

Don't try to ride the real estate roller-coaster alone

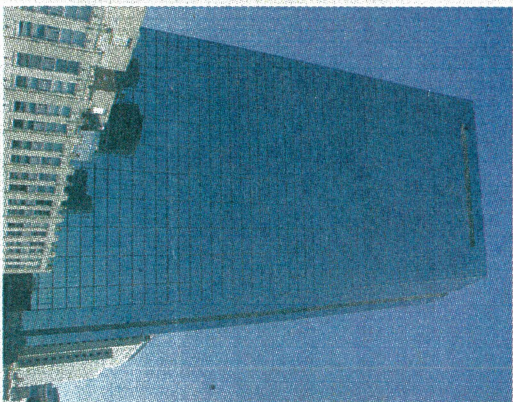
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SPECIAL TO THE JOURNAL

In the current commercial real estate market, the ball is clearly in the court of tenants seeking new or additional space from landlords in office buildings, industrial parks, and retail malls and shopping centers.

Still, tenants who expect too much might find themselves in a difficult situation in the long run if they try too hard to take advantage of the current market. Keeping the scales balanced so that long-term relationships can thrive over the course of a lease and beyond while still gaining the best possible terms upfront is one reason many tenants hire their own brokers to represent them in commercial transactions.

"The transaction has to work for everyone," said **Jonathan Lapat**, a vice president with Framingham-based **Strategic Retail Advisors Inc.**, which works with local and national retail chains to help them secure space in malls and plazas across New England.

Tenant representation is especially valuable because most commercial lease-holders only renew their leases every five or 10 years, meaning working on their own would require getting up to speed on the nuances of the current market. Instead, a broker can bring instant insight into what lease terms are being struck by similar tenants in the



MARKET WATCH

Second-quarter stats for Greater Boston's commercial real estate market:

Total supply: 154.9 million square feet

Percent vacant: 12.7 percent

Availability rate: 19.9 percent

Square-foot net absorption: (757,078)

Average asking rent per square foot: \$31.22

Source: Jones Lang LaSalle

marketplace.

"What brokers do is bring to the table experience in lots of spaces in different markets over a range of time,"

said **Howard Goldman**, a real estate attorney with Goldman & Pease LLC in Needham. "Experienced brokers have access to a wealth of information that can help put a tenant on much stronger terms when it comes to negotiating the terms of a lease."

Tenants are in a strong bargaining position today, and working with a broker can help identify the best ways to leverage that advantage. While some landlords may not want to give too much on the bottom line of per-square-foot rents, a host of other lease details may be open for negotiation.

For instance, a tenant may be able to get more upfront consideration for space customization and build-out, or more favorable terms for subleasing space. A tenant may even be able to negotiate a period of free rent in exchange for a long-term lease or a reduced upfront security payment.

"The troubled state of the economy definitely impacts the market negatively and that creates opportunities that a good broker can help identify," Goldman said.

Things to look for in a representative include sound knowledge of the local market and a solid track record.

Conflicts of interest are something that a tenant should be aware of when seeking a broker, said **Elliot Surkin**, managing partner of the real estate

group at Boston-based **DLA Piper LLP**.

"When you hire a consultant to work for you, they're loyal to you and have your interests in mind," Surkin said. "Depending upon how a broker is situated, they may have different and divided loyalties. That's not necessarily a bad thing, but in many cases, it's not something the client is readily aware of."

A tenant should ask a potential broker partner about the broker's current client list and whether they worked on behalf of landlords in the past or might again the future.

"If a tenant begins to take advice from a broker that represents someone else — that's complicated," Surkin added. "It might be good advice, but you always have to be wary if someone is loyal to someone else."

Still, having a good broker, whatever his or her specific role, is all but a necessity given the complexity of today's market.

"Most tenants do not do enough leasing to give them the knowledge they need so without a good broker team, it's a situation where an amateur is playing against a professional," said Surkin. "A tenant signs a lease once every five or 10 years and a landlord might do it 20 times a day. The smartest tenants figure out some way to surround themselves with advisers who make it more of an equal player."