

Why Is Tenant Representation Important

Commercial real estate is a complex industry. Dallas/Ft. Worth is considered one of the top 5 most competitive and sophisticated tier one markets in the country. Some argue that behind New York and Washington, DFW is one of the top 3.

Regardless of where DFW stacks up, there are a few simple truths about navigating the risks and rewards of a commercial real estate transaction. Many companies look at their facility as a significant operating expense every month (typically one of the top three expenses) and fail to consider the broader implications of real estate transactions. A good real estate consultant, like a good attorney and a good accountant, is an essential component to long-term strategic planning and asset protection for any business.

Lease Agreements are complicated legal documents and should always be reviewed by an attorney licensed in the State of Texas, preferably one who specialized in real estate transactions. But before a business enters into a lease, much thought and research is necessary. When business owners or managers undertake the process of relocating or expanding a business, they take **valuable time away from the management of the business.** A qualified real estate professional not only relieves business personnel of this commitment, but knows where to look to create value and cost savings from real estate transactions.

The single most important service a real estate professional can provide is market knowledge. Comprehensive market knowledge consists of two primary components: ***What space is really available in the market?*** ***What is Fair Market Value?*** Lists of available space handled by individual leasing companies are readily accessible to anyone with Internet access. A quick phone call will confirm that the space is indeed available and at a quoted price. Many companies make eight or ten of these phone calls and pick the lowest quoted rate closest to their target location. But base rental rate is only one financial component of a lease. Were controllable expenses and escalations capped? Is there enough parking to support the number of employees today? Three years from now? Are there expansion or relocation provisions? Can the lease be assigned? Can the landlord move the tenant? Can the tenant be penalized for Americans with Disabilities Act violations? Again, you get the point.

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Fees paid to real estate agents are typically paid by the landlords, and if a tenant advisor is not used, the

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money (and savings) goes back to the landlord. Most firms offer supplemental services for additional fees like Project Management that streamline the process of coordinating space programming, construction, move coordination, etc. Most tenant representatives require an Authorization Agreement with the client.

The terms of an Authorization may vary from one firm to another, but in every case the document will **define a fiduciary relationship and compensation schedule between the agent and client.** These agreements satisfy certain legal criteria, and in many cases prevent possible conflict of interest by offering peace of mind as to who is working for whom.

Providers that work both sides of the transaction, sometime referred to as **“full service brokers”** have brokers that work for landlords and investors (listing agents) and some brokers that work for tenants (Tenant Representatives). Either way, inherent conflicts of interest result if brokers represent “two masters” in the same market. The largest real estate service providers derive about 75% of their revenue from owners and investors and only 25% from space occupiers. It’s only natural that they try to maximize the terms of each transaction and fortify long-term relationships with landlords, knowing they may never have to deal with the tenant again. *In contrast, pure tenant advisors can more objectively push the landlord for better terms and*

not worry about burning bridges or hurting future revenue potential. Companies should carefully consider who represents them in the real estate market.

Sampling Spartan Partner Clients:

- EMC Software
- Mitsui Bussan Logistics
- ProSupps USA
- JWN Nutritional Manufacturing
- Owen & Fazio, P.C.
- B2B Web Designs
- Texas Health Partners
- Lone Star Distribution
- WRA Architects
- CTREC Hilton IT Academy
- Cobra Wire & Cable
- CKK Home Décor
- Bolinger & Hogue , P.C.
- Empower Software
- Iphotonix
- Axxess, Inc.
- George Lewis Custom Homes
- Gap Capital
- HRsmart
- Juan Law
- Smith International
- Williams Financial Group
- Muscular Dystrophy Association

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