

How to look for office space in Montreal without sounding like a newbie and getting ripped off

Thank-you for downloading “**How to look for office space in Montreal without sounding like a newbie and getting ripped off**”.

Why I wrote this PDF

The reason I decided to write this PDF is because I saw so many young companies getting ripped off by unscrupulous landlords just because they showed that they knew nothing about office leasing.

About me

My name is Henri Cousineau, I’m a real estate broker and have been in commercial real estate since 1980.

I’ve had clients as famous as The David Suzuki Foundation, University de Sherbrooke at Longueuil Metro, Drake personnel. I also worked on behalf of small companies.

For me, it’s not the size of the space that counts but a satisfied client. I just love doing what I do.

A familiar and sad story

A few months ago I got a mandate from a software company to sublease their office space and subsequently find them new office space.

The company had quickly outgrown their office space and because their present landlords could not give them additional space, they had to move.

In fact, they started by asking their landlord for a bigger space. He told them everything was rented and that they had to continue their lease for another 2 years.

They asked the landlord if they could sublease and he replied no.

A friend of theirs told them to call me.

In reading their lease I saw that they had paid up front for their tenant improvements (work done to customize the space). They paid 17 000\$ at the beginning of the lease and were wondering if they could recuperate that money or at least part of it.

I told them that they had to forget about that money and asked them who negotiated their lease.

They replied they negotiated themselves.

I asked them why they didn’t ask the landlord to pay for the tenant improvements and amortize the cost on the term of the lease.

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Sadly they replied that they didn't know they could do that.

The 2e thing that jumped to my eyes is that they had given 3 months deposit at the signing of the lease.

I asked them why they did that and sadly they replied that the landlord said it was the usual.

Usually when there's no work done by the landlord, the first and last month deposit is enough.

The 3e thing was that they had signed a clause that prohibits subleasing.

I asked them why they signed that. And sadly they said the landlord told them he had that clause in all his leases.

I'm not a lawyer but I think that clause is illegal.

These are only some examples of all the horror stories that I see when I read peoples leases. Horror stories that could have been prevented if the tenants had known better. Some people think that they will save money by negotiating their lease by themselves. Later on in this document you will see that you often have a better deal if you're represented by a professional.

It's like the story of David and Goliath

A tenant negotiates a lease once every 3 to 5 years while a landlord negotiates one almost every day and most of the time the leases have been carefully crafted over the years by real estate lawyers in big law firms.

Talk the talk

When a prospective tenant calls for space or walks in a rental office and asks for "an office not too big with 3 rooms and a 6 month lease, it's obvious he's not an experienced negotiator. It's like if he walked in with a sticker on his forehead saying "please screw me because I don't know anything about office leasing" You should at least know the right terms and talk the least possible.

You should say that you want a 1000 sf office space with 3 closed offices and short term lease.

It's not because you're a newbie that you have to sound like one.

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Finally, I sat down with their landlord and he agreed to let us sublease their office space. Funny I knew the landlord's father having worked with him before he retired. The landlord knew that we both knew that he couldn't say no to a sublease.

Another sign that he's a newbie

Just the fact that the prospective tenant walks in alone shows that he's inexperienced. Presidents of big corporations don't negotiate the leases themselves. They have inside people that take care of it or they hire a real estate broker to take care of this.

Even lawyers in court don't represent themselves. If a lawyer in court tries to represent himself, the judge will ask "Are you sure Mr. that you want to represent yourself?". You learn very early in law school that a lawyer that has himself as a client has a fool as a client. If you studied law, you know that or if you know someone who did, just ask them, they will tell you.

Don't brag about yourself

If you brag about yourself, you're showing that you're insecure. There's an old saying that goes like this "those that don't know talk a lot and those that really know don't talk". A lot of people (including the landlords) know that.

If you're represented by a broker, he can say you're a very good guy and that you will make the best tenant but if you're negotiating for yourself, you can't say that without sounding like you're bragging about yourself, without sounding obnoxious.

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Before you start calling to get office space, it would be helpful to know who's who

Different types of agents

There are 3 different types of agents.

First, the landlord's agent

The landlord's agent works exclusively for the landlord. Don't ask him any information about other buildings than his boss's buildings.

Second, you have the listing brokers. You usually see their signs on the building they represent. They get their mandate from the landlords. They represent the landlords not the tenant in the transaction. Some of them call themselves tenant brokers. I always wondered how someone can represent the landlord and the tenant at the same time without being in conflict but that's a subject for another discussion.

Third, the tenant brokers represent the tenants. They work for you the tenant, not the landlord but they're paid by the landlord. He usually splits the commission with the landlord's agent or the listings broker.

Who pays the commission?

Indirectly, it's always the consumer that pays but you don't pay extra on top of the rent.

There is always a commission included in every rental rate, Whether it goes to the landlord's agent entirely or is split between the landlord's agent and the tenant broker if you're represented by one.

The rental rate is the same whether you're represented by a broker or not so you might as well be represented.

It's been said and proved that you get better conditions if you're represented by your broker because he knows the market, the ongoing rental rate of every building, the vacancy rate and most important, he knows who the good and the bad landlords are.

The landlord can't bullshit the broker.

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Is it net or gross rent?

One of the biggest misunderstandings in office space leasing is the Net and Gross rent concept.

The net concept is (in my book) a way to mix up people. The net rent is the rent that goes in the landlord's pockets and it doesn't include the operating expenses of the building. For any tenant it's meaningless.

Some unscrupulous landlords will attract prospective tenants by giving them over the phone, the net rent. When the tenant arrives at the building for a visit the landlord will give him the Gross rent, the total rent.

By the way, the landlord can say anything about the space, the vacancy rate of the building and the tenant has no way of knowing if it's true or not.

Tenant improvements

The tenant improvements (or TI) are the work involved to customize the space so that it fits the tenant's requirements. It could be to close an office space or enlarge a conference room. These are usually paid by the tenants because it's specific to the tenant's needs (usually your broker can have the cost of the work included and amortized on the term of the lease).

Don't mix-up the tenant improvements with the base building work.

The base building work is the landlord's expense it includes items like the floor, the ceiling paint and the common areas. Be careful because some landlords try to pass the expense to the tenant.

Guarantees

Usually the lease will be signed by the company. Some landlords will try to have the partners endorse personally the lease even if there is no work involved and no investment on the part of the landlord.

If you're a new company, you should try to get a space that needs the least work possible, otherwise you'll have to co-sign or give a bigger deposit. Usually a good broker knows what the tenant can ask and what the landlord can require.

Length of the lease

Landlord like 5 year leases and sometimes they will accept 3 years.

For most landlords, a 1 year lease is like no lease at all and some don't want that. Sometimes tenants tell me they want a short term lease like 1 year. I ask them why? And they tell me they're expecting a big expansion.

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In 36 years in commercial real estate, I've never seen a landlord say no to expansion if he has it. It's when you downsize that they're a problem not when you expand.

Even when you downsize, there is always the possibility to give back the space to the landlord (sometimes he needs it for another tenant in the building) or, if it's not the case, sublease it. When I write up the offer, I always make sure to include a sublease clause favorable to the tenant.

The landlord likes a 5 year lease because if all his building is rented for 5 years, he doesn't have to do anything. He's ok for 5 years.

His building has more value if it's all rented than if most of the leases are expiring next year.

Most leases have a clause that the landlord can start visiting the space with prospective tenants during the last 12 months of the lease. The landlord starts his leasing efforts 12 months before the end of the lease.

You always have the best conditions if you sign a longer lease than if you sign a shorter lease.

You have a better rate, nicer tenant improvements and better service if you have a five year lease.

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Conclusion

I sincerely hope that this PDF will help you to understand the fundamentals of commercial leasing. If you would like to be represented by a broker that works on your behalf, you can call or email me.

I can negotiate the lease you want; without personal guarantees as long as it's with reasonable tenant improvements.

You will get the comparative grid of available office space in the sector that you want with the total rent you have to pay. A list easy to understand.

You will get pictures and videos of the buildings.

Buildings that are big enough to accommodate all your expansions.

People love the videos because it prevents disappointing visits and saves a lot of time

My services are free for you because I'm paid by the landlord.

Thank You



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If you're looking for loft style office space, see my loft style website

www.loft-style-office-space-montreal.ca

If you're looking for traditional office space

www.office-space-for-lease-montreal.com/WordPress/

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