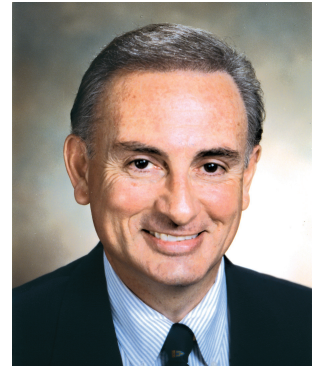


The 7 Industry Terms You Need to Know



The commercial real estate industry uses buzz-words that have one meaning to “insiders” (read: agents, brokers, property managers and landlords) and a very different meaning to “outsiders” (read: the people who ultimately enable the first group to earn a living.)

This discussion highlights seemingly innocuous industry jargon; and what business owners and corporate decision-makers need to know before venturing out to lease or purchase property. Understanding these terms will prepare “the outsiders” to discuss commercial real estate from a position of confidence and strength, and serve to clarify the relationships between the various players encountered in typical real property transactions.

Market Rate: When used in the context of prevailing lease rates, the term “market rate” generally overstates the true cost of leasing space. This is because most lease transactions include concessions, or incentives, that landlords routinely grant to entice tenants to lease space in their building. Typical concessions include, among others, free rent and tenant improvements, and can effectively lower the “market” rate by 8 to 36%. Lease concessions vary widely and are considered proprietary. Therefore, they cannot be found or confirmed in any public record.

Customer: To most business people, the customer is always right. In real estate, another word for customer is “prospect”. Even though the Department of Real Estate considers the words to be interchangeable; from a practical perspective the customer/prospect is owed the *lowest* legal standard of care.

The word “honest” many times accompanies “customer/prospect” when describing the duties owed by real estate agents. In this context, “honest” merely means “not dishonest” and does not carry the bundle of duties and responsibilities owed to a “client” (see below.) Never allow yourself to be victimized by being treated as a customer/prospect in a real estate transaction.

Client: A “client” is owed the *highest* level of accountability and confidentiality. The client’s best interests are paramount and must be preserved and protected. Just as you would with an attorney, insist on a client relationship with your real estate advisor.

Agent: Real estate agents generally “list” properties. This makes them de-facto employees of property owners, who are their clients. Their goal is to lease or sell the listed properties at the highest price and with as few concessions as possible. Never discuss your budget or the circumstances of your business with a listing agent or property manager...*whatever you disclose will be used against you at the bargaining table.*

Advisor: Real estate advisors bring a broad range of real

estate experience and technical competency to assignments for their clients. Unlike brokerage or property management, advising is not a discipline but a process.

The most competent real estate advisors have also earned advanced professional certification. In the commercial real estate industry the gold standard is the CCIM designation, which, as a prerequisite to certification, requires transactional experience and passing comprehensive examinations in diverse disciplines, including: financial analysis, market analysis, user decision analysis, and investment analysis.

Many advisors hold a real estate license, which enables them to be paid by sharing commissions with listing agents. They can also be retained on a fee-for-services basis.

Dual Agency: Agents who represent landlords and list properties have inherent conflicts-of-interest when trying to also represent tenants and buyers. When one agent, or multiple agents from the same firm, represents both owner and tenant or buyer in the same transaction, a “dual agency” exists, *which always favors the property owner*. Unless this conflict is disclosed at the initial meeting and *agreed to by all parties*, such an arrangement is prohibited. If you suspect you have been the victim of an undisclosed dual-agency contact the Department of Real Estate (602-468-1414) to report this unethical practice.

Tenant Representative: ‘Tenant Representatives’ protect the interests of their clients - business owners or corporate decision-makers, ensuring they make fully informed decisions. Their duties are: to research the marketplace for *every* suitable property, regardless of which agent or agency lists them; determine which landlords have the most urgent needs; and use this information to negotiate the lowest overall prices possible. Real estate agents presenting themselves to be tenant representatives, but who also list properties, are generally acting as “dual agents” and should be avoided.

Summary: When it comes to matters involving money, *verify, then trust*. Take a few moments to learn the industry buzz-words and understand who works for whom. If your core business is not commercial real estate, outsource the project to an experienced real estate advisor who specializes in protecting the interests of tenants. Getting smart early-on will save you time and money now, and prevent financial headaches in the future. ©

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