



## Educating tenants 'mountain worthy of the climb'

By JASON HUGHES

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Being a regular newspaper columnist, I've found, isn't the best way to make and keep friends in the business world. I enjoy engaging our readers in brisk discussions concerning the issues that affect the local commercial real estate market -- in particular, the office space sector. Despite the fact I've softened the tone of some of my views over the years, the fruits of my labor are still not always received in the positive vein I intend them to be. That's especially the case on the part of some of my firm's competitors. I'll get to that point in a minute.

Meanwhile, I've been very careful not to abuse the privilege I have as a columnist to hawk my company's wares on this newspaper's op-ed pages. That's what display ads are for. I've kept my focus on issues affecting many *Daily Transcript* readers -- those who lease office space in the San Diego regional market.

If only my competitors would heed the same discipline when given the opportunity to pen an article. In this case, I refer to our colleagues at CB Richard Ellis whose senior managing director concocted a several-hundred-word commercial that ran on these pages three weeks ago under a rap-like headline that began with "Be in the flow to be in the know." Gee, I wish I could write poetry like that.

It was a peacock of a piece, to be sure -- corporate strutting and preening to the max. For a minute or two, I thought I had unwittingly opened the company's brochure. Accompanying the column was a chart purporting to show the relative market shares of local commercial real estate brokerages. Trouble is, the information used to craft the chart was woefully incomplete since it included only data that brokers report about client transactions. My firm, for one, has a policy discouraging our brokers from disclosing how much space our clients are leasing and what they are paying for it -- information that is used to compile the so-called market-share chart used in the article. We prefer to respect our clients' need for information on their occupancy expenses to be kept confidential.

One of my favorite quotes over the years is from George Leigh Mallory who, on being asked in 1923 why he wanted to climb Mount Everest, replied simply: "Because it's there."

My "Mount Everest" is the commercial real estate industry -- an inflexible, staid business sector steeped in traditions that have favored landlords and property managers over tenants for as long as anybody can remember. From ever-rising rents to operating expense pass-throughs, from property taxes to paltry tenant improvement allowances, from core factors to commencement dates, there are myriad opportunities for tenants to get roasted in a commercial lease transaction if they routinely accept what is "standard practice" in the industry.

"Standard practices" involve a lot of money -- our client's money, specifically. And they ignore the continuing premise that tenants actually drive the industry through the rents they pay -- a fact landlords and even tenants themselves often overlook. No rent, no income to landlords.

Furthermore, the frenzied investment markets of the past several years have allowed landlords to package and peddle to buyers tenant rental income at dramatic multiples. Add to that a little leverage, and one can easily see how valuable and powerful tenant rental income is to landlords and the commercial real estate sector overall.

Problem is, tenants are not organized as such. They are individual businesses and organizations that don't have the opportunity to compare notes and act collectively. Most are not real estate professionals; they only get involved in lease transactions every three to five years, typically in response to an approaching lease expiration date. There's no tenant equivalent to the Building Owners and Managers Association, which meets regularly to discuss trends and practices.

So it falls to companies such as ours -- and to individual professionals such as me via newspaper columns and other media -- to provide the education commercial office tenants need. The CB Richard Ellis writer referred to me as "... like many niche players in real estate services..." who "panders to fears that conflicts of interest exist when a broker represents both sides in a real estate transaction...."

"Niche player?" You bet, considering the tenant is the most important niche in the business. "Fears that conflicts of interest exist when a broker represents both sides in a real estate transaction?" Again, you bet! Tenants and anyone else with a lick of common sense would be concerned about such a scenario.

Rounding out the mountain metaphor, my continuing task here and via other means is to climb toward the summit that leads to education and the equal representation of landlord and tenant. When we will get there, we cannot know. But, it is a mountain worthy of the climb.

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