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The Technology Behind the Deal

SO, YOU WANT TO BE A TENANT REP

A Primer to Tenant Representation

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A Strategic Guide to Representing Tenants in Commercial Real Estate

The commercial real estate tenant representation process involves guiding a tenant through the search, negotiation, and leasing or purchasing of commercial space.

Introduction

Tenant representation is part strategy, part service, and part negotiation. Whether you're helping startups lease their first space or managing a relocation for a national brand, your role as a Tenant Rep is to reduce risk, optimize outcomes, and guide smart decisions. This expanded eBook builds on the fundamentals with real-world tools, examples, and tactics to help you deliver professional tenant advisory services from day one.

Here's a detailed workflow:

Chapter 1. Initial Consultation & Needs Assessment

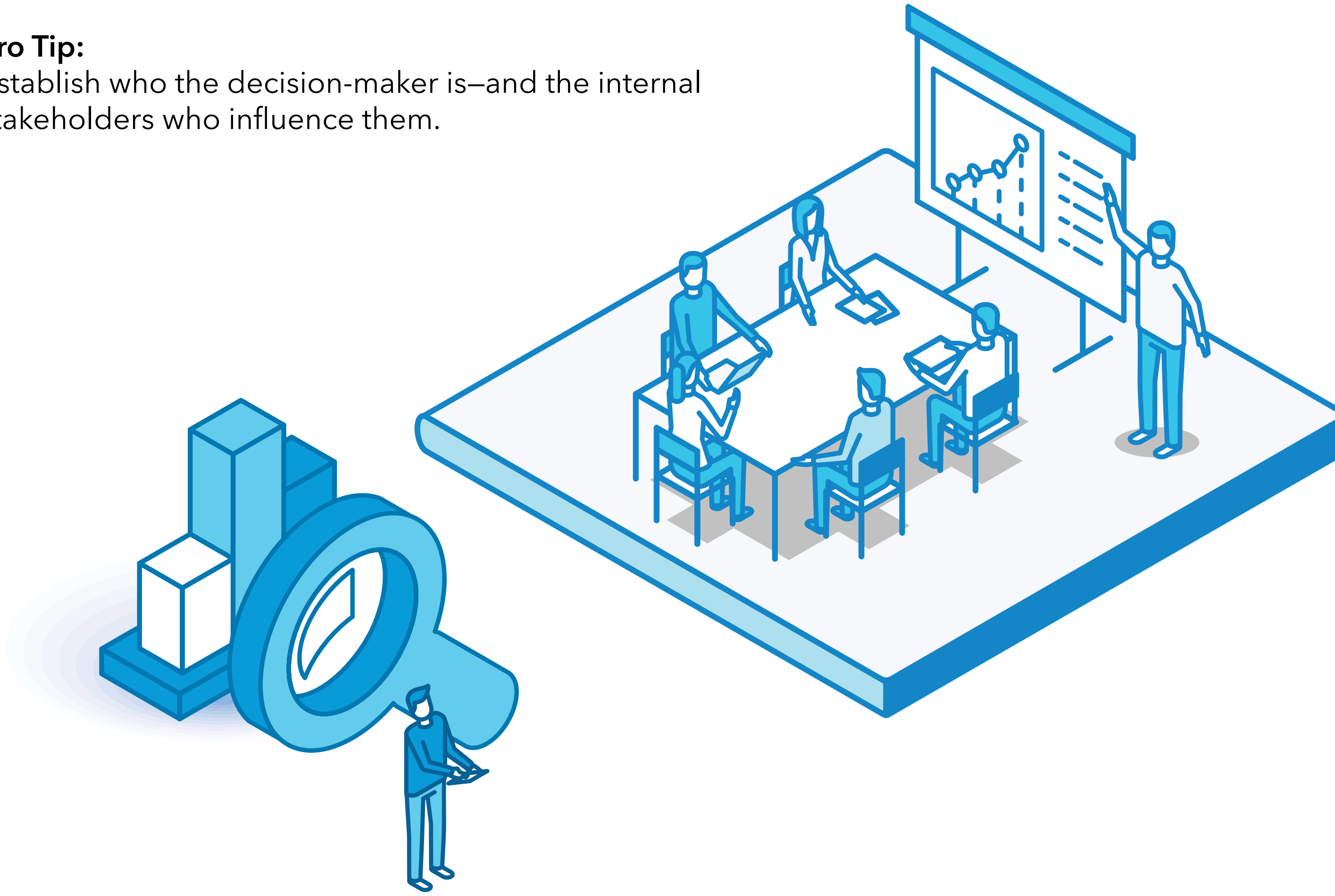
- **Start with Clarity. Build with Trust.**
- **Client Introduction:**
  Meet with the client to understand their business, objectives, and real estate needs.
- **Needs Assessment:**
  Determine specific requirements such as:
  - Space type (e.g., office, retail, industrial)
  - Square footage
  - Desired location(s)
  - Budget and financial constraints
  - Lease or purchase preferences
  - Special needs (e.g., parking, accessibility, technology infrastructure)
  - Parking, access, image requirements

- **Timeline:**
  Establish the timeline for securing the space, including move-in deadlines.

- **Market Education:**
  Educate the client on current market conditions, rental rates, and available options.

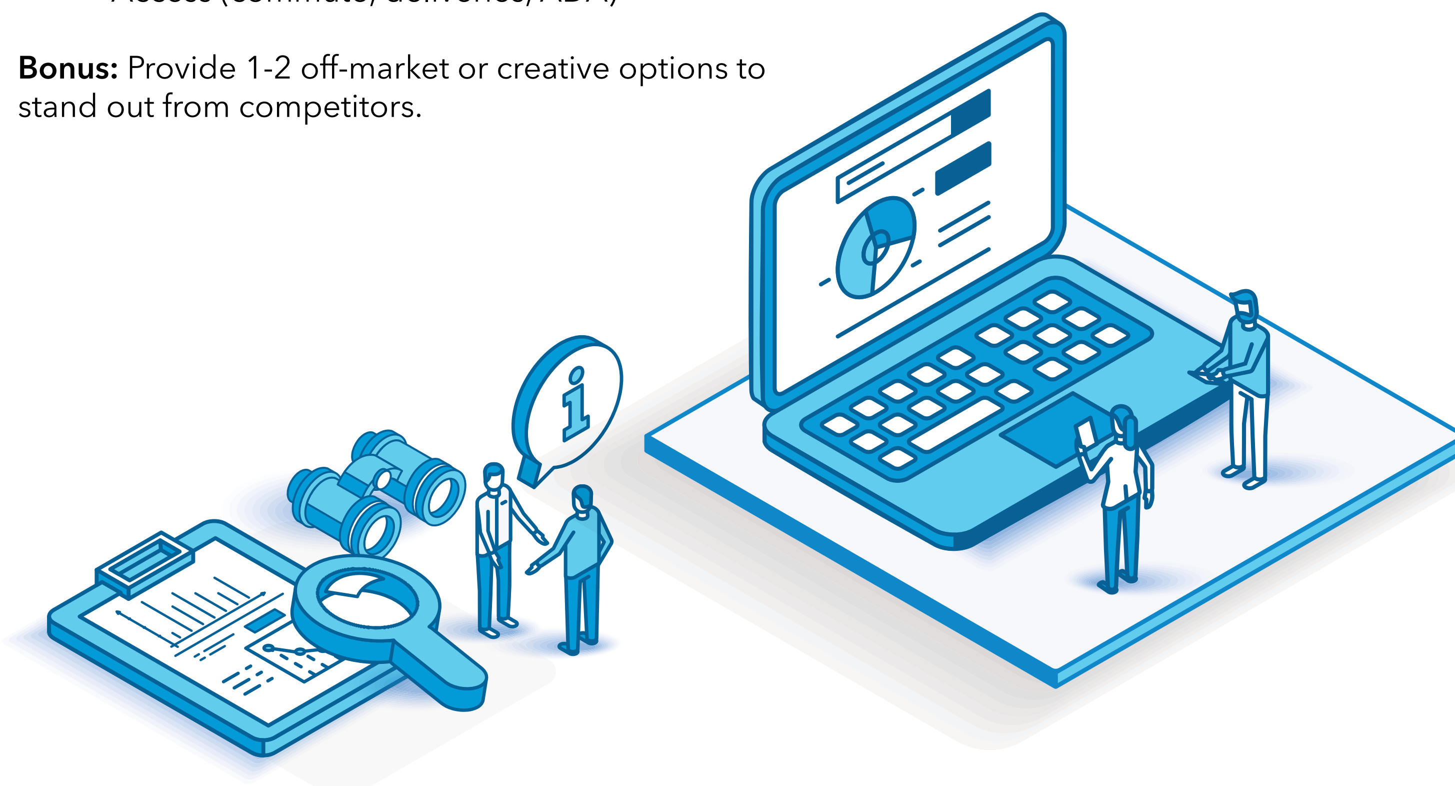
- **Great Discovery Questions:**
  - What does success look like for this space?
  - What challenges have you had in previous locations?
  - What do you want to avoid repeating?

- **Pro Tip:**
  Establish who the decision-maker is—and the internal stakeholders who influence them.



Chapter 2. Market Research & Property Identification

- **Be Their Eyes in the Market.**
- **Market Analysis:** Conduct thorough research on the local market to identify potential properties that meet the client's criteria.
- **Property Listings:** Compile a list of available properties, including on-market listings, off-market opportunities, and subleases.
- **Tools to Use:** RealNex MarketPlace, MLS, broker networks, city development maps.
- **Property Tour Planning:** Select the most suitable properties and schedule property tours.
- **Virtual Tours:** Offer virtual tours or video walkthroughs if physical tours are not possible.
- **Checklist:**
  - Zoning
  - Co-tenancy
  - Visibility and signage
  - Access (commute, deliveries, ADA)
- **Bonus:** Provide 1-2 off-market or creative options to stand out from competitors.



Chapter 3. Property Tours and Evaluation

- Turn Tours into Decision Tools.

- Property Tours: Accompany the client on tours of shortlisted properties, highlighting key features, pros, and cons.

- Tour Kit:
    - Property summary sheet (rent, size, availability)
    - Site map
    - Side-by-side comparison sheet (PDF or Excel)

- What to Look For:
    - Ceiling height, HVAC, power
    - Access hours
    - Parking and loading zones

- Client Feedback Capture: After each tour, ask:
  What felt right? What felt off? Would this be a finalist?

- Property Comparison: Create a detailed comparison of properties, including factors like:
    - Lease rates
    - Tenant improvement allowances
    - Lease terms
    - Building amenities
    - Location advantages
    - Transportation access
    - Nearby competitors or complementary businesses

- Pro Tip: Try RealNex TransactionManager app to build tour and engage client as they rate and evaluate spaces. You can also create your comparative matrices.

Chapter 4. Financial Analysis and Budgeting

- **Space is a Business Decision.** Make It About the Numbers.

- **Cost Analysis:**
  Perform a financial analysis to compare the total occupancy costs for each property, including rent, taxes, operating expenses, and potential hidden costs.

- **Total Cost of Occupancy Model:**
  - Base rent
  - NNN or full-service expenses
  - Parking, utilities, taxes
  - TI amortization, moving costs

- **Budget Alignment:**
  Ensure the selected properties align with the client's financial capabilities and business plan.

- **Cash Flow Projections:**
  Project the impact of occupancy costs on the client's business cash flow over the lease or ownership term.

- **Pro Tip:**
  Use a Comparative Analysis software like RealNex MarketEdge or TransactionManager to efficiently model Net Effective Rent (NER) and other critical financial and qualitative attributes.

Chapter 5. Space Planning and Feasibility

- **Form Follows Function.**

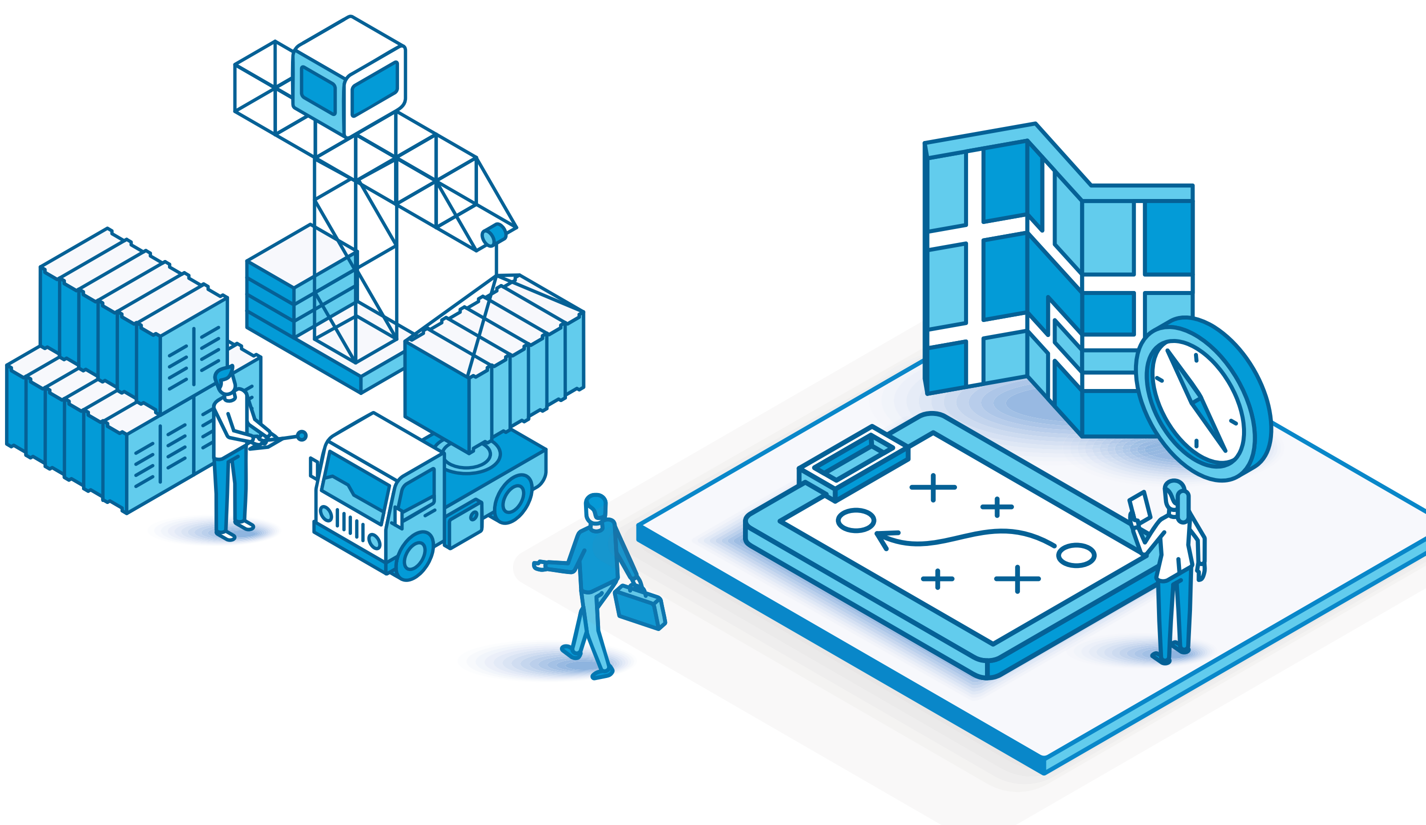
- **Space Planning:**
  Collaborate with space planners or architects to assess the feasibility of fitting the client's operations into the available spaces.

- **What to Provide:**
  - Test fit layout with workstation plan
  - Programming notes from architect or workplace planner
  - Buildout range estimates ($/SF)

- **Test Fit:**
  Develop "test fit" layouts to ensure the space can accommodate the client's functional requirements, such as workstations, meeting rooms, storage, and specific equipment.

- **Customization Needs:**
  Identify any necessary tenant improvements or modifications to the space and estimate associated costs.

- **Client Questions to Ask:**
  - Will this layout support your culture and team growth?
  - Can operations run smoothly from day one?



Chapter 6. Negotiation Strategy Development

- **Set the Stage Before You Step In.**

- **Develop Strategy:**
  Formulate a negotiation strategy that aligns with the client's goals, market conditions, and competitive landscape.

- **Prioritize Terms:**
  Determine which lease or purchase terms are most critical to the client, such as:
  - Rent or purchase price
  - Lease term length
  - Renewal and expansion options
  - Tenant improvement allowances
  - Operating expenses and maintenance responsibilities

- **Negotiation Prep Worksheet:**
  - Rank priorities (TI, rent, free rent, term flexibility)
  - Red lines (non-negotiables)
  - Deal-breaking contingencies

- **Contingencies:**
  Identify any contingencies that should be included in the agreement, such as zoning approvals or specific build-out requirements.

- **Pro Tip:**
  Define "walk-away" terms before starting negotiations.

Chapter 7. Offer and Negotiation

- **Get It in Writing.** Own the Process.

- **Submit Offers:**
  Prepare and submit offers or Letters of Intent (LOIs) to the property owners or their representatives.

- **Sample LOI Sections:**
  - Space details
  - Term length + options
  - Base rent, escalations
  - TI package and delivery condition
  - Renewal, expansion, sublease rights

- **Negotiate Terms:**
  Negotiate the key terms, working to secure the best possible deal for the client.

- **Counteroffers:**
  Handle counteroffers and facilitate negotiations between the client and property owner to reach a mutually agreeable deal.

- **Objection Handling Examples:**
  - "We can't match that TI" → Counter with phased rent abatement
  - "Too short a term" → Offer rolling renewal with higher base rent

- **Legal Coordination:**
  Involve legal counsel early in the negotiation process to review terms and ensure compliance with laws and regulations.

Chapter 8. Lease/Purchase Agreement Finalization

- **Make It Legal.** Make It Last.

- **Draft Agreement:**
  Assist in drafting or reviewing the lease or purchase agreement, ensuring all negotiated terms are accurately reflected.

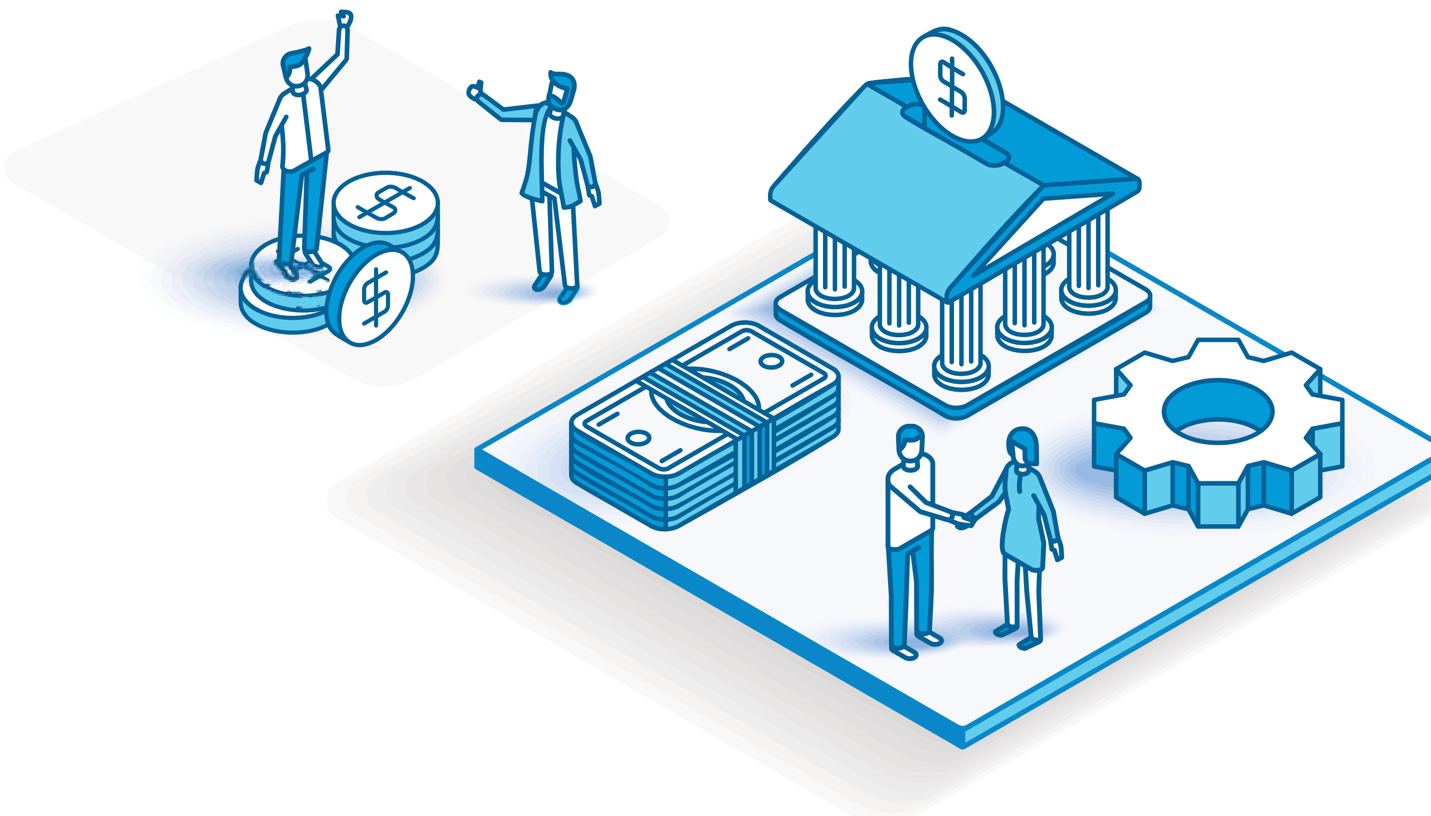
- **Tasks:**
  - Ensure final lease matches LOI
  - Coordinate with legal counsel
  - Review clauses: assignment, operating expenses, defaults, signage rights

- **Legal Review:**
  Have the agreement reviewed by legal counsel to protect the client's interests.

- **Final Negotiations:**
  Address any final changes or concerns before both parties sign the agreement.

- **Agreement Execution:**
  Ensure both parties sign the lease or purchase agreement, making it legally binding.

- **Pro Tip:**
  Create a lease abstract with key business terms for your client.



Chapter 9. **Due Diligence & Closing** (if purchasing)

- **Dig Before You Deal.**
- **Due Diligence:**
  Assist the client in conducting due diligence, including property inspections, environmental assessments, and title reviews.
- **Checklist:**
  - Title report and survey
  - Environmental review (Phase I)
  - Lease audit (if buying leased asset)
  - Zoning and use verification
- **Financing:**
  Coordinate with lenders (if purchasing) to secure financing and ensure all financial requirements are met.
- **Closing Preparation:**
  Prepare all necessary documents and coordinate with attorneys, title companies, and escrow agents to finalize the transaction.
- **Closing:**
  Attend the closing to ensure the transfer of property ownership is completed smoothly, with all funds and documents properly exchanged.

Chapter 10. Tenant Improvements and Move-In

- **Keep the Timeline Tight.**

- **Build-Out Coordination:**
  Assist the client in coordinating any tenant improvements or space modifications agreed upon in the lease.

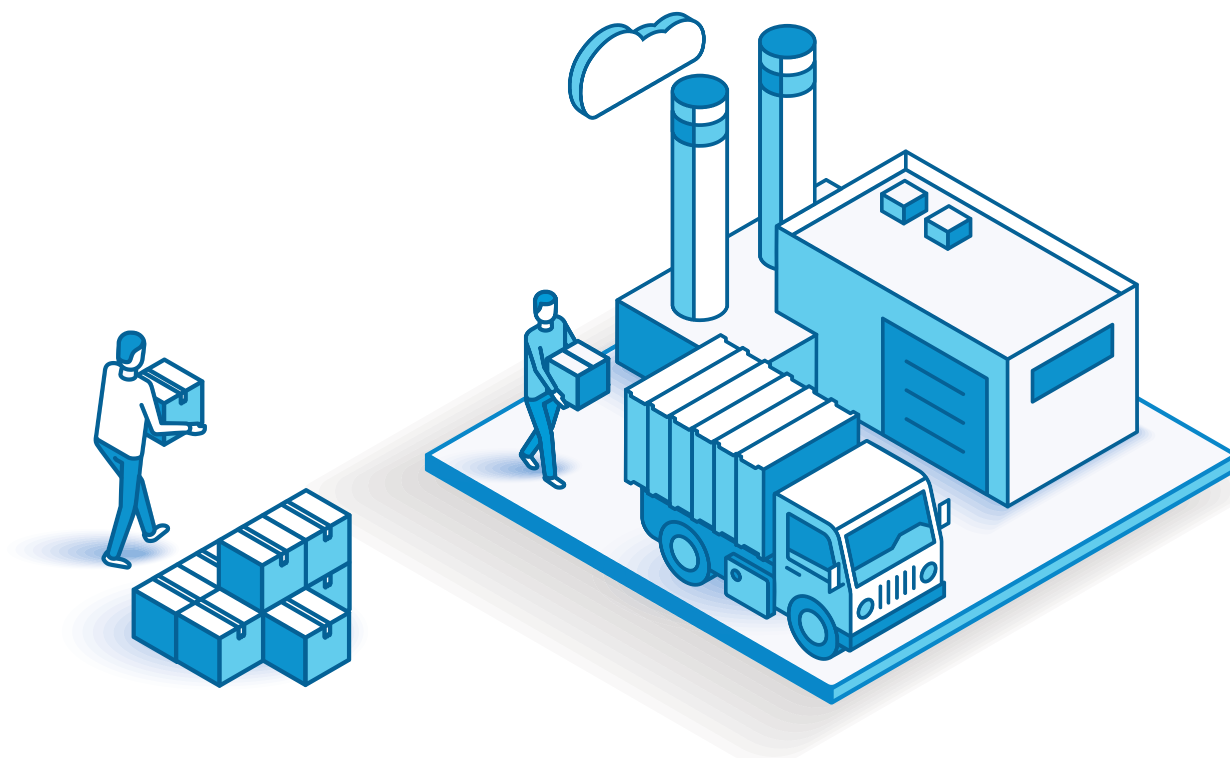
- **Construction Tracker Includes:**
  - Permit status
  - Weekly milestones
  - Change orders

- **Monitor Construction:**
  Oversee the construction or renovation process, ensuring timelines and specifications are met.

- **Final Inspection:**
  Conduct a final walkthrough with the client to verify that all work has been completed to satisfaction.

- **Move-In Coordination:**
  Help the client plan and execute their move, including coordinating with movers, setting up utilities, and ensuring a smooth transition into the new space.

- **ProTip:**
  Schedule soft move-in before grand opening to test systems.



Chapter 11. Ongoing Support and Relationship

- **Become the Client's CRE Team.**

- **Post-Move Support:**
  Provide ongoing support to address any issues that arise after the client has moved in, such as repairs or lease compliance.

- **6-Month Advisory Calendar:**
  - Month 1: Move-in follow-up
  - Month 3: Operations check-in
  - Month 6: First-year satisfaction survey

- **Lease Management:**
  Monitor critical lease dates (e.g., renewal options, rent escalations) and provide timely advice on renegotiations or renewals.

- **Client Relationship Management:**
  Maintain a strong relationship with the client to ensure satisfaction and to be positioned for future representation opportunities.

- **Market Updates:**
  Keep the client informed about market trends, potential sublease opportunities, or advantageous renewal terms.

- **Pro Tip:**
  Add lease renewal dates t o CRM with 18-month lead reminders.

Chapter 12. **Lease Renewal or Exit Strategy**

- **Lease Renewal:**
  As the lease expiration approaches, review the client's ongoing space needs and negotiate lease renewals or extensions.

- **Exit Strategy:**
  If the client decides to vacate, assist in developing an exit strategy, including finding a replacement tenant if necessary.

- **Relocation Assistance:**
  If the client decides to relocate, initiate the tenant representation process again to secure a new space.

This detailed process workflow

Ensures that a commercial real estate tenant representative provides comprehensive, professional services to their client, helping them secure the best possible space for their needs.