

## **Broker: Friend or Foe?**

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*884 words*

Commercial real estate brokers and agents do big business in North America; tens of thousands of them are out there buying, selling and leasing commercial real estate. As a spa tenant, your first thought when needing to lease a commercial space may be to call an agent and have them start the site selection process and even take you to view various properties. Not so fast. Working with just one real estate agent isn't always the best way to go about finding your perfect spa location. And it's almost never the way to get the best lease deal on a property.

Before dealing with a real estate agent or broker, consider this advice (excerpted from our new book, *Negotiating Commercial Leases & Renewals For Dummies*):

### **Differentiating between the Various Types of Brokers and Agents.**

Every brokerage or real estate agency has one broker in charge, who may or may not be the owner. Under the broker are the agents who work for that brokerage (note that in many areas, the title *agent* has been replaced with *associate* or *sales associate*). The broker's job (among other things) is to take responsibility, to some degree, for the action of the agents and associates. Every brokerage is licensed, and every broker, agent and associate is also licensed by a governing body to ensure uniform standards, codes of conduct, training and accountability to the public. Without brokers and agents, many landlords cannot fill their commercial buildings and properties. Landlords and commercial real estate agents enjoy a successful working relationship, no question about that; however that benefit doesn't always extend to you, the spa tenant.

### **Looking for the Listing Agent**

When you see a *For Lease* sign on a commercial building, the first things your eyes go to are the name of the brokerage/agency and, usually in smaller letters, the name of the actual listing agent for that property. Most landlords turn to a commercial real estate broker to find tenants (or lessees). The brokerage and the landlord enter into a listing agreement that defines the roles of the brokerage along with the commission that is paid when a lease or sale deal is completed. That's right, agents/brokers are, typically, paid a commission by the landlord when a tenant has committed to lease space. Often, lease term durations, space size and rental amounts can affect the agent's commission (the longer the tenant leases for, the bigger the space they lease and the more rent they agree to pay can all drive this amount up). With this commission typically being between five to six percent of the base rent for all lease deals completed and signed, you can see why The Lease Coach refers to agents as "motivated salespeople" rather than "trusted tenant advisors".

### **Contacting an Outside Agent**

An *outside agent* is any agent who isn't the listing agent on the property. Although it may appear that this agent is representing you, who do you think is paying them? The outside agent receives a share of the listing agent's commission, which is tantamount to being paid by the landlord. This is perfectly legal and

actually quite common. Ask yourself if the outside agent's commission is being paid by the landlord, what motivation does the outside agent have to please the tenant?

### **Revealing the Real Estate Agent's True Persona: Friend or Foe?**

A real estate agent can only truly serve one master. The saying *if you're not with me, you're against me* would loosely apply in this situation. This isn't an indictment of real estate agents – that's their job. If it weren't for dedicated, professional real estate agents, there would be a lot of empty, unrented commercial space out there. The Lease Coach believes that most agents do a really great job, but also knows that agents are primarily doing that job for the landlord. This isn't to say that agents are acting inappropriately or trying to hurt you, but ask yourself, “*Are they a better friend of mine or a better friend of the landlord?*”

### **Understanding what the Agent Won't – or Can't – Do for the Tenant**

The real estate agent typically doesn't go on record approving any location or piece of real estate for a spa tenant to lease. This is because they don't want the liability in case the spa tenant's business fails. Although an agent may give a spa tenant their professional opinion, read the fine print of an agent/tenant representation agreement – you may see many disclaimers.

### **Avoiding Dual Agency Representation on Such Agreements**

Dual agency means that one agent simultaneously represents *both* the landlord and the tenant. This may be stated in a representation agreement, or, more likely, it simply appears on the offer to lease or letter of intent. An unsuspecting spa tenant may not think it matters if you have dual agency representation, as long as the landlord (and not the tenant) pays the agent's commission. However, if the agent misrepresents the lease deal terms, you may not be able to point a finger at the landlord – because you agreed to share a dual agent. Therefore, from a spa tenant's perspective, dual agency is not a good idea.

For a copy of our free CD, *Leasing Do's & Don'ts for Commercial Tenants*, please e-mail your request to [DaleWillerton@TheLeaseCoach.com](mailto:DaleWillerton@TheLeaseCoach.com).

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