

ARE YOU NEGOTIATING A PROPER LEASE? INCREASING SAVINGS POTENTIAL AS A TENANT

Too often, tenants and their brokers gauge the success of a transaction by the difference between the current market rent and the negotiated lease rate. However, by focusing solely on rent, a corporate tenant could actually lose considerable money on total occupancy costs.

Among the scores of pages that make up a typical lease document, there are at least 100 negotiable items that can lead to significant savings for tenants. These range from smaller issues like monthly parking fees and rooftop-access rights to more substantial matters such as sublease rights and termination options. To maximize savings potential, tenant must negotiate all aspects of the lease that relate to their company's circumstances. The following factors are crucial to the success of any transaction.

□ ACCURACY OF NEEDS ANALYSIS Is the assessment of your space needs accurate? For instance, are you sure you need 30,000 square feet over the five-year term, or could your space be restacked more efficiently to utilize only 28,000 or even 25,000 square feet? What about the potential for expansion or contraction over the lease term?

□ BASE BUILDING CONDITIONS Have you identified the deficiencies of base-building conditions when comparing alternatives? If the owner is not held responsible, what is the tenant's cost to upgrade mechanical, electrical or fire/life safety systems? A seemingly fair comparison of two buildings with the same quoted rent is not truly comparable if one requires additional expense for base-building upgrades.

□ TENANT IMPROVEMENTS How much of a tenant improvement allowance will you need to build out the space, accounting for all non-construction-related costs? This is essential to negotiating accurate tenant improvement dollars. Is the tenant improvement allowance being offered based on usable or rentable square feet? If it's based on rentable square feet, you'll have approximately 12 percent to 18 percent more funds at

your disposal. If you are using project management services, you can also negotiate the building owner's project administration fees.

□ REALISTIC OCCUPANCY DATE When can you take occupancy? This estimate must account for all factors, including scheduling of design, permitting, construction, furniture delivery, technology installation and all other relevant vendor work.

The best course of action for addressing these considerations is to enlist the appropriate expertise up front. Typically, when a company conducts a real estate transaction, project management is not considered until the ink is dry on the lease documents. Fortunately, more corporate tenants realize the value of bringing project managers into the initial phase of the process – the strategic phase – to assist in creating a stable foundation for cost savings throughout the transaction and the project. An integrated team that includes a project manager and a real estate adviser can help identify both short- and long-term space and infrastructure needs; assess building deficiencies; establish a project budget inclusive of technology, furniture and relocation costs; and determine a realistic occupancy date. With the experts on your side, you can negotiate more aggressively and avoid costly mistakes.

Combining the preplanning expertise and management skills of project managers with the market knowledge and negotiating savvy of corporate real estate advisers generates efficiency, continuity and accountability. From strategic planning and transaction support through project preparation and execution, an integrated service approach creates increased up-front transaction savings, decreases client-time involvement, mitigates risk, produces overall occupancy-cost reduction and delivers functional projects on schedule and within budget.

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