How FMs Can Work with Commercial Real Estate Brokers
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- Understanding the process
- Key participants
- Best Game Plans, FM Issues
Who Are The Players

- Tenant
- Tenant’s Broker
- Landlord
- Landlord’s Broker
- Outside Consultants for Landlord & Tenant
Who Is The Tenant

- Level of Experience in Marketplace
- Type of Space and Improvements Required
- Timing of Requirement
- Evaluation of Space(s)
Tenant’s Broker

- Hiring the Right Broker
  - Previous Experience
  - Who Else Do They Represent?
  - Style

- Broker’s Motivation
  - Help Tenant
  - Earn a Commission
  - Repeat Business
Who Is The Landlord

- Size of Portfolio
- Type of Properties
- How Long Has Space Been Vacant
- How Well Do They Know Their Own Buildings?
Landlord’s Broker

- In-house or External
  - Previous Experience
  - Who Else Do They Represent?
  - Style

- Broker’s Motivation
  - Help Landlord
  - Earn a Commission
  - Repeat Business
Players on Tenant’s Side

- In-house or External
  - Legal Counsel
  - Architectural and Design Services
  - Construction
  - MEP
  - IT
  - Security
  - Facilities Management

- When Do They Get Involved
- Value Added With Early Involvement
- Review of Proposal/LOI and Lease
- Work Letter and Rules & Regulations
FMs Are Key Players

- Know your role
- Stay in close contact with the team
- Deadlines and deliverables
- Who will manage the facility
- Details, details, details.....
- Keep sight of overall goal of team
Lease Process

- Hiring a broker
- Identifying building(s)
- Site Visits
- Due Diligence
- RFPs
- Letters Of Intent
- Lease
- Tenant Improvements
- Move In
When Should FMs Be Involved

- Hiring a broker
- Identifying building(s)
- Site Visits – FMs help with pros and cons
- Due Diligence – How will the bldg be managed, bldg condition
- RFPs – Review of responses
- Letters Of Intent – Op. costs, maint. responsibilities, etc.
- Lease – Work letters, rules & regs, bldg standards
- Tenant Improvements – Future maint. costs, ability to maintain, following the lease provisions
- Move In – Helping tenants to settle in
UNDERSTANDING ISSUES & POINTS IN LEASE DEAL DOCUMENTATION

Bruce Lumley
Real Estate Manager
BAE Systems
Content

- Critical Items Needed in Lease
- Lease Points of Interest to FM’s
- Work Letter – General
- Work Letter – Specific

*Items to Watch For*
Critical Items Needed in Lease

- Waiver of Claims
- Assignment & Subletting
- Indemnification for HazMat
- Rent Abatement for Service Interruptions
- Operating Expenses
- Subordination, Non-Disturbance & Attornment Agreement (SNDA)
Lease Document

Items of Interest to FM’s

- ADA, code LL & tenant responsibilities
  - Watch for LL stipulations that limits its obligation
- Tenant and tenant’s vendors/constructors insurance requirements
  - FM or RE will be responsible for providing COI to LL
Items of Interest to FM’s

- Operating expenses & taxes, including future increases
  - Try to limit controllable costs with a cap of 3%

- Maintenance & Repair obligations of LL and tenant
  - LL should be responsible for anything below the slab and outside the exterior walls and the roof itself.
Lease Document

**Items of Interest to FM’s**

- Be careful of Lease Type
  - (NNN, FS, GL, FS (net of elect), Modified gross)
  - Utilities & services may or may not be covered

- Parking
  - Typically standard is 4/1000 RSF
  - Be sure you have enough for the anticipated occupancy of the building
Items of Interest to FM’s

- LL Rules & Regs
  - Ensure FM’s receive a copy of LL Rules & Regs prior to TI build out process

- Alterations (Future TI’s), Trade Fixtures
  - If you have a TIA and don’t use it immediately be careful of lease language that typically gives strict time restrictions on when you must use it. Typically LL’s have a use it or lose it mentality
Lease Document

**Items of Interest to FM’s**

- Signage (exterior, monument, lobby directory, floor, suite)
  - As a rule of thumb, tenants will not obtain exterior building signage rights unless they lease at least 50% of USF of building
  - Almost always one is entitled to suite and lobby directory signage in FS lease
- LL HVAC hours/days of operation
  - off hours = extra costs
Work Letter - General

Basic Objectives

- meeting the Tenant's specifications and particular business needs;
- completing work by the date necessary to meet the Tenant's business objectives while minimizing disruption of the Tenant's operations;
Basic Objectives

- containing the Tenant's costs; and
- avoiding responsibility for base building and other Landlord portions of the improvements
specific guidelines in the work letter to account for construction delays vs. penalties

Determination of “substantial completion” for occupancy must be well defined
Tenant’s objective is to take control of the expenditure of funds and gain every advantage possible.

Conflict usually arises between landlord and tenant over control of the:

- Costs,
- Schedule, and
- Qualitative elements of a design and construction project.
Work Letter - General

- Specify exactly which costs qualify as expenditures under the Tenant Improvement Allowance (TIA)

- Specify which costs are paid for entirely by the landlord and not subject to the TIA
  - Costs for the base building and building standard work furnished to all tenants by the landlord.
Work Letter - Specific

- TI Allowance amount & use (make sure it covers hard and soft costs)
  - Construction, permits, special testing & inspection
  - Design (A&E), CM, PM, moving costs
  - IT/Telco cabling, signage,
  - Security access, monitoring, surveillance
- LL Reimbursement Process
  - timing, reqmts, especially final pay
Work Letter - Specific

- Building Shell Definition
  - VERY important for 1st generation TI
  - Vanilla Shell/Warm Shell
  - Lorton VA Horror Story

- LL Building Standards
  - Definitions
  - Specs/cut sheets
  - Minimum of 5 amps /SF connected electrical load
Work Letter - Specific

- LL Approval Process of Tenant A&E Plans
  - Duration
  - Timing for start of TI construction
  - Timing to occupy leased premises
Work Letter - Specific

- LL Requirements for Construction Sources
  - Are there requirements to use named LL GC and subs?
  - Attempt to get your GC of choice on bidders list and prequalified
- Access to Building leased space for trades, material deliveries, etc.
  - Try for two week minimum advance access
Work Letter - Specific

- Loading / Unloading Space, Rules, Requirements
- LL Design Obligations: test fit allowance
- Any pre-approved TI’s should NOT be required for removal at lease termination
Tips & Suggestions

- Have a Facilities member who specializes in construction be a deal team member.
- Have an attorney who specializes in real estate law be a deal team member.
- Insist on Commencement Date Memorandums.
Tips & Suggestions

- Create a PDF of fully executed lease document
- Install Adobe Acrobat Pro on your PC
  - Allows key word searches
    - Makes finding specific items later much easier, especially if you have numerous leases