

by BARB ANKRUM

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Minnesota

Consider tenant rep for next space search

VERY FEW SMALL businesses hire a tenant representative to help them find the right office, retail or industrial space. But small companies can benefit from such a relationship as much — or more than — large ones.

Often a small-business owner doesn't want to delegate the job. Or, they may feel the modest scale of their needs precludes them from representation.

But the truth is tenant reps are equipped and eager to help virtually all businesses — often free of charge. And by handing off the process to a pro, small-business owners in particular end up saving many hours — up to 10 hours a week — on a search process that can last anywhere from two weeks to six months. Those are opportunity costs that can quickly add up, and keep owners from daily duties related to their core business and competencies.

Following are four ways a tenant rep can benefit small businesses.

1. There are often no costs in hiring a tenant rep. Businesses generally are not billed for a tenant rep's services. The eventual landlord will usually pay any fees or commissions in exchange for a good-credit, qualified tenant.

A tenant rep is a licensed real estate professional through the state of Minnesota. Companies can check a tenant rep's individual qualifications at Minnesota Commercial Association of Realtors (MNCAR), online at www.mncar.org. You may also obtain professional references or a listing of previous clients can help a company assess the rep's success and

experience with your type of company.

Is your business a guaranteed fit for tenant representation? In most cases, but not always. Like any business person, a tenant rep retains the right to choose not to work with a company.

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1 | There are often hidden costs involved with a new lease. Any initial quote provided by a landlord covers rent per square foot.

2 | But it may not include additional costs, such as taxes, utilities, operating expenses and the responsibility for mundane chores.

3 | A tenant rep can make sure you're aware of all such charges.

Whether yours is a start-up company or an established business, be prepared to provide financial and/or business plans, bank references and previous landlord information if applicable. Realistically, landlords and building owners shy away from companies that may be shaky or default on a lease. Like you, they're guarding their finances.

2. Tenant reps are usually well-connected. They keep abreast of the newest listings, and can connect small businesses with additional resources, including movers to transport property; lawyers to review lease contracts; lenders to help with loans or lines of credit to cover rent; construction companies to do the space

build-out; and office-furniture dealers to acquire new or used desks, chairs, dividers and so on.

Even after the ink on the lease agreement has dried and the deal is finalized, tenant reps can play a role in sourcing mission-critical equipment, such as merchant credit-card processing terminals, telephones or computers.

Tenant reps also have strong relationships with their real estate colleagues. Personality profiling is one value-add a tenant rep can offer: They can advise you about who would make a good landlord, and who might be problematic and steer you in the right direction.

3. Tenant reps eliminate the guesswork. They'll help small businesses set and stick to a budget.

The truth is, there are often hidden costs involved with a new lease. Any initial quote provided by a landlord covers rent per square foot. But it may not include additional costs, such as taxes, utilities, operating expenses, and the responsibility for mundane chores, such as light bulb replacements and daily maintenance. When you factor in these side charges, the cost differential can run into hundreds of dollars.

Tenant reps help clients figure out the actual, total cost of a lease, so small businesses can get a detailed realistic picture of the required financial investment and make an informed decision on the property.

Tenant reps also accurately assess square footage needs, in the present, as well as the future. Small-business owners

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— Barb Ankrum, Cave & Associates

may be so preoccupied with finding a solution to their immediate needs that they fail to take into account any expansion and renewal rights. This is a crucial issue for small businesses: They need wiggle room — literally and figuratively — since they are likely to outgrow their space much more quickly than their larger counterparts.

4. Tenant reps do all the legwork. Each real estate transaction can be a tedious process that is rarely resolved in one sit-down, face-to-face meeting. Tenant reps coordinate all the details — dirty and otherwise — so you don't have to.

They survey the market, locate suitable spaces and schedule each physical tour. Good tenant reps have all the necessary knowledge and the resources to review and evaluate each offer, weighing the pros and cons of each building. And when it comes time to make a proposal to lease, they make all the necessary contacts and handle the contract negotiations.

The entire process, start to finish, often involves dozens of back-and-forth phone calls. When the responsibility — and huge time commitment — is taken off their hands, small-business owners' opportunity costs are kept to a minimum.

If space exploration is in your future, find a tenant rep that knows your geographic area. Start your rep search process three-to-six months before your planned move. Go to fellow business people in your network.

Check out commercial real estate companies in your area and ask if they provide tenant representation. Get references and contact them. Unless you're a real estate expert, you'll find that tenant representation can save you time and opportunity costs, and eliminate financial surprises down the road.

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