

Leasing a Warehouse?

Beware these Six Fatal Errors



Leasing a warehouse or renewing a lease are functions performed occasionally through the lifetime of a business. Many businesses handle these processes in-house – getting through it as quickly as possible and moving on until they are forced to deal with it again.

However, the cost to lease a facility represents a significant fixed cost to any business. Consider the annualized costs for a typical lease term of, say, five years and compare it to other business costs of similar amount. You'll likely notice that this expense is given only a fraction of the investigation and handling that similar costs are given. Why? Quite simply, because **business owners unfamiliar with the process rarely avail themselves of resources that could significantly lower their costs.** Frankly, they would just prefer to never have to deal with it. In doing so, they're making fatal business errors that cost their company significant avoidable expenses.

Fatal Error #1: The DIY Approach

Handling your warehouse lease or renewal yourself can be compared to defending yourself in court. In doing so, you're willingly placing yourself in an environment where highly trained and experienced professionals make their living. And there you are, maybe doing a bit of online research and certainly making up the rest as you go. Who would do this? And who could possibly expect a favorable outcome?

Instead... Rather than winging it and subjecting your business to your inexperience, seek out the services of a highly qualified professional agency that specializes in warehouse leasing. Let them provide the guidance, counsel and direction to secure the very best rates, terms and conditions for your lease.

Fatal Error #2: Engaging Multiple Agents

If one is good, three or more must be better, right? This couldn't be more incorrect. Many agencies do not require a client to execute an exclusive authorization to represent agreement. They take you at your word and start the process of locating the best property for you. This process causes a lot of landlord interaction on your behalf and in a smaller market, the word spreads quickly if multiple agencies are all working on the same project. When that happens, agents are likely to move on to other projects in which the client is working exclusively with one agent. And that leaves you with no one working on your behalf. Mending those fences can also be troublesome. In bigger markets, multiple agents are now creating the illusion that the market in your size range is more active than it really is and you end up bidding against yourself for available space.

Instead... Don't shoot yourself in the foot. Do your homework ahead of time – get references for a few agents, ask the right questions, make a decision on an excellent agent and then let him or her do the job.

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Fatal Error #3: Starting too Late

In order to fully benefit from your expert agent's expertise, he must have the time he needs to work his processes and maximize the leverage he brings to your side of the table. Shortening the time he has to work with only lessens his effectiveness, reducing his ability to strike the best transaction rates and terms possible.

Instead... Start the process far earlier than you feel is needed. If you actually are too early, there's no harm done. In fact, starting sooner than necessary actually creates time, which is always a benefit.

Fatal Error #4: Having Unrealistic Expectations

Your agent should always make you aware of the market conditions you will be navigating during your transaction. Expecting your deal to set a new low mark for lease rates or a new high water mark for concessions is an ambitious goal, but rather unrealistic. It's unfair to hold any agent to a standard that requires a new record for best of anything simply to satisfy your business or personal needs.

Instead... While you should of course expect and receive excellent service and results, those results need to be considered in the context of the market as a whole. There can be only one 'lowest rate,' and your transaction very likely will not it. But that doesn't mean you can't still achieve a successful transaction.

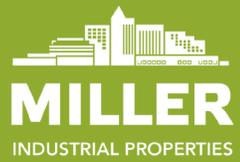
Fatal Error #5: Saying Too Much

The fatal error of saying too much to other agents echoes the second error above, but it differs because it happens regularly and clients have no idea how detrimental it is to their transaction. Let's face it – everyone likes to be admired and being involved in a commercial real estate transaction is an exciting operation. Clients tend to enjoy when other real estate agents know they are involved in a transaction and are likely to engage in idle chitchat about their deal. When a client tries to pick the brain of another agent – fishing for opinions about how things are going, perhaps – it's inevitable that the other agent will seize the opportunity to engage him or herself in the process, maybe even making a call or two to landlords on your behalf. Meanwhile, your real agent – that is, the one you personally hired – essentially has his legs cut out from under him. Landlords now assume the worst, believing that your agent really does not have an exclusive relationship with you and you may well not actually be his client. The entire process gets undermined and all confidence and progress is subject to erosion. This has a significantly negative impact on your transaction.

Instead... This is easy. Don't talk about your deal until it's over.

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Fatal Error #6: Giving Your Agent Bad Information

It's incredibly common for clients to believe that by giving your agent your real budget, or a lower rent rate than you really hope to achieve, or a much shorter time to get your lease completed than you really need, or more landlord concessions or tenant improvements than you really want, he won't work as hard for you. And really, you can always back down and cave in later, right? No. This is a terrible idea.

Understand that real estate agents perform these transactions for a living. They know how to negotiate. They all understand that to achieve a certain goal with landlord A they can ask directly for what they want but with Landlord B they have to ask for far more, since that guy always like to play the low ball/high ball game, and with landlord C, other factors always need to be considered. When you build the foundation of your transaction with inaccurate facts, the whole process is certain to move even further off course. This is a massive time waster and generally produces less than desirable results.

If you feel that you can't trust your real estate agent to know your real budget, your real needs and your real time frames, you simply have the wrong agent.

Instead... Find an agent you trust, and be honest and direct with him or her about your needs and expectations from the start.

Recognizing and avoiding these all-too-common pitfalls will go a long way in propelling your transaction to a highly successful conclusion. For more valuable information, visit the Resources page on our website, www.millerindustrialproperties.com, and download our **FREE** Property Tour Guidelines and our 13-Step Lease Process Guide. The more educated you are about your role in the leasing process, the better your chances for success.