



COMPSTAK

Better Comps = Better Deals

How tenant rep brokers use commercial lease comps to win, negotiate, and close business.

From prospecting to pitching to negotiating the deal, lease comps are integral to everything tenant reps do. As clients expect brokers to be experts and use all available tools, brokers increasingly act as consultants as well as deal negotiators. CRE brokers now use commercial lease comps creatively to put themselves ahead of the competition and exceed their clients' expectations. CompStak interviewed 20 brokers in Atlanta, Chicago, Los Angeles, New York, San Francisco and Washington DC to outline the best practices for using commercial lease comps to win, negotiate and close deals.

Part One: Prospecting

Going after tenants with expiring leases

The most popular way to prospect for new business among tenant reps is to look for comps for leases expiring within one to two years. After you've found the comps, you can then try to reach out to tenants and secure a first meeting and, hopefully, a new client. Here are several variations to the process:

Look for a warm introduction or connection: Tenants who are on the market for new space or renewal are often pursued by many brokers. If you get a warm introduction through a mutual connection, it can make all the difference. "I look at historic comps for deals that took place 7-8 years ago and are about to expire in 18-24 months. Then I research those companies on LinkedIn and try to find whether I'm connected with any of the executives," said a New York City broker.

Use the details of the current lease to pique the tenant's interest. With access to the tenant's current comp, you can compare their current rent to the market and use a possible opportunity to secure lower rent as a first pitch. "Regardless of the expiration date, seeing that a tenant is paying more than the market rate may be a good reason for a call," said a broker in San Francisco.

Find a niche: Focus on expiring leases in certain buildings or submarkets. You can carve yourself a niche by becoming an expert on certain buildings or submarkets, and only pursue clients in those areas. One senior broker in New York said, "We use the comps to build mailing lists of tenants in certain geographies and then send them mail merges, offering information about the submarket."



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Find a niche: Focus on tenants in certain industries: Technology, Advertising and Media tenants (TAMI) are popular industries of focus for many brokers, especially in creative and technology hubs like New York and San Francisco. Brokers with such focus look for comps for expiring leases for tenants in those industries.

Going after tenants with newer leases

As you get more experienced, you may want to put less weight on the deal expiration date. Many leases have early termination clauses that may or may not be listed in the comp, and this can be an opportunity for a new deal several years ahead of the lease expiration date. In some cases, tenants may outgrow the space and want to move or expand regardless of the existence of a termination clause. “As long as the tenant has been in the space for a few years I can reach out. You never know when they’re thinking about real estate” said a DC-based broker.

In any case, having the comp for the prospect you’re pursuing when you first approach them works to your advantage. “If you know something about a tenant, you sound smarter than others,” said a Chicago-based broker. “For example, you can tell them: I know you’re in 12,000 SQFT and your lease is up in 18 months. Have you thought about renewal or expansion yet?”

It’s also helpful for you to review the entire leasing history of a particular tenant before you make the first call. A San Francisco-based tenant rep said, “I look at old comps to find out where the company was before, so I can understand what submarkets they prefer before I call them.”

Excluding prospects from the list

You may also want to rely on lease comps to weed out leads with no real opportunity.

- **Look at comps for recent deals in the market:** Tenants who just recently signed a deal are probably not in the market anymore.
- **Check who represented the tenant:** Some lease comps contain the name of the tenant rep who represented the tenant in the past. “If the comp is showing a tenant rep, and I know this is a good tenant rep that probably has excellent relationship with the client, I may not waste my time in pursuing that tenant” said an Atlanta broker.
- **Check your CRM:** if you work in a larger shop, you can refer to the CRM to see if one of your colleagues is already pursuing the same tenant. Depending on the competitive environment in your shop, you may want to exclude such prospects from your list

Next: Part two: Working with Clients



Part Two: Working with clients

Preparing to pitch the client

The brokers we interviewed agreed that prospective clients normally want to see market information that is relevant to them, and most of the brokers we spoke to use a combination of comps and market reports to showcase their expertise in the market in the first meeting with the client.

Here are some best practices for the use of lease comps in the first client meeting:

1. **Use relevant data:** Show clients comps from the same building or similar buildings. Lease comps for this particular tenant are preferable, if you have them. Relevant comps include deals that are close in size to the space the tenant is looking to lease.
2. **Use accurate comps.** Tenants are expecting to see accurate information. If you're unsure that a certain detail is correct, you can share partial data, or an aggregation of several comps to show the tenants the prevailing rents and concessions.
3. **Cover your bases:** Make sure you understand how much this particular client is paying in rent, who are the other tenants in the same building, and where deals in the same building are made. Lease comps help you pinpoint all of the above.
4. **Use comps to support a plan for the client:** You can study relevant comps and find that the client is paying too much compared with the market, or that the current building will not support future expansion. Those insights should be shared with the prospective client in the first meeting. "If there's a story to tell in the first meeting, for example, they are paying too much, there's a better chance of getting hired," said a Los Angeles-based broker.

Although most of the brokers we spoke with use comps in the first meeting, some prefer to wait a bit before they share them with the client. A San Francisco broker said, "Sharing too many comps early on may confuse the tenant. They get hung up on the details of an individual transaction. We use the comps later, and in the first meeting we sell a process. We tell them that a part of our process will be looking at comp data to study the market and negotiate their deal."

After you're hired: Identifying the best options for the client

We've mentioned that brokers increasingly act as consultants in addition to deal negotiators. Clients have specific goals and expectations, and brokers use commercial lease comps extensively to understand and outline the market options that will allow the clients to achieve their goals within their budgets. Here are some of the tools and methods brokers use to advise their clients.

Building stacking plans

Stacking plans combine information from lease comps with the knowledge that comes from walking the building. If your office has dedicated researchers, they will be the ones to stack buildings and they'll probably enlist your help in the process. However, you may want to keep your own accurate stacks, and update them with recent information as you tour buildings. A stacking plan may be first created when you work with a certain client, but some brokers build them regardless of a current or past deal, as they try to become experts on a building or a group of buildings to secure future business.

Here are some ways to utilize a stacking plan for your client:

1. **Finding expansion space for your clients:** Stacking plans are essential when advising office tenants. Not only will clients appreciate seeing them, but they will



also deem a broker with a good stacking plan an expert. You should share stacking plans with your clients to understand future availabilities in the building. If the tenant is looking to expand in the same location, a stacking plan will help you identify which floors may become available as other tenants are moving out or downsizing.

2. **Understanding the environment for renewal:** Stacking plans also help you and the client understand who is going to have the upper hand at the time of renewal. “If our client is looking to renew in one year and many other leases are expiring that year, the landlord will be inclined to offer better terms to keep those tenants in place. It’s very different if only our client’s lease expires that year and the rest of the building expires two years later,” said a DC broker.

Shopping around for other options

Many times, your clients will prefer to renew or expand in their current location. However, shopping around for other options can present alternatives and assist in the final negotiation. “Even if the tenant is looking to renew, I will still show them comps in other buildings,” said a New York City tenant rep. Lease comps help you understand and lay out other options for a future space, as you’re deciding which spaces to tour. “You don’t want to show a tenant the building they cannot afford,” said an Atlanta broker. However, you need to be careful not to miss out on opportunities because the asking rent is misleadingly high. The final negotiated deal, including rent and concessions, can be quite different from the initial asking rent. Lease comps demonstrate how affordable the building really is. “Buildings advertise their asking rate on the listing, but this is not enough,” said a Chicago-based broker. “CompStak shows us the TI and actual rent and we understand why a deal was done higher or lower. We use comps to build competitive sets and show tenants which buildings are similar to theirs, and what other options they have.”

Building analytical models

Analytical models help point at the client’s best option. For example, a good renewal vs. relocation model takes into account market information from lease comps, expansion options and loss of productivity due to moving, and can establish which option makes more sense for the client. If you build a model, it needs accurate assumptions, and you can use information from lease comps, including starting rent, concessions and escalations, to populate the model. “I know what’s going on in the market, but comps tell me what’s going on in the building to make the model more accurate,” said a New York City broker.

Next: Part three: Negotiating the deal, and other uses of comps



Part Three: Negotiating the deal, and other uses of comps

Preparing the LOI

After you and your client toured several spaces, you have a shortlist of locations you want to target. You've probably submitted RFP's to the different landlords and received several proposals. Now it's time to reply to proposals with the tenant offer, also known as the Letter of Intent (LOI). At this point, you and the tenant will review lease comps and decide, based on the current trends, what terms you want to offer. The comp-review serves a double purpose: one, to put together a realistic offer, while still trying to secure the best deal for the client; two, to ensure your client understands the market nuances the offer was based on. Both purposes call for accurate lease comps. "If I have accurate comps and I'm working on a deal, I would get the concession data for this particular landlord and I know how aggressive I can be in my offer," said a DC broker. On the other hand, staying within a reasonable range is important. "I don't want to lowball the landlord too much - I need to get close to what the market is," said a New York City broker.

Counter offers and closing the deal

If the first offer was accepted, the deal is nearly done. More often than not, however, the landlord will not accept the terms, and instead, will present a counter offer.

At this point, you have the option to share lease comps with the landlord or landlord rep in support of a better deal for your client. Some brokers share lease comps, and others don't. "I usually do not mention to the landlord rep that I have comps for deals in their building, unless I want to be very aggressive," said a New York City tenant rep. An alternative method is to share competing proposals from other landlords, as opposed to comps. "If we did a good job, the tenant already has several good proposals from different landlords and this is what helps the best deal," said a DC broker.

If you decide to share comps with the landlord, you're in good company. Many of the tenant reps we spoke with will use lease comps to make the case for their clients. Those can be comps for recent deals in the same building, where you will try to secure the same favorable terms that were given to other tenants recently. "The landlord reps will respect you more if you show them that you know the market and where the deal should be done" said another New York City broker. "If a landlord rep said 'I can't do it,' we tell them that our records show they just did a lower deal," said a Chicago broker.

Other ways comps can help

So far, we've covered the best practices for the use of lease comps for prospecting, pitching, working with clients, and negotiating deals. Here are a few additional ways creative brokers use lease comps to stay competitive:

1. **Networking:** You can use lease comps to trade with other brokers. In fact, establishing comp-trading groups is popular in many markets. "I trade with friends from former companies, or brokers I dealt with" said a New York City tenant rep. A Chicago - based broker said he uses lease comps and trades them for either other comps or Tenants in the Market (TIM) lists.
2. **Staying in touch with prospects:** Many brokers send their prospects relevant lease comps to keep in touch and stay top of mind, and you can do the same. The best items to send contain valuable market information. "Are concessions going up or down? Which submarkets are getting pricey? Clients always find these helpful," said a Chicago broker. "If I have a hedge fund client, I may send them a recent comp from another hedge fund," a New York City broker said.



3. **Using comps for marketing:** Market reports, deal sheets, and infographics are produced to drive incoming leads. If you put in the effort, you'll reap the rewards. A San Francisco-based brokerage used lease comps to prepare an [interactive map](#) of tech tenant deals. In another example, several Colliers brokers have created [techworkspaces](#), a technology leasing news publication based on lease comps for recent deals. Even without the help of dedicated research departments, these brokers used comps creatively to produce interesting content.
4. **Using comps to brag:** "When all is said and done, we sometimes show the client comps to prove we got them a great deal," said a Chicago broker.

We hope you found this information helpful. For free access to commercial lease comps, [sign up for a CompStak Exchange account](#). Please contact us with feedback about this content at info@CompStak.com

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