



Do You Speak Lease?

Some of us speak Greek, Spanish, French or Mandarin, in addition to English. We think that if we can speak these other languages, surely we can speak real estate. But that's where we're wrong. See, not everyone can speak real estate. That's why it's important to work with a tenant representative that can understand the fine print of your lease terms and can truly speak real estate. Without one, you're risking having lease terms get lost in translation – and that's something none of us want when we're putting our office space on the line.

My advice? Pay careful attention to how a commercial or industrial property is listed. Recently, a client called me, excited to find an office in Farmington Hills, MI, just off I-696, for rent at just \$1 a square foot. He suggested I drop everything to check it out. So I did. As it turned out, the deal wasn't as attractive as it had seemed, especially when I learned it had been written in California lease language – which meant that the actual rate was \$12/s.f. Good, but not extraordinary.

As I looked through the lease, and spoke with the building manager, I found the landlord was unwilling to make any improvements to the space without an additional cash outlay. Inside the fine print, I found the tenant was responsible for any increase in heating, as well as a maintenance cost to the lobby and halls. Plus, the tenant would be liable for all utilities and janitorial services. The realistic price wasn't \$1, or \$12, per square foot. It was \$15.50. Not a deal, considering the liabilities.

My goal is always to make people happy – but beyond that, it's to educate them in their dealings within the commercial real estate industry. As Sym's, the clothing warehouse, likes to say: an educated consumer is our best customer. I couldn't agree more.

Landlords Do Real Estate All Year Long. You Don't.

Most landlords in the game today know their business in and out. They know what their competitors are asking. They know what deals are being done down the street—especially when they lose a deal to a particular landlord. Small firms might negotiate a lease once every 5 years. If this is the case, do you really want to go up against a landlord whose only intent is to make as much money as possible off you?

Here's the thing: landlords do deals *all year long*. As a tenant, you're likely to do a deal every 5-10 years. Which is quite a bit of difference. It means landlords know plenty of things that you don't, and if you do a deal on your own, you're likely to run into some trouble, or end up paying a lot more than you should.



How can you avoid this? Hire a tenant representative. Tenant representatives don't charge to represent you, and a good one can save your firm *lots* of money, over many years. Tenant representatives are paid by the landlord—so why not engage one today? Here at Compass Commercial, we work across all of North America, and we're ready and willing to help you save money on your next renewal or relocation. Want to learn more? Give us a call.

The Last Minute Gotcha!

Your business is doing well, and you are happy with your current landlord. You may or may not notice that your lease is expiring in less than a year. You might think, since there's been no word, that your landlord forgot. I guarantee you, this is *not* the case. Maybe you're thinking the landlord will allow you to go month to month. They probably will, as you will most likely be charged significant hold over fees for doing so—something you're probably not aware of!

What IS a hold over fee? Let's talk it out. 99% of the leases I have reviewed have a hold over fee of 125% to 200% or MORE. Which means that on a lease that is \$1,000 a month, if you stay even *one day* past your expiration date, you will pay \$1,250 for that ENTIRE MONTH. If you have a 200% hold over fee, that cost will skyrocket up to \$2,000. Even if you're just a day over your expiration date. Most leases don't prorate hold over fees, so a day can cost you more than an entire month's rent. Sneaky, right? This is what we call the last minute gotcha! Your landlord often counts on you not noticing these sorts of clauses in your lease, and most will contact you just a month before your lease expires, offering you a renewal option. This isn't a lot of time to find a new space, and most likely, the rate they're quoting will be over market. They may tell you to go ahead and move, but don't forget—going even one day over will cost you significant hold over fees.

Our advice? Plan ahead. Start searching for a new space 6 months to a year ahead of your expiration date, even if you don't plan on leaving. You need to know your options to play the market right, and you don't want to end up paying a last minute gotcha!

Comparing Locations is More Than Just a Feeling

It is interesting when one takes a group of people out on tour to see their reactions. Some people go simply on about how the space looks the minute they see it. Others are very analytical, and need lots of data. No matter what, your agent needs to run a financial summary on every location. Remember all agents aren't created equal! If your agent isn't going to run financials, then you need to find another agent. When your agent asks for a proposal from the landlord, it is important that all the costs are included.

For instance, if you are looking at a space in a downtown area and one building includes parking and the other doesn't, you must take into account the addition costs that the second building will include. In this instance, your agent should identify a local garage, get their parking costs, and add it to the



model so that you can make a clear decision on which location will be the best deal for you. Otherwise, the one with parking included might appear to be more expensive, however, when you add in parking at a garage, you may find the first location is actually cheaper. The bottom line? Make sure your agent is doing their job, and select a space on more than just your gut reaction. The financials (all of them!) matter too.

Lynn Drake
President



Client: _____

Date: _____

Lease Review Checklist

Description	Paragraph	Notes
The address of the leased premises is clearly identified		
The square footage on the lease is clearly identified		
The rentable/usable ratio is not more than 17%		
The lease term is clearly identified		
Is there a provision providing a commencement letter if the space isn't ready in time		
The amount of the rent for each year of the lease term is clearly spelled out and the totals are correct		
There is an out clause for the tenant if the space isn't completed within 60 days of expected occupancy		
Free rent/incentives are clearly identified		
Landlords name and address to mail checks to is clearly identified		
Notice provision should include notice to tenants corporate headquarters		
Do not allow notices provisions to be tacked onto the suite door or faxed		
Holdover provision goal is 125%		
Base year for operating expenses should be the year in which the lease or amendment begins		
Subleasing should be allowed with landlord's reasonable approval		
Approval to sublease by the landlord shouldn't take more than 5 business days		
Moving out of the space while still paying rent is not a reason for default		
Strike any reference to attorney fees being paid by tenant or ask for the prevailing party's fees to be paid by the losing party		
Relocation, try and eliminate or get at least 60 days' notice		
Relocation is only within the same property and landlord is responsible for all costs regarding the move		
Landlord should not be charging to review subleases, if they want to charge for signing off on them ask the landlord to pay tenant for signing off on subordination agreements		
The floor plan on the exhibit is the final one		
All tenant improvements are spelled out in the exhibit.		
Tenant's rights are protected in the event of ownership default or sale of the building		
Lease Buy Out Option		
Other		



Other		
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It is very important to read every paragraph of your lease. Please note this is simply a form to help the tenant identify some areas in a lease which may be problematic. We are not attorneys and therefore cannot provide legal advice. We suggest this form is used to assist you and your attorney with reviewing the lease.