

How can Landlords miss the Boat?

A new or newly renovated office building is built and quickly fills up becoming 100% occupied. Why? Is the demand for commercial office space that strong in the Capital District? The answer is both “No” and “Yes”. No, due to the fact we are not enjoying a strong growth of companies moving to the Capital area, but rather a steady pace of growth from Capital area businesses. And Yes, because there remains a demand for high quality space at affordable prices.

So why is the new or newly renovated building filling up? Landlords like to blame the loss of Tenants on the fact that the new or newly reconditioned property is enjoying a strong economic advantage. To clarify, the economic advantage is given by the local government using a development enhanced property taxing program. However; when questioned, most Tenants will tell you that they relocated due to the fact that their Landlord failed to *maintain* the quality of their leasehold space - resulting in their dissatisfaction with the premises. Relocation may also be required due to spatial changes relative to their business.

With this in mind, Landlords need to carry a reserve budget for aesthetic enhancements of the common areas and leasehold premises. Examples of enhancements include: mechanical equipment modernization, lighting systems, exterior and interior finishes for attracting and maintaining occupancy. Tenants are looking for superior space with energy efficient systems, and a high quality of management and care. To relocate, a tenant will incur the cost of moving telephone service, data wiring, reprinting stationary, moving services and the loss of production time. Unfortunately, if the landlord is not receptive to the tenant's requests; the tenant would much rather suffer the costs of relocating. At the same time, the landlord runs the risk of not filling the space in a timely manner, and acquiring a financial loss; as well.



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Public vs. Private?

Written by: Amy Chevalier

Did you know that even the public sector is using Tenant Representation for their Real Estate needs? The Federal Government and various state governments, including New York State, use firms specializing in Tenant Representation to secure their lease locations *and* negotiate the leases.

The reason that governments use this approach, is that they have found that having landlords compete for those leases assures them competitive rates and lease terms.

I have worked in both the public sector, as an employee of Real Estate Planning and Development at the NYS Office of General Services, and now in the private sector. I have found that what a Tenant Representative can do for you is very similar to what they do for the Government. The first step in their process is a needs assessment. This step is to figure out the appropriate amount of square footage necessary and helps to avoid paying for more space than you need. It is more efficient to adapt your real estate to meet your business needs, than to adapt your business to your real estate.

The second step in their process is to make Landlords compete for their business. How the public and the private sector handle this step is slightly different, but the concept remains the same. The Government cannot pick who they want to compete for their business; so they will issue a Request for Information (RFI) that allows any Landlord to respond. In the private sector location is often very important to a business. In this case, a Tenant Representative will do a market study to see what all the options are in the market. Then you would pick which locations you want to compete for your business. Your Tenant Representative would then issue a Request for Proposal (RFP) asking the specified Landlords to respond to the business terms outlined in the RFP. This allows you to pre-negotiate many terms of your lease.

The third step is to analyze the responses to the RFI. (Once all the responses are in, they are analyzed and compared on an apples to apples basis. This offers the opportunity to see which response is most competitive in terms of price and other important criteria; such as, visibility of location, parking or access to other businesses or services.)

In my experience; I have discovered that although the Tenant Representation process may differ in some areas between the public and the private sector, the goal remains the same: to get the most efficient space at the best price for your business.

Staff Spotlight Amy Chevalier

Amy Chevalier joined Conley Associates in January 2007. As a consultant, she provides a wide range of tenant representation services to clients. She assists the Client in establishing real estate objectives, performs programming studies, facility reviews, market analysis, financial analysis, site selection and contract negotiation.

Prior to working for Conley Associates, Ms. Chevalier was



employed as an Assistant Director in the Real Estate Planning and Development group at the New York State Office of General Services.

Ms. Chevalier is originally from Highlands Falls, NY and earned a Bachelor of Arts degree in Communications, from Marist College in Poughkeepsie. She is an avid sports fan with the NY Yankees being her favorite team to follow.

Project Summary

Client: Behan Communications, Inc.
Property: 6,557 square feet
Location: 86 Glen Street
Glens Falls, NY



Summary and Accomplishments

Prior to enlisting Conley Associates, Behan Communications, Inc. had already begun the process of finding new office space themselves. They had narrowed their option down to qualifying sites. However; in doing so, they discovered the complexities of commercial transactions *and* the time commitment required. It was at this point that Behan Communications, Inc. retained Conley Associates to represent and assist in the facilitation of the transaction. After collecting the measurements and configurations for Behan Communications, Inc.'s existing space, their current spatial requirements were then identified. Since both options were built to suit, having the correct spatial needs were critical on both an economic and an operational level.

In order to create a competitive playing field for both options; Conley Associates prepared and submitted a Request for Proposal (RFP) to the owners of these qualifying sites. This incorporated all of the business terms of the transaction. Upon receipt of the RFP responses, Conley Associates completed a full analysis from both a transaction and a financial perspective. Based on the analysis, Behan Communications, Inc. was able to make an informed decision regarding the best possible location for their business. In addition to the final negotiations of the transaction's business terms, Conley's design division was retained to provide final floor plans, selections for the structure's finishes and millwork details. Construction scope and materials were also reviewed to ensure that the final product met Behan Communications, Inc.'s expectations.

Project Skills

The following work was completed on behalf of Behan Communications, Inc.:

- Established the Client's real estate objectives
- Provided space programming to determine the Client's current square footage requirements.
- Provided the Client with financial analyses of the Landlord RFP responses to allow them to see the full economic impact of each transaction.
- Negotiated the real estate and business terms of lease
- Consulted with Client to establish design standards
- Assisted in floor plan layout, finish selection and furniture selection
- Created value in a transaction that was already in progress with Conley Associates' fee paid by the Landlord.

"Conley Associates provided not only helpful insight and analysis, but creative alternatives to overcome challenges throughout the negotiating and planning process. I highly recommend Conley."

Mark L. Behan
President



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Landlords Need Not Apply.

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Did you know?

Thinly sliced, fried potatoes -known today as potato chips- were first noted in 1853 when a chef at a posh hotel in Saratoga Springs was serving a guest named Cornelius Vanderbilt. The railroad magnate complained that his potatoes were too thick. The fried food was dubbed "Saratoga Crunch Chips."