

Tenant Representation — Making Your Office Search Easier

Changes in the Madison-area real estate industry over the past several years have resulted in an important gain for commercial tenants. *Tenant representation* has given tenants the ability to have a real estate professional work on their behalf, usually with the tenant representative's fees paid by the landlord.

Up until a few years ago, if a tenant wanted a broker to represent him or her instead of the landlord, the broker's commission usually was paid directly by the tenant. Now brokers routinely represent a tenant even when the commission is paid by the landlord. A written agreement between the broker and tenant allows the broker to work as a tenant representative (also called *buyer agency*).

Many Madison commercial brokerage firms offer tenant representation services. Tenant representation provides several advantages:

Space Search — Often the most time-consuming part of finding office space is locating and sifting through all of the available options. A tenant representative offers knowledge of the Madison-area market, and often has resources and information sources not available to individual businesses.

The tenant rep can identify properties that meet your criteria (budget, size, location, etc.), and eliminate those that do not, saving you time and effort. After identifying appropriate properties, the tenant rep can also save you legwork by contacting landlords and arranging for appointments to view the properties.

Analysis — Tenants are frequently unaware of the complexities of comparing different properties and working with different landlords. Unfortunately, it isn't as simple as the cost per square foot for rent. To complicate it further, landlords frequently use terms differently. A tenant rep can analyze individual properties so they can be directly and fairly compared to each other.

Here are some areas that can cause confusion and make comparisons of different properties difficult:

- **Measurement of space** — Some landlords measure *usable* square feet, meaning the amount of square feet you will actually occupy. Others use *rentable* square feet, which includes the usable space plus a percentage of the common areas such as lobbies, hallways, bathrooms, etc. — called the load factor. The trend in Madison for new buildings is measuring space on a rentable basis.
- **Rent per square foot** — In practice, rent structures vary dramati-

cally. They range from gross leases, where all costs are included in the base rent, to triple-net leases, where the tenant pays a base rent plus expenses. These can include taxes, utilities, and other operating expenses called common area maintenance charges (CAMs). Over the past several years, the Madison office market has been shifting to variations of triple net leases.

- **Tenant improvements** — Landlords typically designate a dollar amount that is available for making improvements or changes to a space. Particularly in new spaces, it is necessary to define who is paying for what. Expectations of which improvements are the landlord's responsibility versus what comes out of the tenant's improvement allowance can vary widely.

Expertise — Brokers are obligated to be fair to all parties involved in real estate deals. However, unless the broker is your representative, he or she cannot

offer opinions on properties, make specific recommendations, or give advice about transactions. Tenant representation allows the broker to not just present facts, but to make specific recommendations and give advice. This enables you to integrate the broker's experience, professional knowledge, and expertise into your decision making. This is potentially the most powerful aspect of tenant representation.

Often No Out-of-Pocket Expense — Although there may be some situations where the tenant pays the tenant rep directly, in most situations the landlord pays the commission. This means that all of these benefits are available to you without direct, out-of-pocket expense.

Your relationship with your landlord is long-term and can have significant impact on your business. All too frequently, leases are far into negotiation or even signed when it is discovered that there are differences in interpretation, or that terms were not clearly defined. This can cause your relationship to get off on the wrong foot. Tenant representation offers you a powerful tool by putting an expert on your side. Take advantage of it the next time you are ready to make a move.



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