given that the broker is only paid if the deal is consummated, some brokers have to become the voice of reason in the room.
 - a. They must convey the message that "hey, there's no time for fussing and fighting," and help navigate resolution on an issue of contention.



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5. **Broker as a Matchmaker** (by channeling Yente from Fiddler on the Roof)
 - i. Part of a broker's role is to take some of the uncertainty out of the leasing "dating" process.
 - a. Brokers make inquiries about the prospective players on a "date" in regards to their character, financial status and reputation in their respective industries (namely, that of landlords and tenants).
 - ii. Brokers also aid landlords and tenants alike when there is competition for a tenant or a space.
 - a. They help the side they advocate for convince the other that the tenant or space they represent is the one the other party should be "married" to for the near future.



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6. Knowledge is Power

- i. A business's ability to make informed decisions about their real estate needs is enhanced by the knowledge a sophisticated commercial tenant representative brings to the table.
 - a. A good tenant representative has knowledge about the marketplace; and
 - b. Knows how to navigate the leasing process and choose among the many attorneys, architects, contractors, designers, furniture providers, and other trades a business will need to rely on if relocating.
- ii. The greater the knowledge a broker can pass along, the better a client will fair in its lease negotiations and new space.



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7. What's So Funny 'Bout Peace, Love and Tenant Retention? (with props out to Elvis Costello)
 - i. Tenant retention takes talent. When negotiating a potential lease renewal:
 - a. A savvy commercial representative has the ability to work with a landlord while advocating for its client, and can convince the landlord (as well as its client) – paraphrasing the great George Benson - that it should “never give up on a good thing.”
 - ii. If the space works for the tenant, but for it needing a bit of TLC in the form of cosmetic improvements and/or space efficiency reconfiguration – then the tenant's broker can be the conduit for keeping the current “marriage” between the landlord and tenant alive and full of spark.

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8 & 9. Creating Competition Between Landlords & Respect and Credibility for the Tenant

- i. Without a broker advocating for its position, a tenant will not receive – as Aretha Franklin sings – the R-E-S-P-E-C-T it rightfully deserves from a landlord, and consequently the concessions granted by a landlord will in all likelihood be significantly less.
- ii. Pursue parallel paths:
 - a. Brokers can create negotiating leverage for its client, and allow a landlord potentially on the verge of losing its tenant to retain that tenant on a long-term deal by:
 - Providing market data to that landlord as to what other landlords in the sub-market were willing to give to their client if it became a free agent; and
 - Securing the tenant more suitable and nicer space in the same building with the landlord providing a new turnkey build-out at no cost, and - although at a hometown discount - sizeable free rent.



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10. Don't Get "Brokered" by a Landlord's Broker

- i. Landlords and their listing agent have far more experience negotiating a letter of intent ("LOI") than a tenant.

Q: Who has the upper hand if a tenant is not represented by a broker?

A: Bingo, yes the landlord.

- ii. Since you are going to get "brokered" in some way, shape or form, having a tenant's broker looking out for your interests as your advocate is essential.

11. Brokers Help to Manage the Leasing Process from Beginning to End

- i. A broker essentially saves your company significant money through:
 - a. Valuable time not being wasted and salaries not being spent on staff whose primary responsibility would otherwise be managing the leasing process.



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12. Broker's Ability to Help Restructure Lease Obligations

- i. A broker can be a tenant's "agent of change" by conveying to its landlord the message that unless it works with its tenant in an effort to help it weather the storm, the landlord will soon be in a position of vacancy turnover, loss of revenue and faced with such costs as paying for a full brokerage commission, tenant improvement build-out allowance and having to grant free rent concessions.

13. Brokers Promote Tolerance, Awareness and Acceptance

- i. Brokers promote tolerance, awareness and acceptance for a tenant's business needs, as well as for those who are underprivileged and who have special needs in their community.



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