

Do I Need a Commercial Real Estate Broker?



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For companies looking to expand into new markets or change locations within the same market, there is always the looming question of whether to engage a commercial real estate broker to help navigate the market or to go it alone. Given the virtually unlimited amount of information available with a few keystrokes, it may be tempting to go it alone by accessing listings in the target area and dealing directly with landlords in the hope of obtaining the best deal for one's company. There are, however, a number of ways that a broker can be beneficial to a tenant looking for commercial lease space that are worth considering:

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- Cost and time savings — better economic terms; landlords pay for the commission.
 - A good broker lives and breathes real estate deals in his or her chosen market and will usually know the landlords, the properties and the history of both. This knowledge can be valuable to a tenant in quickly narrowing in on the best options and the best package of concessions.
 - Typically, a landlord pays all commissions due to its broker and a tenant's broker in connection with a lease. Although the tenant will almost certainly pay for a portion of this commission through slightly higher rent, the tenant will not have to pay this money upfront and it is still a good perk for a tenant to take advantage of.
 - Most landlords have already included brokerage fees in their budget and the cost of the space. If a tenant represents themselves, the landlord typically allocates the tenant's broker fee to the landlord's agent or property manager. Because tenants have essentially paid for this commission already, there is no reason not to hire a broker.
- Knowledge of industry/market (contacts) — experience and specialization.
 - A broker worth her salt will have a packed (virtual) rolodex and insider knowledge of how landlords in a tenant's desired market operate, their reputations, and how to get a deal done with them on the most favorable terms. It is especially helpful to look for a broker who specializes in the type of space a tenant is looking for (retail, office, industrial, laboratory, other specialty space, etc.) to get the most value out of the broker relationship.
- Access to better information/listings (and some spaces that are off market even before they are listed).
 - A good broker seems to have unlimited information as to what leases are currently in the market and when they expire, and thus when new space will come onto the market. With this knowledge and the broker's established contacts, a broker can sometimes present an opportunity to lease space that is not even yet on the market.

- Negotiation assistance (buffer on business points — straight to the landlord).
 - Brokers can be beneficial during all phases of negotiation — particularly during the initial letter of intent stage, when the parties are negotiating key economic terms and other material terms for the transaction — by acting as a go-between with the landlord and its broker and using her expertise to negotiate the best economic terms.
 - Brokers can be a valuable resource during lease negotiations by offering insight into market lease provisions and obtaining the best possible outcome for the tenant.
 - Brokers can also assist at the final stages of a transaction by dealing directly with the landlord or its agents in getting their clients past any remaining sticking points and over the finish line.