



'Lame' agents create lame deals for all tenants

By **JASON HUGHES**

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This past December, I gave myself -- and, I like to think our readers as well -- an early Christmas present by wondering aloud in this column what the San Diego office market might look like with me in charge.

I was taking that occasion to visualize a market in which office tenants would be fully represented by their own brokers and numerous practices would be things of the past.

That list included, but was not limited to doing away with unreasonable "cost-of-living" adjustments, raising the miserly allowances given by landlords for tenant improvements and banishing once and for all the abject greed of dual representation -- scenarios in which one broker tries to represent both the landlord and tenant in a leasing transaction.

Space constraints and the warm glow of the holidays dissuaded me from delving further into the topic to explore other negative conditions that would be rectified under my reign.

But, through some recent incidents I've observed, it's clear that I left out one -- if not the most important -- condition that would be eradicated in a healthy office market overseen by yours truly.

Broker incompetence.

It's one thing for a broker who knows what he or she is doing to try to push for unreasonable terms and conditions in office leases that favor one party over the other; yet another for somebody to badly represent a client out of sheer incompetence.

You'd be correct to assume that I have at least one specific instance that compels this discussion.

There's a downtown San Diego office building landlord -- the fourth owner in as many years -- who thinks the market rate for his building's office spaces is now \$3.10 per foot, which in reality is closer to \$2.25.

However, he is trying to justify his claim based on a market anomaly -- a single transaction handled by a very green and clueless broker -- who allowed a client to sign the dotted line for space at 85 cents over what similar space would lease for in that and other comparable buildings.

The broker - more likely a "salesperson" licensee -- probably didn't do any homework to determine the market rate for the space. Worse yet, the agent probably didn't have the backbone to hang in there and get the right deal for the tenant client.

One can only wonder how quickly the agent caved in when it came to negotiating the tenant improvement allowance or what other onerous provisions were not negotiated out of the resultant office lease.

It's bad enough that the agent's client was ill-served, but the fact of the matter is incompetent brokers and agents muddy the entire market landscape.

Like so many others, this particular landlord is from out of town and has no concept of what market rates for leasing are over and above what the last tenant signs for on the dotted line.

His warped sense of what his space is actually worth now affects the ability of other tenants to bargain for a reasonable rate in that and other comparable buildings. In effect, all of us now must bear the brunt of this one miscued deal.

The lesson for this agent -- and a reminder for all of us who represent tenants- is that our first order of business is to protect and represent clients as if they were family.

(In this case, the agent threw the mother under the bus.) Our job is not to expedite getting the deal done for its own sake, but to be sure that any deal negotiated is a fair and competitive deal for his or her client -- not the party on the other side of the bargaining table.

It's becoming increasingly clear that we need to upgrade the professional standards to make it a more rigorous process to become a licensed real estate salesperson.

A high school diploma, followed by a few weeks of crash cramming a few manuals and online resources to take a three-hour exam is hardly adequate preparation to represent clients in seven- to eight-figure transactions. But, I'm not here to take on the state Department of Real Estate and the industry's various trade associations.

I am here to warn office tenants about the need to seek out and retain highly competent brokers or seasoned salespersons to represent their interests in office space negotiations.

There are a bunch of novices and others out there who, in my judgment, are not representing their clients properly -- especially in the commercial real estate market as it stands the San Diego region.

Tenants don't hire accountants, IT and other business consultants who can harm or even destroy their company's ability to do business.

Seems only logical the same care should be extended to their office space leasing needs.

Notice that attorneys are not listed among the above that are assumed to be competent service providers. There's a reason for that omission.

Stay tuned.

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