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Using TMC as YOUR Tenant Representative

Your primary business is running your company. How often do you lease office space? Hopefully, you don't have to do so more than every 3, 5 or 7 years or so; the same with lease renewals. The bottom line is that you rent office space only a few times in your business life. Landlords on the other hand rent space over and over again. In most cases, they even hire a listing agent to help market the property and advise them. Do they have an unfair advantage? You bet they do. How do you balance this unfair advantage? Engage the services of your own qualified tenant representative.

Many tenants have a fear that by engaging the services of a tenant representative they will end up having to pay more in rent so that the landlord can pay the tenant representative. I am sure you have heard the sales pitch from an agent that engaging a tenant representative doesn't cost you anything. The response I hear to this is "the landlord tacks on the fee on top of the lease rate." So, who is right?

When it comes to negotiating for office space, there is no question that a good tenant representative will not only save you money, but will also make sure you don't make any critical mistakes.

Not to mention, there is usually already a real estate fee built into the asking price. This is paid whether or not you have representation. Typically, what happens is that the fee, usually 4% to 6% of the gross lease amount, is split between the tenant representative (leasing agent) and the listing agent. There really is no additional fee tacked onto the lease rate and you won't save anything by not having representation. The listing agent, who represents the Landlord - no matter what they tell you - will get the whole thing.

What about lease renewals? Should you also engage the services of a tenant rep? Absolutely! How a tenant representative gets paid on a renewal is negotiable. Should they be paid a full fee on a renewal negotiation? The answer depends on how much work is involved. If it is just a matter of going out and doing a market survey then negotiating the deal, they probably don't deserve a full fee. Most tenant reps will work as consultants either hourly or for a predetermined flat fee. On the other hand, if you want to consider other alternative locations, request proposals and do some preliminary negotiations on other properties, it is justified. It is a comparable amount of work that would have to be completed if you were moving. Or at least a half of a fee is justified, the leasing side of a commission.

How will TMC as your tenant representative save you money?

- ✔ The leasing process is generally complex. After labor costs, your investment in office space may be your most expensive line item and decisions you make will have an impact on your company's profitability. The tenant representative is your guide through the process.
- ✔ Market knowledge is a key ingredient in which a qualified tenant representative can make a big difference. Having a grasp on asking rates versus deal rates and incentives available is important to make sure you get the best terms available.
- ✔ A qualified tenant representative understands the numbers and is able to translate data into implications for your business - advice on growth strategy within a particular building or market, for example. Tenant representatives are also able to perform financial analysis to help you select the most cost effective location.
- ✔ Expert negotiation skills are critical for a favorable outcome. Representation gives you subtle leverage during negotiations, informing the landlord that you are professionally represented and undoubtedly advised of alternative sites and comparable lease rates. As an added benefit, a tenant representative may know the temperament of a particular landlord and/or landlord's representative, and recognize how far to push the negotiations without jeopardizing the transaction. This is a definite advantage when it comes to lease renewals, too.
- ✔ Familiarity with the documents is a must. Tenant representatives have a working knowledge of the documents necessary to conduct the transaction. These documents include requests for proposal, letters of intent, lease agreements and workletters and vary from market to market. A tenant representative knows how to customize the documents to meet your needs.