

WORK+SPACE®

BUSINESS + REAL ESTATE + DESIGN + CONSTRUCTION

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The Failed Evolution of an Industry



By Jason Hughes | CSQ Magazine

For far too long in the world of commercial real estate, the customer has not come first. Deep-pocketed industry manipulation allows brokerage companies to represent both landlords and tenants in negotiations—an obvious conflict of interest. State legislation was recently passed, and a tenants' rights group is being formed to address the problem. For now, though, those are small steps in the journey required to create a more balanced playing field.

The Basics

The commercial real estate industry is made up of landlords and tenants. Landlords own buildings—and tenants rent space in them to operate businesses. Some tenants also own their buildings—which is called being an "owner/user." But most companies rent space—for a dry cleaning business, a law firm, a biotechnology company, a warehouse distribution center or many other uses.

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Improvement. Defined as “an example or instance of improving or being improved; the action of improving or being improved; a thing that makes something better or is better than something else.”

At Hughes Marino, the foundation of our business is to advance toward one goal, which also happens to be one of our Core Values: to deliver excellence in everything we do. For our clients, our teammates and the communities we are privileged to work, live and play in, we strive to be the thought leaders of our industry by constantly improving ourselves and our brand.

In the lead story of this issue of WORK+SPACE®, the reverse of improvement is on display. For over a century, the commercial real estate industry has placed landlords at the head of the pack, treating buyers and tenants as second-class citizens. The playing field has been tilted toward guaranteeing landlords the most favorable legal and financial terms thanks to organizations such as the Building Owners and Managers Association (BOMA), and the all-too-common practice of dual agency. I am proud that Hughes Marino has shined a light into the dark corners of the industry, and we will continue to improve to help both our clients and tenants across the nation.

We have always acted in the interests of buyers and tenants only, never landlords. Our business model is distinctive and transparent, and perfectly fits the third piece of the improvement definition: “a thing that makes something better or is better than something else.” We are on a mission to improve the industry altogether, and be a champion for the underdog: the tenant.

In our dedicated commitment to tenants’ rights, Shay and I founded a non-profit organization called the Association for Commercial Tenants (ACT). The sole purpose is to be a united voice for tenants - from advocacy to education, and as a marshaling force to empower tenants economically. ACT is serving constituents by changing the industry through taking “the action of improving or being improved.”

Beginning on page 14, the exciting news of our expansion in Seattle, WA, is just another example of how we are constantly improving. Our goal is to facilitate the best transactions for our clients, so they can build and expand their businesses across the country. In Seattle, our award-winning team will reach an entirely new client audience, and we are ecstatic to grow our extended Hughes Marino family to new regions in the years to come.

Each story throughout this issue weaves together the overarching narrative of improvement. To improve is at the heart of our company’s Core Values and is a reason we continue to be recognized in national publications for our unique company culture. Even more importantly, we are on a mission to achieve the highest level of excellence and service for our clients to help them succeed and thrive. Improvement, growth and learning are three catalysts at the heart of our business philosophy, which have created long-term success for our exceptional clients, our team members and our company.

Jason Hughes
President & CEO
Hughes Marino



WORK+SPACE®

A publication of Hughes Marino

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About Hughes Marino

Hughes Marino is an award-winning commercial real estate firm that was founded on the belief that it is impossible to represent both tenants and landlords without a conflict of interest. Our team has been exclusively representing tenants and buyers for more than 25 years, delivering best-in-class service and unmatched expertise to companies across the nation.

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Hughes Marino

Because Where You Do Business Matters™

THE UGLY TRUTH

The Failed Evolution of an Industry

(continued from page 1)

Renting saves companies upfront capital that can be more efficiently utilized to grow the business—and help create flexibility for growth or contraction. But at the end of the day, it’s the company renting the space that is the customer. That company pays rent, which allows the landlord to pay the mortgage, property managers, lawyers, CPAs, real estate brokers—and to make a profit for itself. Without a tenant paying rent there would be no profit or revenue for the landlord to afford a building in the first place. It’s a simple concept. Somewhere many decades ago, however, the cognitive link to appropriate customer service never evolved.

The History

Commercial brokerage was created 130 years ago to help landlords sell and lease properties, and years later tenant representation also became part of the industry. A practice known as dual agency describes a brokerage

representing landlords and tenants at the same time—even though those interests are polar opposites. Conveniently, a little more than 100 years ago, the Building Owners and Managers Association (BOMA) was created to support these landlords and

“The ugly truth is the majority of the commercial real estate industry doesn't want evolution.

their professionals—including brokers. Even before BOMA, landlords had the advantage in real estate transactions—

as commercial real estate was their business. Tenants, on the other hand, treated office space as a “need to have” to operate non-real estate companies. For tenants, leasing and purchasing office space was not their expertise. But rental dollars paid for the industry to flourish. BOMA exacerbated landlords’ already unfair advantage by aggregating its voice—similar to a union. They then had landlord vendors, like architects, manipulate findings for the benefit of the landlords that funded them. That’s why there have been numerous revisions in the last 20 years that magically have “grown” space sizes within existing buildings, every time, by being more creative in their square-foot measuring guidelines. The same space that was 10,000 square feet 25 years ago is now 12,500 square feet, or more. Artificially making space grow by 25 percent is not easy, but with enough money and clout, BOMA made it happen. Meanwhile, tenants—the ultimate customers—have been shortchanged.





manipulation), it astonished him how few journalists wanted to cover the story. He said it seemed like most journalists felt it was "almost easier to spread a lie in financial journalism than it is to get the truth across. It's a problem." The same is true in commercial brokerage.

Hope Ahead

Not all is lost. I've made it my personal crusade over the past 25 years to change the industry. In 2014, I was responsible for getting California's legislature and Gov. Jerry Brown to sign Senate Bill 1171 into law—dubbed the Dual Agency Disclosure Law. It went into effect January 2015, and was a baby step for transparency in commercial real estate brokerage disclosure. In early December 2016, California's State Supreme Court upheld an Appellate Court ruling on *Horiike v. Coldwell Banker* stating that dual agents have an inherent conflict of interest—and went so far as to encourage Sacramento to modify the laws on dual agency in the state. Given the murky nature of dual agency, I am hopeful that our lawmakers will rule for fairness and transparency for the underrepresented side of real estate transactions and outlaw dual agency altogether.

Meanwhile, I'm in the process of creating an anti-BOMA nonprofit for tenants to aggregate buying power. The organization is called the Association for Commercial Tenants (ACT). The idea is to aggregate tenants' rights to fight things like artificial BOMA space re-measurements and broker dual agency misrepresentations. Until the customer demands independence above all else, the industry has little reason to change. Tenants and buyers need to start showing they care through action. Join ACT (actrealestate.org) or hire a tenant representation company—and stop getting taken advantage of by a stale industry. □

This article first appeared in CSQ Magazine.

Jason Hughes is president, CEO, and owner of Hughes Marino. A pioneer in the field of tenant representation, Jason has exclusively represented tenants and buyers for more than 25 years. Contact Jason at 1-844-NO-CONFLICT or jason@hughesmarino.com to learn more.

LEADING BY EXAMPLE

How We Created Award-Winning Company Culture

By Shay Hughes

We believe what differentiates a great company from a good one is a culture that feels more like a family than a place of work. That is what we have always strived to do since we first opened our doors many years ago. Our unique culture is something we take great pride in, and



Shay Hughes
COO and Owner
Hughes Marino

year after year it has led us to be named one of the top places to work in the country. Some of our proudest accomplishments have been the recognition by *Fortune Magazine* and *Entrepreneur* as a top company culture, and we are forever grateful.

We're often asked how we have cultivated such an authentic and dynamic culture. Creating this environment for our team members has been no easy task, but it all comes down to a very simple concept: Find the best teammates we possibly can and empower them to move mountains and succeed past their wildest dreams. Of course, the journey does not just end with finding great people, it goes much deeper than that! Here are four insights



into how we have worked to create our thriving culture at Hughes Marino.

We Find the Best Teammates on Earth

We never compromise on excellence, which is especially important when we hire new team members. No matter how long the search, we are committed to finding perfect teammates who are incredibly talented, smart, and kind-hearted people who align with our cherished Core Values. When we do find that magic combination in a new team member, we welcome them into

our tribe as a member of the Hughes Marino family.

We Grow as a Team When We Grow as Individuals

To quote one of our favorite HM-isms—"get uncomfortable!" We challenge each other to grow on a daily basis, both professionally and personally. In our quest to grow together, we bring in world-class speakers and authors and are always finding ways to improve our leadership and communication skills.



Checking the Balance

Unfortunately, the vast majority of commercial real estate brokerage companies still primarily represent landlords. While most industries have evolved to become more customer centric, brokerage companies spend most of the time helping landlords, as that is where the big money is. Not only does Wall Street reward consistent earnings (like asset management fees, property management fees, financing fees, appraisal fees, and landlord leasing fees), but these large international landlords have millions of square feet of work to dole out around the world, creating recurring income streams in the tens of millions of dollars for these dual agency brokerage companies. Meanwhile, tenants consistently get taken advantage of economically, legally, and flexibility-wise. They have no bargaining position to thwart BOMA. Thus, they have no voice and protector—except for tenant representation companies that exclusively represent tenants in lease and purchase transactions. These companies are specialists—not generalists—and have resolved to eliminate the industry-wide conflict of interest in representing landlords while also representing tenants.

The ugly truth is the majority of the commercial real estate industry doesn't

want evolution. Landlords benefit when tenants aren't properly represented—and dual agency companies (CBRE, Cushman & Wakefield, JLL, Newmark, etc.) have no reason to shed light on the massive conflicts—as it would be biting the hand that feeds them. Dual agency companies make double the commission when the tenant isn't represented independently (another ugly truth when tenants think they might save money by not having a broker represent them). In fact, tenants inadvertently reward the landlord broker by doubling the commission while he or she works completely for the landlord's benefit. If you are a tenant, the notion that bigger is better is ridiculously backward when it comes to real estate brokerage.

It's a David and Goliath story. The Goliath brokerage companies and their landlord clients heavily influence the industry narrative. This side of the coin benefits from the status quo. Meanwhile, the Davids of this story are similar to the IEX trading exchange in Michael Lewis' *Flash Boys*. This exchange was created to slow down high-frequency traders so they don't have an unfair advantage against everyone else in the marketplace. Mr. Lewis explains that despite a very clear and coherent explanation, and a description of how the markets work (along with real-life examples of market



*To quote one of our favorite HM-isms—
“get uncomfortable!”
We challenge each other to grow on a daily basis, both professionally and personally.*

We encourage every team member to be a leader, to speak at events in the community, and write articles for our blog. The more we practice these skills, the better we become. As a team, we are in constant pursuit of growth and innovation so we continue raising the bar in everything we do.

We Enjoy the Journey

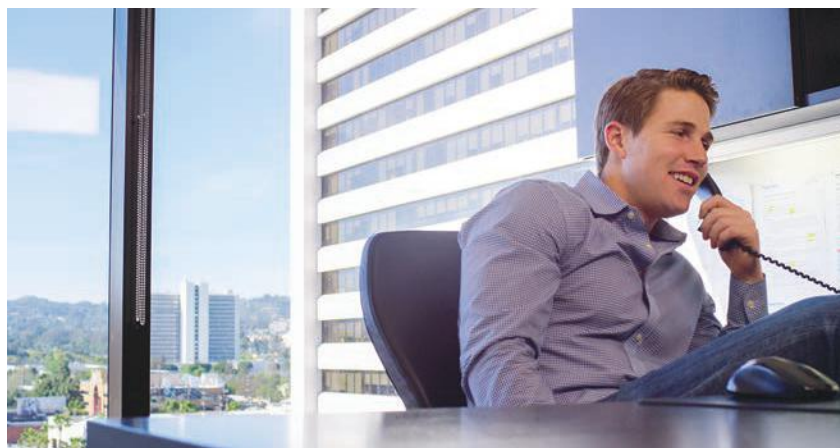
While vacation is nice, our Core Value #3 is so much more than that! We want every team member to enjoy the journey while spending time together working in our beautiful offices—playing a game of pool, learning new skills, and celebrating each other’s successes. Most importantly, we want our team to enjoy spending valuable time with like-minded team members who always do the right thing.

We Understand There Are No Overnight Successes

Our success definitely did not happen overnight, and we contribute every one of our successes to our amazingly dedicated team. From our original 14 teammates, to our newest member, each individual has brought unique gifts and strengths to the company, and have made Hughes Marino what it is today. We are 100-percent dedicated to creating a nurturing and supportive environment for our team to flourish, achieve and succeed, and we will always be committed to the personal well-being and success of our teammates.

From our phenomenal team, to our inspiring clients and vibrant communities we serve, we want everyone to love being a part of Hughes Marino. We are honored to serve the best and brightest communities in our nation. We love what we do and who we do it with, and we wouldn’t have it any other way! □

Shay Hughes is chief operating officer and owner of Hughes Marino, where she plays a key role in all aspects of the company, including internal operations, marketing, business strategy, and end-to-end management. Contact Shay at 1-844-NO-CONFLICT or shay@hughesmarino.com to learn more.



A Time to ACT

New nonprofit fights back against the unethical practice of dual agency brokerage

By Jason Hughes | Attorney Journal

A glaring and dubious conflict of interest has long been rampant in the world of commercial real estate. This practice known as “dual agency” describes a brokerage firm that represents both landlords and tenants in the same negotiation. It should be obvious to a first-year law student—or even someone with just a passing knowledge of law—that those two parties have opposing interests.



Jason Hughes
President and CEO
Hughes Marino

Unfortunately for most tenants, most commercial real estate brokerages primarily represent landlords. That makes buyers second-class citizens in negotiations. Adding to the

frustration for tenants are international organizations such as the Building Owners and Managers Association (BOMA), which have broad reach and help stack the deck against tenants.

What recourse do representatives of tenants/buyers have? For starters, there’s a new nonprofit association ready to fight for the underdogs in this equation. The Association for Commercial Tenants (ACT) was specifically created to provide educational support, legislative guidance and industry unification. ACT stands in opposition to the inherent conflict of interest created by dual agency brokerage, and is striving to even the playing field.

Many would say it’s about time. Here, then, is a look at the history of this unfair relationship, the unveiling of a ray of hope for those on the wrong end of landlord-tenant negotiations, and a rundown on the weapons tenants now have to fight back.

The Opening ACT

Landlords own buildings and tenants rent space in those buildings to operate their businesses. Tenants represent all kinds of businesses—law firms, supply companies, bio-techs, pharmaceutical start-ups and so on. Some companies own the buildings they occupy; some rent to save upfront capital that can be used to later grow the business.

Commercial brokerage was created more than a century ago, and it began as a way to help landlords sell and lease properties. It was only later that tenant representation became part of the industry.

BOMA came along and helped create a huge support system for landlords and their professionals. This union-like organization aggregated the voice of landlords, and gave a boost to a group that already had an unfair advantage.



Rental dollars paid for the industry to flourish. Holding all the cards, landlords were then able to manipulate the system to unfair advantage.

For example, over the past two decades there’s the all too common example of buildings magically growing in size. How is that possible? Building owners have found ways to get architects to be creative in their square-foot measuring guidelines. A space that was 100,000 square feet 20 years ago may suddenly be listed at 110,000 square feet today. Artificially growing the space means that the price can be bumped up. The building hasn’t gotten any bigger—but the interior spaces that are added to the measurement equation somehow grow, to the delight of owners. These are the kinds of practices that can be installed when a group is backed by money and clout.

Tenants, on the other hand, have long treated office space as a “need-to-have” expense. For tenants, leasing space

is not their expertise. Therefore, they continually get taken advantage of.

Buyers have long had no bargaining power, no voice, and no superhero standing up for them (except for a few tenant representation companies that exclusively work for tenants in lease and purchase transactions).

Now one of the leading providers of exclusive tenant representation has created an organization to be the counterbalance to BOMA—a group whose members today represent 10.5 billion square feet of property in the United States. The goal of ACT is to bring tenants the bargaining power, voice and protection that they deserve.

Why ACT Now?

After 25 years of providing award-winning professional service in commercial real estate brokerage and serving as a pioneer in the industry that exclusively represents tenants,

my wife Shay and I founded ACT. Our mission is to expose landlords and other organizations that take advantage of commercial tenants and shine a light into the dark corners of commercial real estate.

Commercial real estate tenants need and deserve an organization that is empowered to stand up for their rights. BOMA wields tremendous influence, monitors and lobbies legislative issues and publishes codes and standards on building measurements and other industry issues. ACT gives tenants a seat at the table and a voice to demand truth, justice and fairness.

I have always had a passion to stand up for tenants’ rights. Prior to founding ACT, I took my passion to a state level by championing SB 1171, a bill that California’s legislature and Gov. Jerry Brown signed into law which requires brokers to disclose who they are representing in each transaction. It was a small step toward overall



transparency in commercial real estate brokerage disclosure, and a large victory for tenants.

Our goal now is to make dual agency illegal in California—and across the United States.

Benefits of ACTION

Who can join ACT? Any company, or representative of a business or firm, that engages in the act of renting commercial office space.

One of ACT's major functions is to create awareness and propose legislation regarding the conflict of interest within dual representation agencies. By becoming a member of ACT, companies

are gaining strength in numbers. How? By uniting together with other tenants who negotiate with powerful landlords.

ACT is a nonprofit, and not a union, but members realize economic benefits in the same way any interest group with a shared interest bands together and stands united for a common cause.

Members have access to educational content, are frequently updated on codes, standards and practices, and can enter into transactions with the peace of mind knowing they are supported by unified clout.

Another benefit: ACT is revolutionizing the landlord-tenant relationship by creating a private registry of landlords that includes ratings by member companies.

The nonprofit's members can rate landlords on a scale that will note if certain entities are blacklisted for unacceptable business practices.

The ACT team is available by telephone or email, and delivers monthly bulletins to members, annual white papers on industry standards and updates on legislative and legal matters.

Examples of common lease discrepancies that ACT can provide information on include: base year expenses; operating expense reconciliation; capital expenses versus recoverable expenses; measurement of space; landlord relocation provisions; damage and destruction provisions; subleasing and assignment provisions; option to renew, contract, expand provisions; and parking expenses and double dipping with building expenses.

Coming soon, there are plans in the works for an ACT annual meeting, where members can participate in educational sessions with commercial real estate experts, as well as network with like-minded peers.

If you want to be a part of helping balance the scales of an injustice, ACT now. □

This article first appeared in the Attorney Journal.

For more information about ACT, or to find out about how to join, go to actrealestate.org, or email info@actrealestate.org.



Rob Bello, Star Hughes-Gorup and Jason Hughes at the state capitol.

TIPS FOR TENANTS



Office Leasing 101 – A Brief History of Measuring Office Buildings

The Building Owners and Managers Association, aka BOMA, and why the tenant wasn't invited to that party

By John Jarvis

To paraphrase Dr. Seuss, oh the games that landlords will play. Building measurement is one of those games. It is a complicated subject, to be sure. In this paper, I will hit the basics including BOMA, the changing BOMA Standard over time, a few key concepts and phrases and the latest strategies landlords are



John Jarvis
Senior Vice President
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using to grow their buildings and increase the rent that you pay.

BOMA has been around since they first developed their standard methodology for building measurement in 1915. They revised their standard in 1952, 1971, 1980, 1989, 1996 and most recently in 2010. Perhaps we should not be surprised to learn that with each new BOMA standard, office building landlords have found ways to re-measure their buildings. We should not be surprised that the buildings never get smaller, they only get bigger. On paper anyway. It is the same building, just the measurement changes. And, as a

result, the rent that you pay goes up.

Perhaps this would not be as prevalent if there was a "T" in BOMA, but the tenant was not invited to that party. Here is how it works. The "usable square footage," or "USF," is the space that you get for your exclusive use, the portion that you can actually use, measured from interior wall to interior wall, excluding all of the space that you cannot use or that you must use in common with other tenants. Business owners negotiating their first office lease are often surprised to learn about the companion concept called "rentable square footage," or "RSF." Included in the RSF is all of the space



factor. On a full floor office lease in an inefficient building, the difference can be 3,000 square feet or more!

...But Getting the Tenant Improvement Allowance Based On Usable Square Footage

Not missing a trick, landlords, when they quote to you a tenant improvement allowance, as in the funds that you need to pay for the cost of building out your space, will sometimes express that allowance as dollars per usable square foot. Huh? But I pay my rent based on the rentable square feet? Yes, they will say, but we aren't paying for you to build in the common areas. Clever. Not OK, but clever. And, of course, subject to negotiation, every time.

Common Conference Rooms

There is a great amenity that some landlords provide, the shared conference room; no charge, just sign up, first-come, first-served. Except that space is almost certainly now considered part of the common area, which means you are paying for it, in the rentable square footage, and that

that you don't get for your exclusive use, all of the inefficiencies in your building, the corridors, the common lobbies, the common restrooms, the storage rooms, and sometimes the leasing office. All of those common areas are lumped together and allocated across the building as a term called the "Load Factor," or "Core Factor." That is enough of the esoteric, now let's talk about a few examples of how landlords use these terms to their advantage, and often to the disadvantage of unsuspecting tenants.

Paying Rent Based on Rentable Square Footage...

The rent that you pay is calculated on the rentable square footage. No surprise here, unless you are learning about it for the first time. Have you ever looked at two different spaces and thought, "wow, those don't feel like the same amount of space?" Well, probably because they are not. Some buildings are efficient, with perhaps an 8% or a 10% core factor. Other buildings are horribly inefficient, with perhaps an 18% or a 25% core

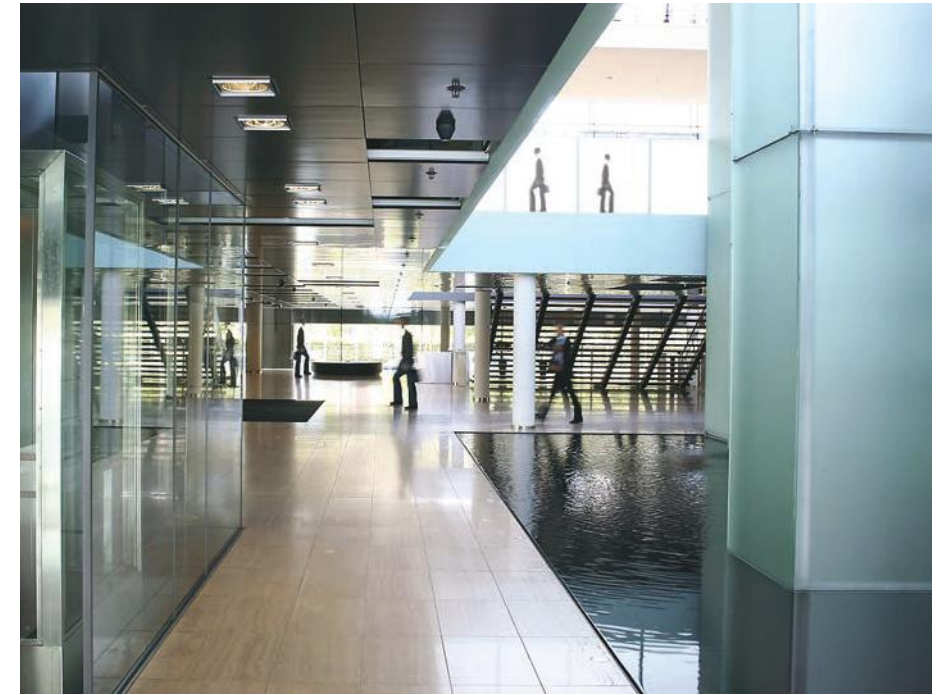


the landlord is, in fact, now collecting rent on it, without the need to lease it out. It could be a particularly difficult-to-lease suite or building, and now, from the landlord's perspective, it is leased! Once again, clever, right? In the Torrey Pines submarket in San Diego, Alexandria Real Estate did this with almost an entire difficult-to-lease building, calling it an "Amenity Center" after it had sat empty for over five years!

Modified BOMA & Stevenson Systems

BOMA can be problematic, but it could be worse. In some parts of the country there is no consensus around the BOMA standard, and the method of measurement becomes another deal point to be negotiated with each different building owner. This is starting to happen in Southern California as certain landlords are using a creative phrase, "Modified BOMA," as their new standard. When I dug into this I learned about Stevenson Systems, Inc., a company based in Laguna Niguel. The headline from their website reads: "Measuring is just the beginning. Unlock the hidden value in your commercial real estate assets." In the circumstance I encountered, Stevenson had re-measured every floor of a 12-story office tower. They ignored how the floors were actually built, instead imagining that each floor was designed in the most efficient manner, utilizing a "Z Corridor," where each emergency stairwell is accessed by just a single hallway. On any floors designed with the less efficient loop corridor, they would dedicate any excess "corridor inefficiency" as rentable square footage to the closest tenant. My client was one of those tenants, and we said not a chance that is going to fly. Think about it—they wanted us to pay rent on the outside hallway, not as part of the common area but as part of our premises, because, by their logic, if the floor had been designed in a more efficient manner that hallway would have been part of our space. Totally nuts, right? And yet, in certain high profile buildings, this "Modified BOMA" is the new standard. Clever again, and totally not OK.

So here is the point. The fox is watching the hen house. BOMA is a useful standard for now, and we all need to watch as it evolves, and push back on any variations that are



inherently unfair, biased or defy logic. At Hughes Marino, we are working on a new model, and a new standard that will be fair and reasonable for all parties, including, importantly, the commercial tenants that lease these buildings and pay the rent, by the way, that funds the entire industry.

Until that new standard is in place, we will remain vigilant, we will continue to monitor the games that landlords play, and we will continue to educate and report on the practices that we are seeing in the marketplace, for better

or for worse, because... once again to paraphrase Dr. Seuss, unless someone like us cares a whole awful lot, nothing is going to get better. It is not. And will we succeed? Yes indeed, yes indeed! Ninety-eight and three-quarters percent guaranteed! □

John Jarvis is a senior vice president of Hughes Marino, where he specializes in tenant representation throughout California. Contact John at 1-844-NO-CONFLICT or john@hughesmarino.com to learn more.



**THE NEXT
CHAPTER
FOR HUGHES
MARINO
GROWTH
TAKES
ROOT IN
THE PACIFIC
NORTHWEST**

*BY JASON HUGHES, President and Chief Executive Officer
& SHAY HUGHES, Chief Operating Officer*

**ROOT IN
NORTHWEST
NEXT CHAPTER
HUGHES
SEATTLE
NORTHWEST**

At Hughes Marino our number one commitment is to our clients. The relationships our team builds over time stem from a core belief: to represent commercial tenants in their leasing and purchasing of commercial space without the conflict of interest in representing landlords. These dynamic individuals are the entrepreneurs who disrupt the status quo, change industries, create new markets and drive the economic engine of the nation.

We are proud to call our clients partners, in a collaborative effort to grow our respective companies through organic, strategic and tactical growth. To that end, the leadership team responded to a growing chorus of voices from businesses in the Greater Seattle Metro calling for our firm's expertise and proprietary approach to commercial real estate.

While the Hughes Marino brand extends nationally, we have always believed in the power of

the handshake, and the face-to-face meetings that are at the heart of creating trust and cementing lasting professional and personal relationships. With our exciting announcement of a new 25th floor, 7,300 square foot office at the stunning 42-story Russell Investments Center in downtown Seattle, we have expanded our company's footprint, and can now serve clients in the Greater Seattle area where they reside and work.

This new location for our company was a custom fit. The Russell Investments Center is strategically situated at the center of the city's market, retail, financial and cultural districts. The building's character exudes an aura of confidence, energy and sophistication, and as with our existing locations, the new space delivers the perfect mix of functionality, aesthetics and creative energy, which align synergistically with our culture and Core Values.

The inspiring and visionary design boasts floor-to-ceiling glass throughout the structure, offering panoramic views of Puget Sound, Mount Rainier, the Space Needle and the bustling downtown. We want our clients and guests visiting to find themselves at home amidst the amenities and signature residential design elements at all our locales, which instill an atmosphere engendering an engaging, stimulating and collaborative environment. Our award-winning culture is very familial, so ensuring our offices feel like a home away from home for our amazing teammates, clients and the communities we serve is one of our highest priorities.

We are thrilled to be growing our ecosystem into the Pacific Northwest, the commercial and entrepreneurial spirit of this region is at the core of its rapid growth and economic success. The incredible Hughes Marino team

believes that the Puget Sound hub holds incredible potential to be one of our top performing markets. We have always focused on the client relationship, and now with the Seattle office, we can introduce an entirely new audience to the Hughes Marino Way. That Way is excellence, it is our brand, and we relish the opportunity to bring the firm's insight and expertise to new markets. □



Understanding The Estoppel Certificate

By Ed Muna

Tenants, take the time to verify the facts in your lease agreement if your landlord asks you to sign an estoppel certificate, or it might come back to haunt you.

With the commercial real estate market rebounding, and building sales and refinancing on the rise, tenants are seeing an increase in estoppel certificate requests.



Ed Muna
Senior Vice President
Hughes Marino
Lease Audit Services

At some point during your lease term, it is inevitable that your landlord will send a request asking you to execute an estoppel certificate. For most tenants, the request for an estoppel comes as a surprise as it is a legal document and the landlord is likely asking for a turnaround of 10 days. So what is an estoppel certificate? Are you really required to drop everything and give this document your full attention? And should you take this opportunity to negotiate a better lease?

These are all good questions, which are asked by business owners everyday. Handled correctly, an estoppel certificate can protect your interests in the lease. On the other hand, a poorly drafted and executed estoppel can come back and hurt you down the road.

What Is an Estoppel Certificate?

An estoppel certificate is a confirmation from the tenant that the facts presented are accurate and complete at that moment in time.

This request is typically triggered by the refinance or sale of the property, and it might include the following information:

- A list of the documents that make up the tenant's lease agreement.
- A confirmation of rent and expenses currently being paid and verification that there are no past due or prepaid amounts.
- A statement that the landlord has met all of its obligations, and is not in default of the lease.

The estoppel certificate's purpose is to provide the lender or buyer with

some assurance that key documents and facts are accurate, and represent the entirety of your agreement with the landlord. The bottom line is that the lender or potential buyer does not want to get surprised by a claim or obligation that may have existed at the time the estoppel was signed.

Do I Need to Sign It?

Most leases do require a tenant to provide the estoppel certificate upon request. Further, since the document is critical to most finance and purchase

transactions, the lease will include a very short window and the risk of default if a tenant does not comply. With that said, you are not required to sign an estoppel certificate that you do not believe is accurate. If you believe the facts presented are inaccurate or incomplete, you owe it to yourself to make corrections to the document and submit to the landlord so accurate information is brought to the table.

Should I Take This Opportunity to Renegotiate My Lease?

I have had several clients ask if they can leverage the landlord's request for an estoppel certificate to get some concessions in exchange. Unless the tenant has a legitimate gripe with the landlord, the answer is no. An estoppel is not a license to renegotiate the lease or ask for concessions. However, it is the perfect time to bring up any side agreements, disputes, or concerns you have with the landlord. I have helped many clients resolve disputes during

this process, as the landlord does not want to present the potential buyer or lender with a cloudy situation.

Is There Any Risk in Signing the Estoppel?

While an estoppel is not intended to modify the lease agreement, an inaccurate or poorly written estoppel can have serious repercussions for a tenant down the road. This can occur if facts presented in the certificate are wrong or not consistent with the lease (i.e. wrong expiration date, wrong security deposit or rent amount, etc.). Another trap is confirming the landlord is in compliance with the lease, when an issue may exist of which you are unaware. For example, the landlord may be inadvertently charging you for an expense that is not permitted under the lease. If this is identified later on, the current landlord might try and use the estoppel certificate as a defense for not having to correct the issue. While the estoppel certificate doesn't always protect the landlord in such a situation,

it certainly doesn't help your efforts to right a wrong.

What to Look For and How to Protect Yourself

- 1) Take the time to verify the facts.**
 - Confirm the dates, rent and security deposit are correct.
 - Confirm all the documents are listed on the estoppel certificate, not just the original lease. This includes lease amendments and confirmation of lease dates if they exist.
 - Do you have any side agreements with the landlord that are not in the lease documents? If so, list them! Examples might include the use of storage space, reserved parking, conference facilities, etc. that could be taken away by your future landlord because they were unaware of the arrangements.
- 2) Avoid making your representations absolute.** The certificate is likely to include statements such as "Landlord has met all of its obligations under the Lease", or "Landlord is not in default of any of the terms of the Lease." While that may appear to be the case, issues may often exist of which the tenant is unaware. For this reason, you should insert, "To Tenant's knowledge..."
- 3) If you have a legitimate gripe, let the world know!** Well, maybe not the world, but let the landlord know you are going to document the issue on the estoppel certificate.

Conclusion

While the estoppel certificate is intended to provide a potential buyer or lender with verification that they are seeing the whole picture presented by the building owner, it is also an important document that can help or hurt a tenant down the road. Depending on the size and complexity of your lease, seeking professional advice from your commercial real estate broker or attorney is always a smart move. □

Ed Muna is senior vice president of Hughes Marino Lease Audit Services, where he helps tenants address issues that arise during their occupancy. Contact Ed at 1-844-NO-CONFLICT or ed@hughesmarino.com.





The Common Thread Between Award-Winning Companies

By Shay Hughes | CSQ Magazine

What is every company's greatest strength and also its greatest limitation to growth? People. Finding the right people to grow a company is the single biggest contributor to and constraint on the success and growth of an organization. In other words, it's extremely important!

As someone who leads operations and talent engagement at our company, I sometimes challenge our team on what we are looking for.

Does depth of experience or a specific skill set trump cultural fit or communication style? Is it really all that important that candidates feel connected to our mission and grateful for the opportunity to join our team? Does it make sense to hire someone with incredible character who is perfectly aligned with our Core Values, yet knows nothing about our industry and seems teachable? At times, I wonder if our diligent search for the right people is more happy talk than stone cold facts. But at the end of the

day, engaging the best talent possible is as complex and challenging as there are types of people out there—and for our company, this search strategy has proven to be tremendously rewarding.

In interviews, I frequently find myself passionately telling new candidates that we truly love our team, and that taking care of our team is our greatest motivation as owners of a growing company. While it might be foreign to hear the word "love" emphatically repeated in a job interview, this approach has served us well.

Caring deeply about our team members is what empowers our team to care deeply about our clients. We're fortunate to be recognized by *Fortune Magazine* as one of the Top 10 best places to work in the nation and by *Entrepreneur* as the second-best company culture in the country, so whether it's happy talk or not, finding teammates who feel like family and embrace what we're all about serves us and our clients well.

Bringing in the Best

Don't just take my word for it. The best companies in the world second the value of recruiting the best people and making them a first priority. Consider Apple, one of the most admired companies of all time, with the highest ranking in customer satisfaction for a decade. Steve Jobs said, "The secret of my success is that we have gone to exceptional

lengths to hire the best people in the world." Note, he doesn't just say "great" people, but the "best" people in the world. That's a pretty lofty ambition, but so is building a company like Apple.

One of my favorite business leaders of all time is Howard Schultz of Starbucks. Everything you need to know about business you could learn

"Building a kickass team starts with something incredibly simple—not a big company process, but something you already know how to do: Get to know people at a fundamental human level," she says. "This is one of the most important—and also the most enjoyable—parts of your job as a leader."

“We're fortunate to be recognized by *Fortune Magazine* as one of the Top 10 best places to work in the nation and by *Entrepreneur* as the second-best company culture in the country...

from Schultz. The guy is simply a genius who gets it right on every level. One of the things I admire most about Schultz is that he talks about the love of the enormous Starbucks family, from the coffee growers in Africa, to the thousands of baristas in their cafés, to the communities Starbucks inhabits and empowers. Schultz's ability to consistently instill his vision and leadership worldwide is remarkable and awe-inspiring. How is it possible to have the same impeccable experience in the original Seattle Starbucks as you do in Istanbul, Shanghai, and Buenos Aires?

Having been to Starbucks in all these cities, I can vouch firsthand that Schultz's dream of delivering the romance of the Starbucks experience is consistently executed around the world. Starbucks knows how important it is to invest in employees, called "partners" by the company. Schultz believes if you exceed your employees' expectations, they will exceed the expectations of your clients. "When you're surrounded by people who share a passion around a common purpose, anything is possible," says Schultz.

Kim Scott has helped build teams at Google, Apple, Dropbox, and Twitter, as well as her own start-up, Candor, Inc. where she champions the "radical candor" movement, so to say Scott knows something about finding great talent is an understatement.

For years, Scott worked side by side with Google co-founder and CEO Larry Page. Their mission? To create the happiest workplace in the world. With clarity like that, it's not surprising that Google has topped just about every list ever published of best places to work. What is unorthodox is Page's ambition to align Google's culture with that of a family, where nurturing and caring for their people has defined their inspiring and celebrated culture. With more than 40,000 employees, what's the one secret Page attributes to the tech giant's cultural success? It all boils down to treating each person as family. "It's important that the company be a family, that people feel that they're part of the company, and that the company is like a family to them," Page says.

The common thread behind award-winning companies? It's outstanding people. These companies understand the critical importance of finding the best people to enhance their organization and treating those individuals like gold. From this treatment stems a love for the company they work for, which ultimately leads to success. □

This article first appeared in CSQ Magazine.

Behind the Scenes: *Designing Functional Labs to Increase Efficiency and Flexibility*

By Nik Bandak



During a meeting with a leading life science company, these words brought an entire design team to a standstill: "I need a creative lab space that's efficient and flexible. What are we going to do to make this happen?" Challenge accepted.

Managing the entire design process to create creative yet functional spaces is our specialty, and the Hughes Marino team whole-heartedly accepted the challenge.



Nik Bandak
Vice President
Hughes Marino
Construction
Management

Putting creative into an office space, however, is easier than inserting flexibility and efficiency into a lab space. Lab spaces are filled with dry and wet

utilities, and functional requirements that make flexibility a tougher task.

So, before we could propose what we were going to do—we needed to understand why. We started by familiarizing ourselves with the company's processes. We questioned every room's purpose and the reason for its location. We focused our efforts on three areas: cold rooms; lab casework; and the mechanical, electrical and plumbing infrastructure.

Cold Room Access

Access to and from the cold rooms can be a nuisance, due to the heavy doors. The thresholds at the doors create a stumbling barrier, and the hard walls create safety concerns.

To tackle this, we recessed the thresholds into the concrete, creating a simple fix for the tripping and barrier concerns. The access and safety concerns were resolved simultaneously—the cold room doors were accessible from the labs (where agents are prepared in small amounts).

At an adjacent wall, we cut out an opening to install merchandiser refrigerator doors. By removing the back panels of the refrigerators, the shelving became accessible from within the cold rooms, and made the

refrigerator glass doors accessible from controlled corridors outside the rooms, which lead to adjacent lab support rooms. The glass doors provide transparency into the cold rooms—mitigating safety concerns.

Modular Lab Casework

For scientists, research is not a static exercise—it demands flexibility and creativity. As scientists conclude their research, new questions may demand a revised lab layout to accommodate new efficiencies, or new utilities.

For lab owners, flexibility refers to innovation, and innovation is a key building block in establishing a strategic approach in creating new wealth, managing human capital, and sustaining through turbulent economies. This notion turned our focus to the flexibility of the lab casework.

By removing sinks at benches, creating quick utility disconnects at the top of the lab benches, and putting under-counter files boxes on wheels, we could accommodate the entire lab. At the ceiling, we designed prefabricated panels for the above-ceiling utilities to terminate to outlets, or twistlocks where utility cords could quickly connect with other ends, and similar outlets or twistlocks at the top of benches. The cords also allowed the benches to be located within a specific radius of the panels.

Mechanical, Electrical and Plumbing Infrastructure

Two initial thoughts: 1. Before the team starts design, be sure to establish

budget goals. 2. The lion's share of project costs lie in the mechanical, electrical and plumbing engineering fees, and construction costs.

We had budget goals in place early and a design team that clearly understood the goals. Well into construction documents, the lab owner had the idea to run every type of lab utility throughout the entire lab space, in case the company decided to invest in an unknown program that required a new utility. Sure, the plethora of utilities would offer flexibility, but it would be expensive. This was something the lab owner didn't think about—he just saw squiggly and straight lines on paper.

Rather than panic, we all gathered around the budget goals and ran a simple budget exercise. This provided the lab owner with enough information to come to a decision that gave the company flexibility at a price tag his investors could stomach.

The resolution: We installed core utilities in the large, main lab to support the main product lines and core utilities. Additional utilities were put in special isolation rooms—for flexibility, where experimental programs could run on a small scale. Quick. Easy. Challenge met. □

Nik Bandak is a Vice President for Hughes Marino Construction Management. Contact Nik at 1-844-NO-CONFLICT or nik@hughesmarino.com to learn more.



Spaces We Love: NoonanLance's Industrial Chic Office

By Star Hughes-Gorup

NoonanLance's new office on the top floor of the historic Pack Lofts building in Downtown San Diego's East Village is truly one-of-a-kind, and arguably the most unique law office we've ever seen! The space is what I'd call "industrial chic," with open ceilings, exposed block walls, and original hardwood flooring. From the moment you step out of the elevator (they have the entire fourth floor to themselves where the elevator opens up directly into their lobby),



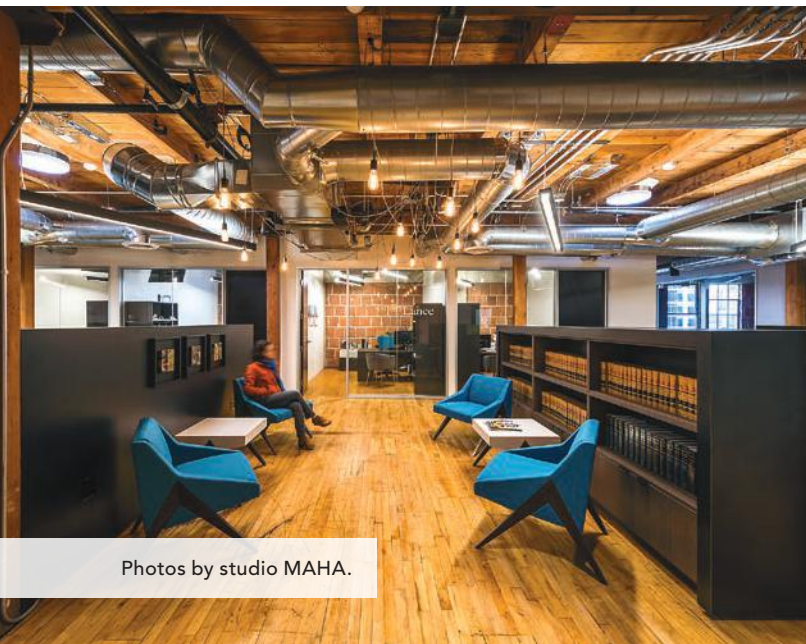
Star Hughes-Gorup
Director
Hughes Marino

you are immediately welcomed by the richest of textures, colors and tones and surrounded by a feeling of warmth, sophistication and comfort.

The middle of the space has an open floor plan complete with beautiful wood workstations and bright accent furniture. The NoonanLance lobby has an extensive bookcase display of antique law books, a perfect way to welcome clients and guests. Cozy exterior offices are alongside the window-line, offering gorgeous views of the city below. To connect the offices and open areas (and bring natural light into the center of the space), the offices have full height glass storefronts – a great design element that adds even more character to the chic space! Unique pendant light fixtures

and exposed spiral ductwork on the ceiling gives the office an industrial flair. The block walls, concrete accents, wood beams, and wood ceilings are the ultimate mix of natural elements. Congratulations to NoonanLance on such a unique and gorgeous office, and for breaking the mold for law firm design! □

Star Hughes-Gorup is a key member of Hughes Marino's industry-leading brokerage team, where she specializes in tenant representation and building purchases. Star also makes frequent media appearances to speak on business issues from a millennial perspective, and blogs at starhughesgorup.com. Contact Star at 1-844-NO-CONFLICT, or star@hughesmarino.com.



Photos by studio MAHA.



Hughes Marino Does It Again

We Ranked #3 on Entrepreneur's Top Company Cultures List!

By Shay Hughes | Entrepreneur

Talk about great news! For the second year in a row, our company has ranked on *Entrepreneur's* Top Company Cultures list—#3 in the nation for medium sized companies!

Each and every day we make a conscious effort to ensure that our team members feel happy, appreciated, and at home—all while working hard and having a lot of fun together as a team! As COO and owner of Hughes Marino, I can attest to the fact that our amazing team of people is a tremendous factor in the success of our business, and we are incredibly honored for the recognition received by *Entrepreneur* and *CultureIQ*.

"Great company cultures don't happen on their own. They're the result of great leadership, and a conscious effort to make everyone on the team feel engaged and important," says Jason Feifer, editor in chief of *Entrepreneur*. "The honorees on our 2017 list are proof that strong cultures make even stronger companies. Entrepreneurs at all levels can draw inspiration from them."





At the beginning of our company's history, we were determined to make Hughes Marino a place where our team members would grow as individuals, not just professionally, but personally as well. We had a strong sense of identity and wanted to find a way to encapsulate the qualities that we knew made our team special as we began this journey together. What resulted was the creation of our 10 Core Values, and those values have ultimately become the guiding force behind every aspect of our company—from seeking out wonderful new team members, to the way we conduct business with our clients. This way of operating our business is practically unheard of in the ruthless world of commercial real estate, and we are happy to be a shining beacon in the industry.

With every passing year and every new teammate that's joined us, our culture has gotten stronger and become an even more significant contributor to our success. We owe an abundance of thanks to our special team for making Hughes Marino what it is today, and we are honored to be in the company of so many amazing businesses who value the importance of culture as much as we do. You can view *Entrepreneur's* full list of 153 companies categorized as small, medium or large enterprises on their website. Congratulations to all of them! □



OUR INVITATION TO YOU

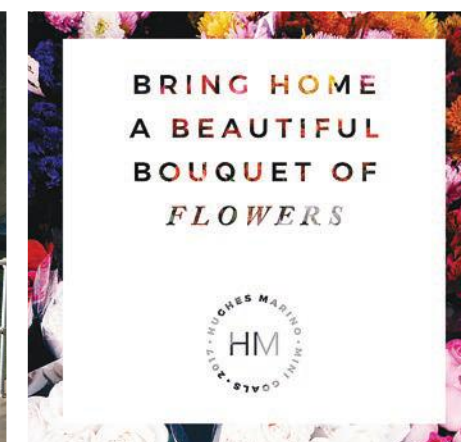
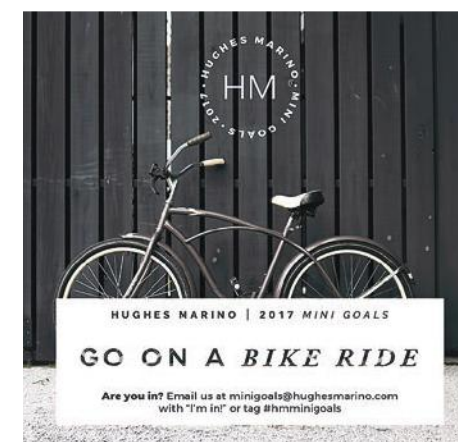
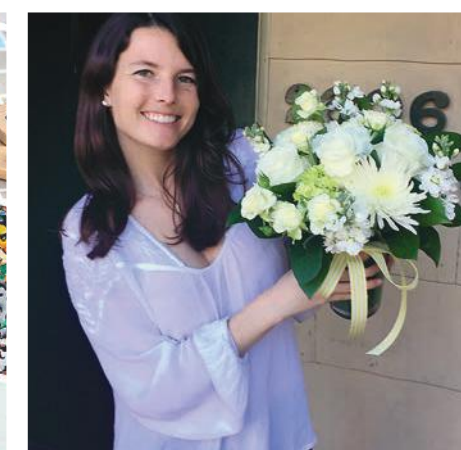
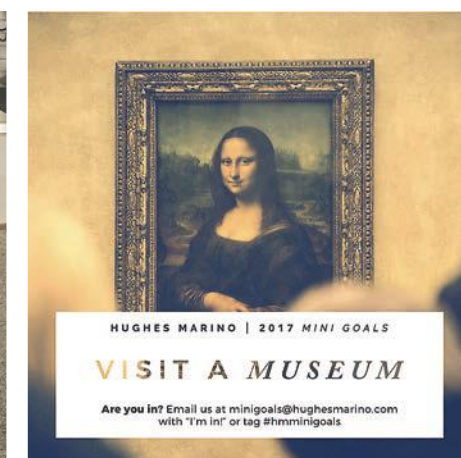
2017 HM Mini Goals—Are You In?

This year we invited our friends and extended Hughes Marino family to play along and spread the positive vibes! From visiting museums and playing board games, to taking bike rides and going

on road trips, 2017 is all about enjoying the journey and accomplishing little feats as a fun way to practice goal setting! Are you in to play along the next six months? Join us!

- 1) Email "I'm In!" to minigoals@hughesmarino.com
- 2) Follow us on social media
- 3) Tag your photos with #hmminigoals and #hughesmarino

Happy goal setting!!



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