

# 5 THINGS EVERY TENANT SHOULD KNOW

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## ITEM 1: Rent

When searching “Rent” on Google, the search yielded 175,000,000 entries that came up in less than 0.23 seconds. This is probably one of the most controversial, and unifying themes of any lease holder of any kind of real estate. There are so many different types of rents however, the asking rent, the base rent, gross rent, fixed rent, monthly rent, annual rent, additional rent, rent per square foot etc. are some of the terms every tenant should have a clear understanding of prior to signing any lease or letter of understanding. Even more important than the terms however, is how the current rent compares with the previous tenant, the neighbors, the rest of the building, the rest of the block, the rest of the neighborhood, and the rest of the city. Unlocking this information is like seeing everyone’s cards in a poker game, a sure win.

## ITEM 2: Dates & Scheduling

Efficiency and coordination is the key to any successful and seamless transaction. When seeking to be efficient, the schedule must be mapped out, deadlines established, parties aligned, and management to be aware of what’s next. Some important dates to know and establish are the lease date, the date of lease commencement, the date of rent commencement, the date of possession, the move-in date, the date of lease execution, the date of lease expiration, the dates of rent escalation, the dates of the real estate tax, the grace period, and the construction schedule. Without a full understanding of each one of these dates and coordination with management, there will probably be gaps in efficiency when it’s time to sign leases, take possession, oversee construction, move-in, scheduled rental payments, tax payments etc. Know the dates and schedules.

### **ITEM 3: Square Footage**

What is the physical difference between three spaces that are 10,000SF, have the same asking rent, all have great views, and are located in Class A buildings? Most probably the square footage. Square feet in New York City commercial real estate is an anomaly. There is no rhyme or reason to why it's so skewed. You will come across the terms: actual square feet, usable square feet, "carpetable" square feet, rentable square feet, FA, gross square feet, common area, loss factor, and my favorite "architecturally re-measured" square feet. Bottom line the norm today in Midtown Manhattan is you receive 50% less than what you ask for in Class A buildings, 40% less than what you ask for in Class B buildings, and 30% less than what you ask for in Class C buildings. Although the most common excuse is "...it includes common area" for tenants relocating, trying to explain why the landlord has grown clients' current office by 15% when renewing their lease has always and will always begin the discussion of all the various kinds of square footages.

### **ITEM 4: The Building**

This really should be a no brainer, however, some things tenants usually overlook are building hours, lobby security procedures, the passenger elevator systems, freight elevator use, telecommunications, building cleaning and maintenance schedules, and access to public spaces. More importantly is the building's

financial health inclusive of, liens, mortgage delinquency, poor management, taxes issues etc. Uncovering historical ownership of the building, in other words, has the building experienced ownership transfer in the recent past which can potentially alter management and the way the building is maintained. Maybe the new landlord prefers certain types of tenants and will cater to their needs. Take your time to research your new building; there certainly is a lot more going on than the lobby design, and hallways.

### **ITEM 5: The Broker**

Have one. Typically, there is no cost to tenants for lease renewals, expansion of space in the same building, signing a new lease, and moving to a new building. Any good broker will guide you, and educate you on the market conditions and how your specific deal compares with the market place as well as compared with the rest of the building. A good broker should also run a financial analysis and pro-forma on the choices you are considering. These analyses should uncover financial strengths and weaknesses for every choice including the space that is most efficient per square foot vs. the spaces that are the most costly.

For more real estate insights, get a copy of our [Q3 2011 Manhattan Commercial Real Estate Market Report](#) on our website.

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Okada & Company Newsletter | November 2011