



COMPASS COMMERCIAL, ITRA GLOBAL

Providing commercial real estate services by advocating for our corporate clients' interests and increasing their profits.

Why Leasing Comps Might Not Provide the Full Story

Written by: Lynn Drake

The Compass Commercial Difference:

Your Advocate:

We represent only tenants and users of commercial real estate—never landlords or developers.

Your Expert:

Our team of seasoned professionals negotiate on your behalf, lowering your cost. We use our years of experience to leverage your negotiating power.

Your Local & Global Representative:

We provide broad geographic coverage and seamless representation in multiple markets through offices around the world.

Your Trusted Advisor:

You will always receive objective, unbiased advice. Our team will save your hours of time researching, conducting negotiations and other services on your behalf.

Recently, when I was showing a client several buildings in Troy, the client knew one of the tenants in a prospective building. The two of them talked, and the tenant told my client what they were paying for rent. From that point on, the client used this number as the benchmark. The rental rate was lower than the rest of the buildings in the market. However, the only information that was shared was the rent/s.f.

The following are factors the client did not take into consideration:

The Location:

- Is the building located on a major road with lots of traffic?
- Can the occupants easily enter and exit the building?

The Building:

- Is the building primarily vacant?
- Are both office buildings Class A buildings?
- When were the common areas upgraded?
- What amenities are available?
- Has the building been upgraded recently?
- When did the landlord buy the building?
- What are the landlord's operating costs?
- What security systems are offered to the tenants?
- Did the current owner buy a vacant building out of bankruptcy? If this is the case, the first few tenants in the building will get a better deal.



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Info@compass-commercial.com

www.compass-commercial.com



Is the landlord local?

What is the parking situation?

The Space:

How big is the leased premises? A tenant leasing a larger space will get a better deal than one leasing a smaller space.

The view can be very important. Landlords in high rises often charge more the higher you are in the building.

Is the building's rentable usable factor 10% or 20%? This number correlates with the cost, so the higher the number the higher the overall costs will be.

Was the space in move-in condition, or did the landlord pay for a full build-out?

The Terms:

A 3-year lease verses 7- or 10-year will cost more in rent.

Did the tenant get any free rent?

When the lease was signed, was the economy rocking and rolling or in a recession?

How much money did the tenant receive for tenant improvements?

What additional costs/s.f. does the landlord charge the tenant?

Utilities:

In the Detroit market, if your electric is metered separately, you will typically pay .75/s.f. In the city of Detroit, many of the buildings charge \$1.90/s.f.

What does the landlord charge for electricity?

Is the landlord paying for cleaning 5 days a week? Or, are tenants responsible for taking out the garbage and vacuuming themselves?

All of the above factors affect rent costs, and they must all be considered together when hunting for a new space. For instance, if a tenant was the first tenant in a building, they may have taken the risk that the building will eventually fill up, and they will probably get a better deal. When I'm told another tenant received a rent offer for \$1.00/s.f. less than they offered my client, I can't possibly know if it is really a good deal. The only way to know is to review their lease to see if we are comparing apples and lemons or apples and apples.

