

5 DIRTY LITTLE SECRETS OF COMMERCIAL REAL ESTATE

every tenant should know

**LORA
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lets you in on the
secrets to getting the
best deal



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Every industry has its own list of 'secrets' the general public likely doesn't know. However, when it comes to commercial real estate, this is particularly concerning since we, as agents, are licensed to protect the public. So, if you are a tenant, read on to find out what you should know before your next real estate deal.

1

WHEN YOU MAKE A SIGN CALL THAT PERSON DOES NOT WORK FOR YOU

You should know that when you first make a call to the person listed on the leasing sign, you are already at a disadvantage. That person has been hired to work in the landlord's best interest. They do not work for you or have any interest in watching out for you. All too often people disclose information in the first call that could hurt negotiations such as your need for space quickly or your budget. Be careful of the information you give out to the listing agent, they are not on your team watching out for you.

2

HIGHER RENT EQUALS HIGHER COMMISSIONS, WHAT???

While this may not be a 'secret', when you think about it, it is absolutely insane. If you are a tenant, your agent will get paid more money if you pay more rent. Talk about a conflict of interest! Your agent should be incentivized to get your rent as low as possible, yet by doing so, they cut their own commissions. The best way to protect yourself against this conflict is to choose an agent who has a proven track record and testimonials from clients for vigorously representing their client's best interests, especially at the expense of their own commissions. Or better yet, choose an agent that is willing to work out a different commission structure that ensures they have your best interests in mind such as a flat fee or the same fee regardless of where you ultimately lease or buy space. Yes, commissions and their structure are negotiable!

3

LET ME SHOW YOU MY LISTINGS TRICK

All too often there are agents in the industry that may try to sway you to a building they have listed to 'double end' the commissions. This means they collect both the landlord agent and tenant agent fees. Be very careful in this scenario. When the same agent represents both sides of a transaction it is called limited agency. That means the agent is prevented from disclosing information to either side that may hurt either's negotiating position. In practical terms, it means the deal will likely be a middle of the road deal. The agent is not going to fight very hard against his or her own client to get you, as the tenant, a great deal. In the big picture, they likely have long standing relationships with the landlord and may list many buildings for the landlord. This relationship will always trump a relationship with a tenant who is only doing 1 deal over 5 years. To protect yourself against this, choose an agent that specializes in tenant representation only who does not have listings with landlords.

4

HAVING MORE THAN ONE COMPANY WORKING FOR YOU ISN'T IN YOUR BEST INTEREST

Sure, you can talk to 5 or more different agents to try to find out everything you can about the market and what's available. But, if those agents will agree to do work for you without entering into an exclusive engagement with you, you are likely to experience major mediocrity. Agents who will work like this already don't put enough value on their own time let alone yours. They are willing to get you a list of properties, maybe even tour them, all without knowing if you will become an actual client. This means they are transaction brokers focusing on sheer volume, not client experience. They are not the kind of agent that will put the time in to fully protect you. They are not likely to thoroughly prepare and review letters of intent, leases, and especially will not stay involved after the transaction has closed. Frankly put, hastily put together job without any attention to detail. They will get paid, they will get paid and you will suffer down the road. A good agent will require an exclusive agreement because that means they are willing to invest in you, your transaction, and the long-term needs of your firm. A good agent will also back up the quality of their representation with a client satisfaction guarantee.

5

NOT ALL AGENTS ARE CREATED EQUAL

Your experience with your next real estate transaction is 100% dependent on the quality of the professionals with whom you associate. Some questions you can ask to make sure you have found the right person are 1) How do you handle the conflict of interest that you are compensated more when I pay more rent? 2) Do you review my lease and create an abstract? 3) Do you provide any project oversight services if I need tenant improvements in my new space? 4) What services do you provide after the lease is signed?

If an agent stumbles to answer these questions or says they are offered for an added cost then find a different agent. You'll be glad you did. As a tenant, there are no out of pocket costs for you to have representation and you will not save any commissions by being unrepresented.



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