

## **Tenant Representation in Commercial Leasing – Alone in a Foreign Industry**

**Tenants underestimate the benefits of expert advice when in search for new lease areas. Many criteria need to be examined and negotiated beforehand.**

Whether a tenant is going to be satisfied with his final property's choice, significantly depends on the technical feasibility of the desired workplace concept. Furthermore it is of importance to examine the required fit-out qualities, to negotiate structural and technical fit-out standards, as well as to monitor these in their subsequent implementation.

### **The search for a neutral consultant**

If companies start to look for new lease areas, due to expansion or surface consolidation, a structured search process becomes necessary, in order to properly navigate the leasing- or investment market (project developers). In this context, companies are ideally accompanied by an independent and neutral consultant, who acts free from conflicting economic interests (leasing success), together on a strong team with the commissioned real estate broker. Without the support from a competent consultant with relevant sector expertise, the average commercial tenant is usually facing a number of competent experts from the real estate and construction sector to discuss fit-out qualities, construction- and operating costs, as well as the rent. It is of importance to question the support offered by the lessor as well as the consulting service provided by the real estate broker with regard to their neutrality, since it is clear, that priority is given to the leasing of property.

### **Analysis and profile of requirements, workplace concepts**

As a first step, the prospective tenant needs to analyse his individual requirements, before deciding upon a workplace concept and defining respective qualities and standards. This process is - ideally right from the beginning - supported by a specialist consultant. What seems to be cost-intensive at first glance, pays off in the end: A workplace concept, that is tailor-made for a company and its individual processes, augments productivity while showing positive effects in rendering the employer more attractive. An extension built along the signature of a company's corporate identity serves the purpose of recognition with the long-term aim of staff retention.

The analysis of requirements carried out by the consultant and planners starts with an analysis of the existing lease areas and processes in place. This is usually complemented by subsequent workshops with the participation of selected tenant representatives, aiming at shaping and developing the future working environment, for example for usage types like offices or laboratories. Workshops organised by professionals, stakeholders and employees together shall ideally help overcome resistance to new workplace concept and impending

changes; sometimes they even manage to create a spirit of optimism among the staff. The results obtained serve as a base to define the tenant fit-out or the equipment specification, for instance structural and technical requirements. This helps to ensure, that the chosen workplace concept can be thoroughly implemented. It needs to be taken into account, that for example different requirements are applied to meeting rooms in comparison to cubicle or open plan offices, when it comes to designing ventilation and cooling, IT or lighting. The requirements from workplace regulations or DIN standards should also be formulated in coordination with the tenant. Otherwise there is a risk of unforeseeable costs or postponements arising after signing of the lease contract, respectively during the fit-out works or even after the move.

### **Search for rental areas via lease negotiations to final tenant fit-out**

On the basis of a workplace concept, combined with the respective catalogue of requirements, a real estate broker sets off with the search for suitable areas by addressing potential landlords or investors (project developers). Consultants assess and compare the offers received on lease areas by weighting of criteria, in order to allow for the companies, looking for new spaces, to finally make a sustainable leasing choice. In an ideal world, it is a team composed of a broker, a consultant and a leasing representative, that jointly negotiates in parallel with the respective 'Top 3' landlords. At the end of the day, the team reconciles the catalogue of requirements with the current structural and technical situation of the existing building or new construction, while taking into account the calculated fit-out costs, after deduction of the landlord's cost contributions or other incentives. As a last step, the consultant formulates the adaption requirements on the respective asset and advise the tenant on important contract conditions, like for example, as to who bears the costs for maintenance, inspection and repairs. For the tenant, it is of particular importance, that there be a clear delimitation of obligations in the lease, in order to avoid disputes in the future. This specifically concerns maintenance obligations for the technical facilities located inside the tenant's exclusive rental area, as well as the response times in the event of supply system failure. Single tenants, or sole tenants in separate building sections, have to potentially assume individual operator obligations, in order to guarantee the secure use of paths and emergency staircases. At the end of the day, it is always advisable to take a clear look at operating costs and arrangements relating to cost sharing for repairs. Depending on the respective building and scope of the landlord's facility management, substantial differences occur.

After conclusion of the lease contract, planners start the design and construction phase on the lease area, while the tenant pursues his internal communications policy, with the aim to prepare the staff for the upcoming relocation. Experience shows, that both constantly requires capacities on the part of the tenant. The building design and execution of construction work need to be regularly checked against the negotiated construction qualities. In case of modification requests, these are to be professionally assessed and introduced in view of the consequences and costs they'll potentially entail. At the same time, the tenant has to prepare furniture orders and maintain internal communication among the staff; Moreover potential welcome events might need to be organised.

## Summary

Without external support, a professional and structured leasing process represents a challenge and considerable risks for tenants outside the real estate industry. A proper project preparation, an analysis of requirements aided by user involvement, a definition of technical qualities and services, as well as a project controlling performed by the tenant throughout the fit-out process, are a guarantee for successful leaseings. Result: Timely relocations with satisfied tenants and employees.

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