

LEASING'S 7 DEADLY SINS

By Jack Saltman

Too often executives approach their search for office space with the attitude, "I'm good at what I do, therefore, I can make a great lease deal." Unfortunately they overlook the obvious:

1. The building owner's goal is make a profit. The tenant's goal is to make a great deal.
2. The typical building leasing agent negotiates 30 to 50 lease transactions a year. The typical multi-building owner negotiates or is involved in 100's of lease transactions a year. The typical tenant negotiates one lease transaction every 3 to 5 years.
3. The playing field is not level. Advantage owner.

What you don't know about leasing can be costly. Here is an outline of what I consider to be "Leasing's 7 Deadly Sins," and how to avoid them:

1. **Know you needs and develop them into a "State of Requirement."**

Separate your requirements into "business needs" and "personal needs".

Business Needs Include:

- . Type of business may determine your location because of zoning or ease of customer access.
- . Company's image might require locating in a high quality or highly visible building or location.
- . Amount you can afford to spend over the next 5 to 10 years on office space.
- . Future expansion needs.

Personal Needs Include:

- . Job Security
- . Location, close to your home, restaurants or hotels
- . Personal Image

2. Avoid False Confidence

Regardless of how good you are at what you do, understand your needs and educate yourself.

- . Read your local newspapers and local business publications. Learn the trends in your local office market.
- . Learn and understand the common terminology of the office building industry.
- . Ask pointed, in depth questions. These include questions on space measurement and hidden costs.
- . Seek help, if necessary, from someone other than an employee of the owner.

3. Know Who Works for Whom

The only thing you have in common with the owner and his staff is that you would like to lease space in their building and they would like to lease it to you. **That's where it ends. Seek advice elsewhere.**

4. Ask In Depth Questions

Get the whole story. Rate and square footage mean nothing if you don't ask enough questions.

Ask about:

- . **Common Area Factor:** The areas in the building of common use to all tenants. These usually include building lobby, hallways, janitorial and electrical closets and bathrooms. The owner figures what percentage of the building this figure represents and adds it onto the amount of square footage the tenant has within their own office space.
- . **Usable Space or Usable Square Feet:** The amount of square feet within the confines of the space occupied by the tenant.
- . **Rentable or Leaseable Square Feet:** Usable square feet plus your proportionate share of the common area factor. This is the amount of space you will be paying rent on.

Example: If one building has a common area factor of 10% and another has a common area factor of 20%. For you to occupy 2,500 square feet of

usable space in the 10% building you must pay for 2,750 square feet. In the 20% building you would have to pay for 3,000 square feet.

5. **Free Rent Illusion**

In most cases free rent is a pay me now or pay me later proposition. Through annual rent increases, operating expense increases and other costs it can be an important part of the negotiation process if handled correctly. Always trust your advisor to help you differentiate how free rent affects your bottom line.

6. **Know When to Employ A Broker**

When a building owner or leasing agent tells you they won't work with brokers, or you have to compensate your broker yourself. **BEWARE !!!**

This usually translates to an unstated, "I'd rather deal directly with you, an inexperienced or uneducated prospect, so I can make a killing on this deal.

Most building owners understand that a high percentage of their leases will be brought to them by outside brokers. Some buildings are so desirable that the percentage might be very low, but even these buildings have made provisions, in their budgets, to pay a competitive brokerage fee. **That's right in most markets it is customary for the landlord to pay the broker's commission, even when the broker represents you, the tenant. If the commission is not paid to an outside broker, the owner usually pays that commission to himself. It should never affect the cost of doing business.**

7. **Remember You Are The Customer**

. Negotiate Hard

- . Your First Impression Is the Right One.** If the building is not well maintained when you first visit, it's not going to get any better.
- . Rude Staff.** If the receptionist is rude when you first call or visit don't expect her to be pleasant when you call with a problem
- . Hidden Costs.** If the leasing agent doesn't volunteer information about hidden costs without being asked, **leave.**
- . Side Deals.** If it's not written into the lease or the addendum, it never happened.

. Property Manager to busy to meet you. If this is the case prior to signing a lease they'll probably be too busy to meet with you to resolve your problems once you're a tenant.

. You've got to live with people for 5,7,10 years. Make sure you're compatible.

****REMEMBER WHEN LEASING OFFICE SPACE, YOU ARE RISKING YOU COMPANY'S IMAGE, COMFORT, PROFITABILITY AND POSSIBLY IT'S' SURVIVAL****

For more information on how to protect your interest and insure a lease with favorable terms and economics please contact:

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