WORK+SPACE®

SPECIAL EDITION

REAL TIME PRACTICAL SOLUTIONS FOR BUSINESS LEADERS NAVIGATING TODAY'S ENVIRONMENT

IN THIS ISSUE

JUNE 2020 | ISSUE NO. 11

BUSINESS + REAL ESTATE + DESIGN + CULTURE + CONSTRUCTION

LOS ANGELES • ORANGE COUNTY • SAN DIEGO • LONG BEACH • SAN FRANCISCO • EAST BAY • SILICON VALLEY • SEATTLE • BELLEVUE • NEW YORK | PUBLISHED BY HUGHES MARINO

PUBLISHER'S NOTE

Navigating a New Era, *Together.*

In the past three months, the country (and world) has been turned on its ear. Business owners across the country were left scrambling to navigate an unprecedented situation, and the economy has been through a roller coaster of a quarter.

Reflecting on the last few months, we are happy to report that we have come a long way since news first broke out about the pandemic. As business owners ourselves, it has truly been a challenging time navigating such a unique circumstance. As with every business leader, not only were we concerned for the health of our own family and team, but we also felt personally responsible for our team's well-being, which added a whole new layer of complexity. In March, our entire team abruptly transitioned to working from home (which luckily couldn't have gone any smoother!), we quickly sorted out internal and external communication, and our team has banded together to help each other and our clients, to which we couldn't be more proud.

On a more personal level, despite the difficulties we've experienced, we've also experienced many silver linings. We've welcomed our family to stay with us all under the same roof, have family dinners every night, and have literally stopped to smell the roses and enjoy them in our garden. We've taken a lot of time to reflect on our business, and how we can help our clients, and even more than ever, we are supercharged to help commercial tenants make the most optimal real estate decisions. Every dollar counts, especially during this time, and we are working overtime to ensure more businesses stay afloat and can navigate their real estate expenses while also taking care of their teams.

We sincerely mean it when we wish you, your business and team well. We hope this special issue of Work+Space® helps get you the tools you need to succeed, and we look forward to working with you (and seeing you in person!) in the near future.

Stay healthy and safe,

Jason Hughes
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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 30 years, delivering best-in-class service and unmatched expertise to companies across the nation.

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HUGHESMARINO

IN THIS ISSUE...

We will explain how to navigate your current real estate and workspace issues during this era of social distancing and economic constraints.

HERE'S WHAT YOU'LL LEARN:

- ☐ Why businesses still need office space
- ☐ Workspace's role on productivity
- ☐ Three factors for a successful lease restructure
- ☐ How the restructuring of a lease can be a tool to lower rent
- ☐ Sublease terms every business leader must know
- ☐ Recommendations for sublessors and sublessees
- ☐ What to look for when reviewing operating expense statements
- ☐ Steps to help your office physically prepare for the era of social distancing
- ☐ How to assess how headcount changes may have impacted your space
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- ☐ Ideas to prepare for reopening and welcoming your team back to the workplace
- ☐ The four pillars to helping great teams thrive
- ☐ Two free concepts that can vastly improve team morale

OUR BELIEF

By Jason Hughes

I got a call from a reporter asking about my individual position, as well as our company's position, on a recent California draft Senate Bill (SB 939) that would provide potential rental relief for companies who suffered catastrophic loss of business due to the COVID-19 pandemic. The reporter assumed I would of course support it given my stance on only representing tenants, never landlords, in their commercial real estate transactions. He also assumed I despised landlords—and that I would consider this bill a punch in their collective faces.

After thinking more about the reporter's erroneous belief of me, I thought it would be helpful to memorialize my thoughts, and therefore formally state our company's belief in regards to how we think, teach, mentor and conduct our business, about a number of issues.

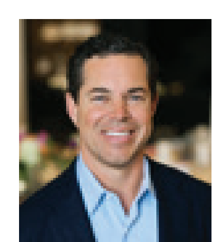
Do we hate landlords or brokers? Absolutely not! They make our industry better. What I do hate is business owners being disadvantaged by conflicted professionals, especially now, where fiduciary real estate representation can be the difference between a company's survival or demise.

Given that we only represent business owners and management teams that operate as commercial tenants in their leasing and purchasing of commercial real estate, our perspective is that we are an extension of our clients—whom are always tenants. We are bound by a moral code to provide our clients with the best non-conflicted, transparent and independent representation possible. We treat our clients' transactions as if they were our own—working to save tenants as much money as possible, while providing them with the best overall value-proposition, optimization and flexibility available for the rent that they pay.

We value landlords and what they contribute to the commercial real estate ecosystem. There are great landlords, mediocre landlords, and bad landlords. While I think society could do without the bad ones, fortunately most landlords fall into the first two tiers. And the great ones are some of the best run companies in the world. They're extremely sophisticated and make very good business decisions, thinking about their tenants as customers, and reinvesting in the real estate to provide safe, amenity rich and positive places to work. They maintain their product well and hire top employees to take great care of their assets and the companies who lease space from them, and they treat them fairly when tenants need to expand or renew their leases, versus holding them captive. I have some very good friends that are landlords—and overall, I deeply respect them and what they do. This is never a zero-sum game; landlords need tenants and tenants need landlords. Our job is to "broker" a mutually acceptable transaction, and create a level playing field for the tenant in an industry that is manipulated against them, where those commercial real estate firms, acting as dual agents, dramatically tip the scales to the building owners' benefit.

We also value quality landlord brokers. As with any industry, the good ones are phenomenal, and there are some that just get in the way...or worse. The really successful landlord brokers have a clarity to what they do and for who they serve. They are worthy adversaries, but in a highly respected and strategically challenging way. The good ones are worth their weight in gold, and if I were an office building owner, I'd consider them imperative.

But then we have dual agency—the brokers and brokerage companies who attempt to represent both landlords AND tenants, generally for their own personal financial benefit, and that of their always more dominant customer—the landlord. This is where the system breaks down, and what I have been crusading against for decades. The landlord brokerage industry was built to be the outsourced sales, marketing and management arm of landlords, and should stay in that lane. Instead, it morphed into dual agency as relaxed state laws and powerful lobby groups helped to make it a ubiquitous service offering. The immense conflict of interest created due to the lucrative and recurring cash flow from landlord clients is no match for unsuspecting tenants. Almost universally, tenants lose the jump ball when put in this position, and oftentimes they lose big before they even touch the ball. And as the market moves down and becomes a tenants' market, those landlord representation firms are going to be called upon to backstop the landlords and try to price support them on the way down—as that is what they should be doing. Brokers advising tenants against the broker's actual or potential landlord clients are going to be misadvising tenants and should be prohibited from representing tenants by law. When a broker tells a tenant "I know what the landlord needs and what their bottom line is," which client is the broker now offering to betray the trust of? Are they really going to share confidentialities, or are they just singing from the music they have been given, treating it as truth? The reality is that going to the market and determining what options are available to the tenant is what determines market rent—not what a landlord tells their broker to sell. Tenants as consumers deserve independent representation that can accurately, confidentially and aggressively determine market rent.

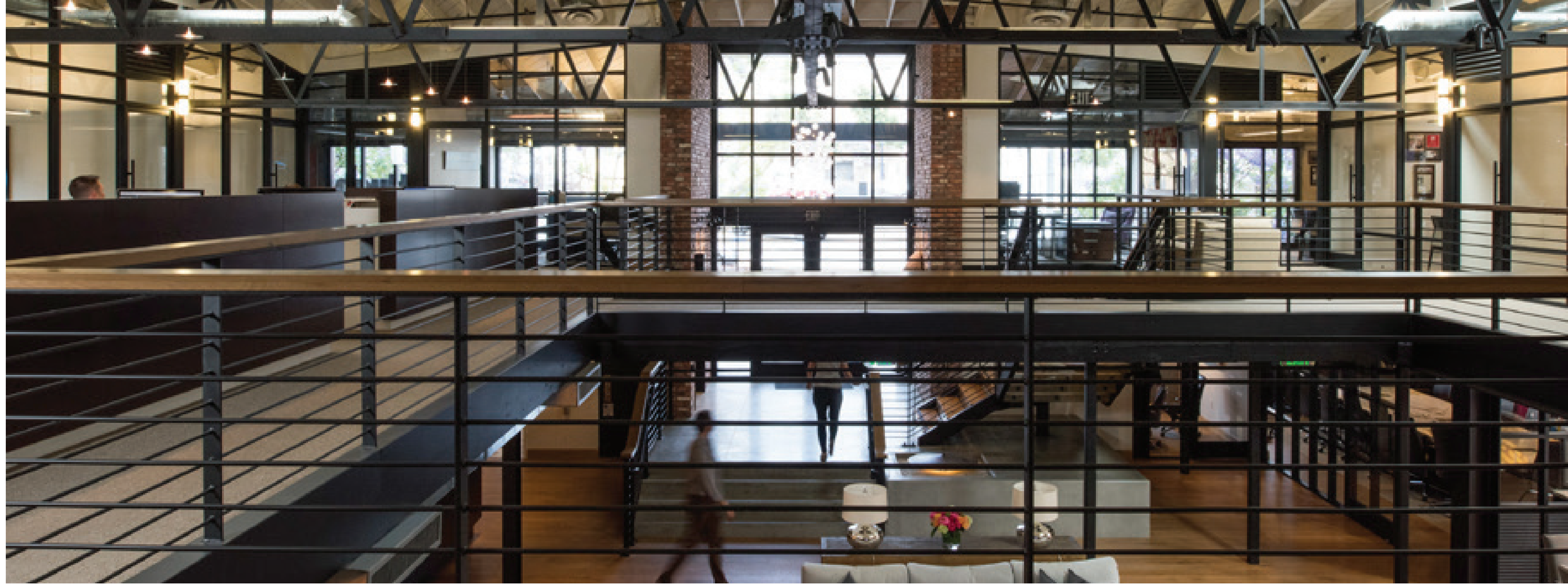


Jason Hughes
Chairman & CEO
Hughes Marino

As for the draft Senate bill the reporter asked me about? While it's still in draft form and currently being modified, I do support the intention of Senators Wiener and Gonzalez, as they are trying to help struggling companies find a lifeline alternative to closing their business and laying everyone off due to the terms and costs of their commercial leases. And from a landlord's perspective, these are companies that, ultimately, won't be able to meet their obligations anyways; instead they will slowly deteriorate over time and eventually default. Consider this bill a preemptive maneuver to give companies a fighting chance. If we can find a way to help businesses survive, everyone wins in the long run. Businesses stay open, people stay employed, and landlords have companies to pay them rent. Why should businesses alone bear the brunt of the financial despair the virus has caused? It's urgent that we keep businesses afloat right now, so let's figure out how we can throw businesses a lifeline to deal with their suffocating real estate obligations (where bankruptcy or business dissolution is their only way out of long-term leases at the moment) and that, in turn, will ultimately help landlords survive too.

Maybe call it the Shared Sacrifice Bill? ◻

***Jason Hughes** is chairman, CEO and owner of Hughes Marino, an award-winning commercial real estate company with offices across the nation. A pioneer in the field of tenant representation, Jason has exclusively represented tenants and buyers for more than 30 years. He writes about topics in commercial real estate from a tenant's perspective on his blog, Downtown Dirt. Contact Jason at jason@hughesmarino.com or 1-844-662-6635 to learn more.*



JASON HUGHES' TAKE ON

THE FUTURE OF OFFICE SPACE

What was once the unthinkable is now our reality. Outside of Bill Gates and maybe a handful of epidemiologists from around the world, I'm not sure anyone could have dreamt of a global social and economic lockdown to head off a global pandemic. So here we are, nearly three months of home quarantine later, realizing that most of us can actually work from home quite well…when forced to.

So, our experience begs the question, do we need office space anymore?

Before I share my guestimate, I think it's important to consider history. Remember Yahoo? Back in 2013, Marissa Mayer got top billing in *Forbes* for her "decree" that there would be no more working from home for Yahoo staff. While she had lots of backlash at the time, a year later a Gallup *State of the American Workplace* report found that people who work remotely are more engaged, enthusiastic and committed to their work—but only if they work outside the office 20% of the time or less. Mayer argued at the time that communication and collaboration with teammates, face-to-face, was a prerequisite for top corporate performance. The CEO of Gallup said studies showed that people who spend 50% or more of their time working off site are less engaged than in-office counterparts, and people who spend all of their time remotely are twice as likely to feel disconnected from their work. In 2014, *The Washington Post* reported an explosive story about how the U.S. Patent Office found that a large number of that department's at-home workers routinely lied about the amount of hours they put in and that oversight of the "telework" program was completely ineffective.

Then there was IBM, arguably one of the pioneers of the work from home (WFH) initiative—having had remote workers from as far back as the 1980's. In 2009, it was reported that 40% of IBM's 360,000 global employees worked from home—saving IBM about $100 million in rent annually. But in 2017, IBM recalled all of their remote workers. And those who didn't live near IBM offices? They either had to make the daily commute, relocate—or resign. IBM believed that strong culture and winning ideas came from collaboration, and not isolation. They referenced studies that had shown physical proximity as creating more effective communication, better understanding between coworkers, and more collaboration.

Just days ago, Microsoft CEO, Satya Nadella, in an interview with *The New York Times*, warned that permanent remote work could lead to negative consequences for social interaction and mental health. He went on to say that switching to entirely remote offices would just be "replacing one dogma with another dogma."

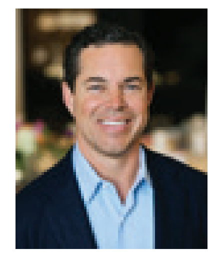
But for every study showing the detriments of the WFH life, there are studies showing the exact opposite. A management professor from UCLA said that a variety of studies show that telecommuting and working from home are associated with higher productivity. With all the conflicting positions, who is right?

When reflecting on today's environment, most business leaders have been surprised at how well their team has adapted to the WFH life as a result of government-forced shelter-in-place orders. Most employees have seen their fellow peers laid off, so they're highly motivated to prove their indispensable value to the company, and everyone is working hard to keep their seat at the table. But how will employees behave when working at home is not the law? And how will working at home turn out with kids still at home with summer camp and school cancelled, summer vacations wiped out, dogs barking in the background, and doing Zoom calls in the bedroom, car or at the dining room table?

Ultimately when others are back at work, in close proximity to their bosses or partners/owners of the business, lunching and laughing in the office, and going to happy hour or dinner after work, how will those working at home fair? There are self-motivated people who will be focused and work hard whether they're in a 5'x5' box or with a laptop at Disneyland... but most mortals won't over time. Already, employers and insurance companies are talking about a future flood of workers' comp claims as most employees don't have proper seating, keyboards, work surface and ergonomics at home, not to mention that most employees don't have an actual "home office," and high speed Internet is not a universal given at home in some communities.

So, when will the bloom come off the rose? This brings me to my answer about the need for office space. Yes, most companies need it, but not all, and some who need it will choose to have less than before. However, if you are a biotech research company, hardware or semiconductor technology company, manufacturing or distribution company, or medical office use company, chances are that the office houses critical infrastructure and operating systems that require your business to have commercial space.

But my most important advice in these times is to be patient and give time a little time. We've had decades of working in offices, and not even three months of working from home (in a forced environment no less). Tomorrow may bring therapeutics and vaccines which would neutralize all of our fears. But in the meantime, understand your alternatives and let rental rates and market concessions work to your advantage. You don't want to be first at the negotiations table in a declining market or make rushed or rash decisions. Information and clarity will be slow to present itself, and those who rush into solutions are sure to make mistakes and leave money on the table. While the commercial markets collapse nationally as landlords fight for fewer and smaller tenants, and sublease inventory simultaneously floods the market, if you do need/want office space, you'll be indexing at a much lower basis, creating more cost savings for your business. ◻



Jason Hughes
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REDUCING REAL ESTATE EXPENSES

BY "RESTRUCTURING" A COMMERCIAL LEASE

The window for lowering your rent will be opening soon, and here are the keys to getting it right

By David Marino & John Jarvis

When the business community begins to open back up this summer, many business owners are going to look around at all of their excess space remaining from reductions in force and team members working from home and wonder what to do about it. With the business community taking the balance of 2020 to try and rebuild their organizations, there will be anemic demand for new office, industrial and retail space. At the same time, both sublease inventory and space given back to landlords from tenant defaults will flood the market. This combination of weak demand and spiking supply will cause commercial rents to crash, creating the strongest tenants' market since the 2000 Tech Wreck. But how much will rents decline? 20%? 30%? The truth is that we don't know how bad it's going to be, but we will have clarity by Q3 and into Q4 of this year as to the extent that corporate America has been wounded. That damage is likely to extend into 2021 as companies continue to struggle to regain their financial footing.

As companies look to lower their real estate expenses, many companies are going to be putting their space, or a portion of it, on the market for sublease. However, for certain tenants under the right conditions, "restructuring" of a commercial lease will become a tool to lower a tenant's rent, shrink the size of the premises, or even "swap" into a more fitting space with the same landlord.

Having engineered hundreds of these in the last three recessions, the basics of such a transaction involve the landlord providing rent reductions over the remaining lease term, or a reduction in the size of premises itself, in exchange for an extension to the existing lease term. Imagine getting a 25% reduction in remaining rent in exchange for extending your lease 5 years. Or imagine giving back one of your three floors in exchange for a 5-year extension of your lease. While these outcomes might appear compelling to a tenant, this doesn't happen by just picking up the phone and making such a proposal to the landlord—it all has to be flawlessly executed. Here are the three factors that simultaneously must exist for a successful lease restructure to reduce the tenant's rent expense.

Market Decline

In order to complete a successful lease restructuring, market rent conditions must have deteriorated substantially such that the rent the tenant currently pays is universally understood to be well above market. We aren't there yet as landlords can't even price the market today, and are having a tough time understanding how bad the damage is to their tenant base and to the broader market. But all tenants will be paying above market beginning in third quarter 2020 through 2021. Worse yet, the annual rent increases in commercial lease contracts will be going up 3%-4% for every tenant in the next year, while the market rents will be going down 10%-20% annually for at least the next two years. The challenge will be determining what the new market rate should be at the time a tenant engages with a landlord, as assessments and negotiations are sure to vary widely! The old method of looking at recent past market comparables, or "comps," is going to be utterly useless on the way down, as from a tenant's perspective, yesterday's good deal will be tomorrow's bad deal. The best deals will be cut when the market hits bottom, but a tenant might not be able to wait that long, but waiting is in the tenant's interest…there should be no rushing into this too early.

Remaining Lease Term

Every company would love the opportunity to simply tear up their current lease and negotiate new terms, but it doesn't work that way. The tenants that are the strongest candidates for a lease restructuring are those with two years or less of remaining term. If your lease doesn't expire for three years or more, you unfortunately are not likely in a position to restructure your lease until time passes to burn off more of your lease term. Landlords do these restructurings to eliminate the vacancy risk and related costs, which can include a year or two of vacancy, extensive tenant improvements and even demising costs. In a down market, landlords reasonably assume that soft market conditions will persist for a year or two, and the risk of losing the tenant is within their risk intolerant time horizon. But three years or more into the future, landlords and their brokers are going to feel more bullish about a mid-term market recovery and unlikely to give concessions now for an extension that doesn't even start for three years or longer in the future.

Credit of the Tenant

The hard truth is that no landlord will consider a lease restructuring unless they believe that the tenant's business is going to be around to pay rent for the extended term. In order to successfully restructure a lease, your company must have "decent" credit. While "decent" isn't a very technical term, it's chosen intentionally. You do not need to have investment grade credit or be a *Fortune* 1000 company to be successful in getting these done. Rather, the tenant needs to be able to demonstrate how it is going to be a survivor, which means being transparent with the landlord about the future financials, the longer range business plan and the management team's qualifications to lead it.

These lease restructurings work when there is a win-win for both the landlord and the tenant. We engineer a way for the tenant to creatively reduce their real estate expenses, while at the same time shoring up the landlord's long-term stability and eliminating their vacancy risk. To be clear, this is not a "blend and extend" as some brokers are referring to them. Rather, consider a lease restructuring more like refinancing your home mortgage. You don't blend your current home loan rate into a new rate, rather, you simply replace the old rate with a new rate and reset the term.

Your landlord is not the enemy, but they aren't going to voluntarily adjust your rent to market—they are going to have to be pushed and persuaded. A properly negotiated result is a complex combination of creating leverage, having the right market information, understanding the lease expirations of other major tenants in the landlord's building or portfolio, assessing the financial scenarios and optimizing the timing. We were built for this. Talk to us and we'll get through this together. ◻

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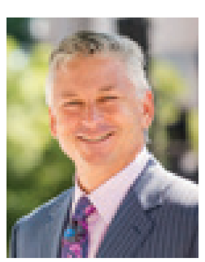

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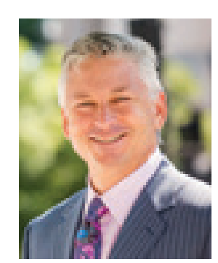
THE ART OF SUBLEASES
risks, tips & landmines

By David Marino

As we emerge from the shelter-in-place order, many companies will find themselves with excess space or facilities that they no longer need. Certainly, a good portion of the millions of layoffs over the last few months were office and manufacturing workers whereby many companies simply will not need the amount of space that they contracted for in the last couple of years. In addition, many companies are finding that work from home is actually working quite well for certain team members, or certain job functions, which will further reduce corporate America's real estate footprint.

The way companies reduce their footprint is by subleasing their excess space. Already across the United States, year-to-date inventory of sublease space has begun spiking and some markets have jumped materially: 50% in the Los Angeles metro area; 85% in the Inland Empire; 35% in Orange County and 30% in San Francisco. All other U.S. metro areas are showing year-to-date increases from 10% to 20% and are trending behind California. Whether California's economy got hit faster and harder because of California's leading shelter-in-place move, and the rest of the U.S. will soon follow, is too early to tell.



David Marino
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As we come out of this crisis and get back to work, tenants with expiring leases looking for value will be particularly interested in sublease opportunities as subleases can always be had below market, typically for a shorter-term than landlords are often willing to consider, and frequently come "plug and play"—fully furnished and fixtured. Whether you are a sublessor, the party wanting out of the space, or a sublessee considering getting into a sublease, there are a lot of mistakes, pitfalls and misunderstandings that the parties will want to avoid when going through the sublease process.

Recommendations for the Sublessor

Pricing Strategy

The most important part of successful subleasing strategy is to price it to move it. That means being in the bottom quartile of asking prices, and at least 20% below the landlord's asking price for comparable space. Average time on the market is going to increase from 6 to 9 months in most product types and submarkets in 2019, to 12 to 18 months by the end of 2020. If you want to get rid of the space, pricing it attractively matters—do not price as "negotiable" or "undisclosed." You want to show motivation and you need a "cup half-full" mindset—rather than how much you lose, focus on how much you can recover. If you miss the first sublease opportunity, the second real prospective sublessee might not come along for another three or four months thereafter, so closing fast is everything.

Credit, Business and Use

Make sure to get business information about the prospective sublessee including a prior landlord reference, an understanding as to how they operate, their general business reputation and financials. As sublessor, you are now taking on much of the risk that a landlord typically incurs, particularly as it relates to rent payment. If you sign a sublease for three years, you can't have your sublessee default in the middle of the term as it will be very difficult to further re-sublease space that has less than 18 months of remaining term. Common solutions to enhance credit are to get the sublessee to post more pre-paid rent than the standard first month, such as pre-paying additional rent for months 12, 18 and 24. Alternatively, negotiate for the sublessee to post a couple of months security deposit instead of the standard last month, and if they can't or won't, that might be a red flag. Stay away from personal guarantees as they are simply too hard to enforce.

Recommendations for the Sublessee

Sublessor Default

The biggest risk for the sublessee is that your sublessor runs into further business troubles during the term and defaults on the lease itself, which is often referred to as the "master lease." When default of the master lease occurs and the master lease terminates, the sublease also gets wiped out. You might imagine the immediate distress this would put on a sublessee, as not only does the beneficial below market rent go away, but the sublessee no longer has any lawful rights to the premises. Smart lawyers and advisers will tell you that in order to protect against such risks, you should obtain a "non-disturbance and attornment agreement" from the landlord that would obligate the landlord to honor the sublease terms if this occurred.

However, this is unlikely to happen as a landlord is never going to obligate itself to honor a sublease where the rent payment is less than the master lease itself, or whereby only a portion of the premises has been subleased. While practically most landlords are going to rush into the chaos and try to get the sublessee to enter into a new lease if their tenant defaults, those terms are not likely to be as beneficial as you were paying before. The good news is that you probably won't lose the space, but you will almost certainly lose the sweet deal that you negotiated.

Security Deposits & Furniture

A sublessor default stings in other ways as well. Your cash security deposit may be gone for good if your sublessor defaults. In order to avoid this, you should always post a sublease security deposit as a letter of credit and not cash. And the furniture that you bargained for as part of the sublease? If you didn't create a bill of sale and take ownership of the furniture when you signed the sublease, you might be getting a call from a bankruptcy trustee intending to take and sell all of that furniture and equipment that came with the sublease.

What Your Lease Terms Really Mean

Recapture Rights

Tenants often misunderstand some of the terms and conditions outlined in their lease. One concept that is often misunderstood is the landlord's right to "recapture" the premises in the event that a tenant seeks to sublease the space. There are several reasons a landlord might prefer to take the space back, or "recapture" the space, rather than consenting to the sublease. For example, the landlord may want the space for another tenant in the building looking to expand. This provision simply gives the landlord the opportunity to take the space back instead of approving the sublease. Too often, tenants misconstrue recapture as some kind of darker scheme for the landlord to disrupt the subleasing process, but it simply exists for landlords to accommodate other growing customers. For the sublessor, if the space is recaptured, you are relieved of the lease obligation, which was the original objective anyway.

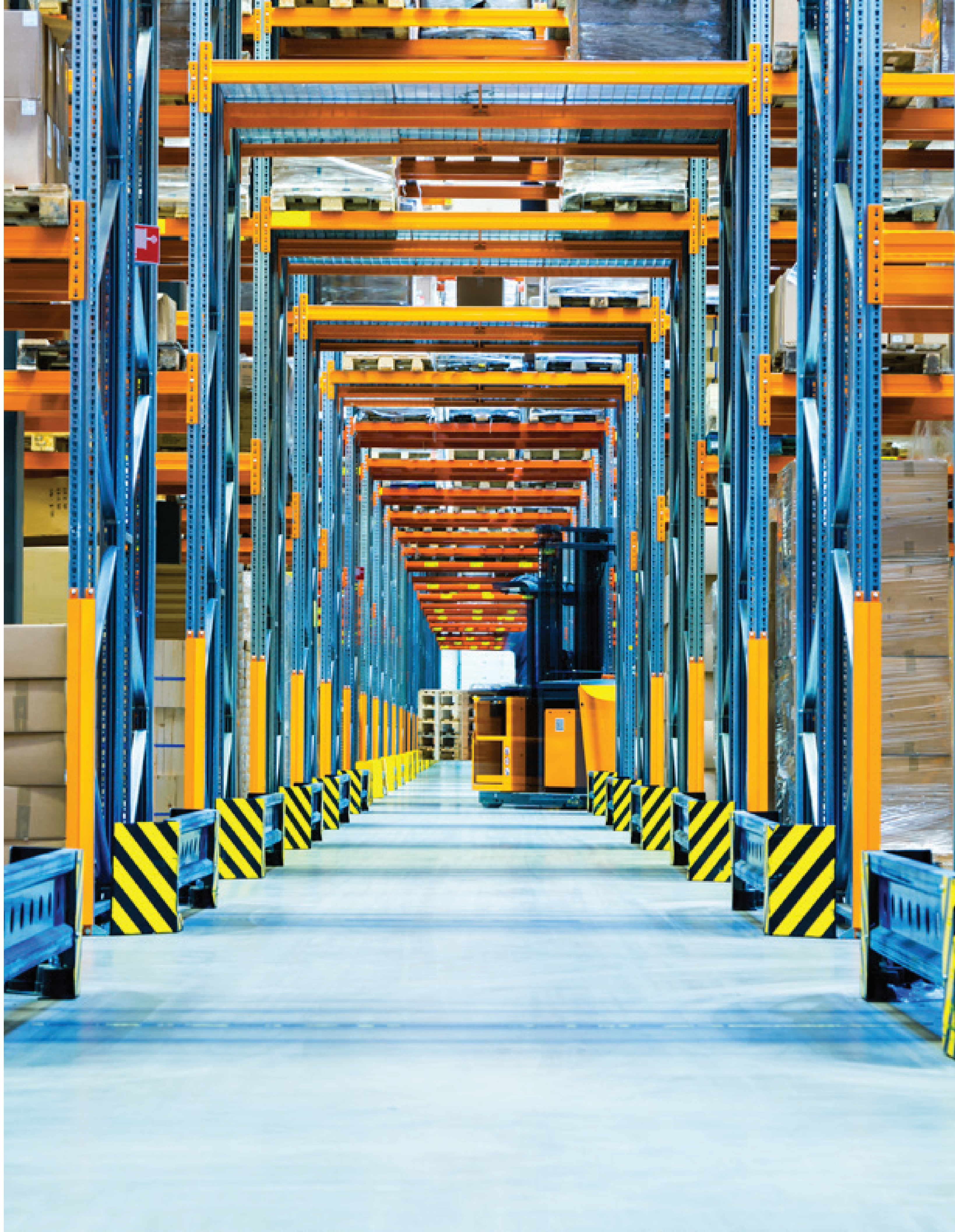
Landlord Consent

Tenants often misunderstand the process whereby landlords give consent. It is not unreasonable for landlords to seek the same information about the sublessee that you should be concerned about yourself. This includes operating history, financials, intended use of the space, business reputation and a reference check from the prior landlord. Be proactive in gathering this information and presenting it to the landlord to expedite the consent. Also understand that the consent document itself is a separate, multi-page agreement that requires execution by the sublessor, sublessee and ultimately the landlord, and the transaction is not complete until the consent is fully executed. This process can take a few weeks, so make sure to start early and be prepared for that time lag.

Assignment

An assignment provision is intended for circumstances where the tenant is sold through a merger, transfer of a majority of the stock or other transaction, whereby there is an affiliated successor to the actual tenant. In those cases, the lease assigns to the successor of the tenant as the landlord essentially has the same company operating in the space, but simply with new ownership or a new parent company, often with the credit of the tenant improved through such a merger. When the space is transferring to a third party on terms different from the master lease, the landlord is not going to recognize your sublessee as an assignee.

There are a myriad of risks and landmines when it comes to subleasing space. With proper counsel and documentation, most can be easily avoided. We have artfully completed hundreds of subleases over our history of representing tenants and we are here to guide our clients and friends through the minefield to make sure they are structured and documented to reduce risks for all parties. ◻



LOOKING FOR POTENTIAL OFFICE LEASE SAVINGS?

TAKE TIME TO REVIEW YOUR OPEX & CAM RECONCILIATION

By Ed Muna

As businesses hunker down and look for ways to cut costs and improve their bottom line, one area that typically gets overlooked are the operating expense charges and common area maintenance (CAM) charges in commercial leases. These expenses are confusing for most, and therefore may seem like an overwhelming challenge to tackle. Nonetheless, this could be an area where significant savings could be identified, potentially saving your business thousands of dollars during this unprecedented time.

Since the second quarter is when most commercial landlords send out prior year operating expense (OpEx) reconciliations, I highly encourage companies to take the time to review now, and when justified, challenge what are typically unexpected costs. To help understand the importance of these reconciliations, it is worth giving a quick recap of how operating expenses in leases work. At the beginning of the year, usually in December or January, property owners provide tenants with a budget for the upcoming year and their estimated share. This amount is then collected monthly, spread out over the year. At the completion of the year, the landlords prepare reconciliations to settle what was budgeted against the actual costs incurred.

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Senior Vice President, PLA
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Unfortunately for tenants, most property owners have trouble living within their budgets, and when the reconciliation is prepared, the tenant ends up owing more money. This could be the result of bad luck or poor management of expenses, but the bottom line is most of the overage will be paid by the tenants in the building. Of course, this is not something a property owner likes to publicize, so when the statements do arrive, they are usually buried within the rent invoice or presented in a way that offers little detail. Unfortunately, that's by design. Operating expense statements are intentionally devoid of details because the last thing landlords want is to make it too easy for tenants to question their spending habits.

While the thought of pouring over confusing documents isn't a priority, there could be real value in making the effort to review yearly, and to analyze and question these charges if necessary. By spending the time deciphering what your landlord is actually asking you to pay, you can potentially save tens of thousands of dollars, which is especially critical during times of uncertainty.

What should businesses look for when reviewing their operating expense statements?

Compare last year's reconciliation to look for glaring changes.

Begin by comparing the new reconciliation to last year's budget or reconciliation. Do you notice any obvious increases? Look beyond what the landlord wants you to see, such as minimal increases in non-controllable costs like utilities, taxes and insurance. Did repairs and maintenance or payroll expenses increase significantly? This is a major red flag, as these items are well within the landlord's control.

Refer back to your lease while reviewing.

While significant fluctuations and increases don't mean an error has been made, referring back to the lease will help you and your business in the long run and could prevent erroneous charges for future reconciliations. The key is to determine if a disconnect exists between what the landlord charges you and what your lease allows. For this reason, your review will also require that you revisit the operating expense language in your lease.

While this may sound like an overwhelming project, it doesn't have to be, and our experts are here to assist you. Hughes Marino's Lease Audit division will perform a complimentary review of your lease and operating expenses to look for red flags. While many brokers may offer to review your lease, only Hughes Marino has invested the time and resources to build a division of experts dedicated to assisting businesses with identifying erroneous charges. The result has been millions of dollars in inaccurate expenses identified for our clients over the past few years and we would be happy to help you navigate your leases to find hidden cost savings. ◻

__Ed Muna__ is a senior vice president of Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Ed heads Hughes Marino's Portfolio Lease Administration & Advisory Services team and helps tenants address issues that arise during their occupancy. Contact Ed at 1-844-662-6635 or ed@hughesmarino.com to learn more.

8 PRACTICAL STEPS *for a* SAFER OFFICE ENVIRONMENT

By Nicholas Willis

Last year, we wrote about common open office issues and ways to alleviate them. We discussed density as the main culprit, and careful planning and consideration as a solution to those issues. Today those same tips are just as applicable in solving for the current concern of our time, social distancing in the workplace.

Our Planning + Design team believes that assessing the future office environment needs to be contemplated in phases: immediate needs, first year planning, and "future," next-gen planning. Even before immediate needs, most companies are looking for temporary solutions that don't cost a lot to implement, and we are here to help. We believe science and design will work concurrently to solve the current issues we face in going back to the office, but what will be immediately necessary is to make common sense decisions about our work environment. Here are eight ways to help reduce as much concern as possible as team members slowly begin to return to the workplace.

1. Provide a flexible work-from-home (WFH) policy and stagger your office hours.

In many ways, work from home policies have been successful, from improving our personal well-being without fears of being exposed to the virus to benefitting the environment by reducing pollution causing traffic. In addition, if schools and childcare centers don't immediately open back up, working parents will require the flexibility to continue working from home. Staggering employees' working hours and continuing work from home policies are the easiest ways to create space in the office, but for WFH to be effective in the longer term, many companies will need to consider expanding their networking and security features, training team members on basic hardware troubleshooting, and assisting with personal workspace needs.

Nicholas Willis
Interior Planning Director
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2. Understand how headcount changes have impacted your space.

Many companies that survive this pandemic will have laid off a percentage of their workforce, and in those office spaces there will be plenty of room to spread out. You may find that just by reorganizing your seating chart you are able to comply with social distance guidelines. By placing teammates at every other desk at least six feet apart, and by shifting desks and offices around you will be able to allow more distance in between team members. We also encourage businesses to consider how much area will be required for social distance needs before deciding to consolidate your real estate.

3. Reconfigure your existing furniture.

If you purchased your office furniture from a national manufacturer, it is highly probable that your workstation furniture can be reconfigured. For example, the furniture company Knoll created a guideline for effective partitioning of their workstation furniture by adding panels. It's likely that many other manufacturers are doing the same, so be sure to investigate!

4. Store the chairs.

We are seeing that reinforcing social distance policies demands effective physical environmental messaging. For example, in conference rooms and collaborative areas, remove seating options. Prepare your space in a way that achieving proximity is inconvenient. Store those chairs for a later date though—we think you will need them again someday!

5. Remove the snacks.

We cannot imagine a world where offices do not supply coffee although we're sure they exist! In the short term, we need to

eliminate temptations for people to interact with common area surfaces. Removing communal snacks is a simple way to eliminate any cross-contamination, and your teammates will be sure to understand as they will most likely be weary of eating shared snacks anyway!

6. Limit the visitors.

By outlining a policy to limit guests, your clients will understand and likely appreciate your measures to keep your team and your clients safe. If you must have client meetings in your space, schedule them earlier or later in the day before traditional working hours to minimize as much contact as possible with your team to outside visitors.

7. Keep it human.

Most of us are sensitive about our interactions with others during this time, but a world where we don't physically interact is a world most of us would not want to consider. It was only a few months ago that some companies greeted their visitors with hugs! Today we need to be vigilant in our approach, while also keeping in mind that nothing is forever. Sooner than later we will return to many of our former habits, as society has done after every crisis. For better and worse, we have a forced opportunity to challenge our assumptions and experiment with new strategies. We are excited to see what positive changes will come from rethinking our work environment!

8. Enlist help!

Your company may face challenges in getting business back to normal, and with our Physical Distancing Space Analysis services, we are here to help. We're experts in analyzing and interpreting office space needs, so please reach out if we can be a resource at all. We would love to hear from you!

While this is an unprecedented time in our history, we do look forward to the days when we can all work together again. In the coming weeks and months where team members slowly return to the office, by following these tips, we can assure you that your team will feel cared for, considered and appreciated. □

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HOW TO PREPARE *your office and*

WELCOME BACK YOUR TEAM

By Briana Iverson

As states begin to reopen, companies across the country and around the world are faced with a new dilemma: how do we make our teams feel safe when returning to work? While the situation is constantly evolving, here are seven practices for businesses to help their teams feel safe, welcomed and happy to emerge from their homes and return to the workplace.

Go the Extra Mile to Make Your Team Feel Welcomed & Appreciated

While this unprecedented experience has been unsettling for everyone, by returning to work we are entering a new chapter and acknowledging that things are getting better with each passing day. Businesses should make extra efforts to let their teams feel comfortable and appreciated as they welcome their teams back into a safe workplace environment. To make it an extra welcoming week, plan a time to reunite the team they had missed seeing every day while maintaining recommended social distancing. By holding standing meetings at each other's desks or in a large outdoor space with ample room to spread out, or even holding a video conference meeting from within the office, you will encourage greater connection with your team. Afterall, we normally spend more time with our teams than our own families, so this will be a happy reunion to encourage and celebrate, even if we must keep our distance!

Make Your Team Feel Safe, Heard & Cared For

The most important way for a business to show their team they care is by ensuring teammates feel safe, heard and taken care of. With the new normal of constant handwashing, sanitizing and minimal close contact, be sure to supply your office with plenty of easily accessible necessities before your team arrives in the office. By stocking up on hand sanitizer, soap, masks, gloves, antibacterial wipes, tissues and EmergenC or other vitamin supplements, you can instantly put your team at greater ease by ensuring them you place their needs and health first. To go the extra mile, place a mini care package at each team member's desk, complete with a travel-sized hand sanitizer, antibacterial wipes and a note of appreciation to really make them feel extra cared for!

Briana Iverson
Marketing Director
Hughes Marino

In addition to providing ample sanitizing supplies, you can also insist that team members wash their hands upon return from outside the office, and place signs around the office as reminders for everyone to regularly wash their hands. As a courtesy to teams, businesses can minimize outside guests from visiting, unless previously approved by the company. This is one more small measure companies can take to help ease the anxiety and worries of the pandemic.

To help make your team members feel heard and validated, offer an open forum of an anonymous suggestion box (or a virtual suggestion box via email) where team members feel safe to express any concerns. Even more importantly, seriously consider these concerns, and take action or change protocols if needed. This will let your team know their opinions are valued and that the company is taking proactive measures to protect everyone's well-being.

Take Time to Clean & Reorganize

New era, new workspace! Maybe your first day back will be less of a business day, and more of a reorganization day to start this new era off fresh and organized! Businesses can take this moment as a time to reset, and encourage their teams to minimize clutter, clean out their desks and recycle papers that can be saved digitally. We all know how good it feels to be in a clean space, and by starting off with a new energy, you can reenergize your team with cleanliness, organization and positivity. Play some fun music and start cleaning!

Spread Out Your Team More Than Before

For many weeks, social distancing and isolation have been critical keys to help flatten the curve. It's only natural for team members to be weary of coming back to an environment of many people together in a confined space, especially if they work in open office floorplans that have become so popular in the past decade. While this may take a degree of reconfiguration, there are actions businesses can take to spread out their team to ease concern. If possible, situate people so they are at least six feet apart, stationed at every other desk, configure desks so that teammates face the same direction (and not face each other) to mitigate the fear of sneezing, coughing and other germs, and utilize desk dividers. Have access to windows? Open them up to circulate fresh air, or invest in an air purification machine.

Over the past months, teammates have become accustomed to video calls and virtual meetings, so why not carry on that tradition into the workplace? Encourage calls instead of face to face conversations, and virtual meetings instead of gathering in conference rooms. If possible, try to limit the amount of people in a meeting, providing plenty of space in between everyone for ease of mind.

> "
> *THIS WILL BE A HAPPY REUNION TO ENCOURAGE AND CELEBRATE, EVEN IF WE MUST KEEP OUR DISTANCE.*

Embrace Work From Home & Telecommuting As Options

While telecommuting has grown increasingly popular in the past few years, the COVID-19 pandemic forced companies across the nation to abruptly adopt this trend, opening up a new alternative that may not have been previously considered by businesses. While some teammates may prefer to separate work from home, others may actually prefer working at home, avoiding long morning and evening commutes, with little to no impact on workload and productivity. Software like WebEx, Zoom, Slack and Microsoft Teams, and technology like video phones and computer cameras have made it increasingly easier to work from home while staying connected from afar. Some team members even report higher productivity than in the workplace itself, having less distractions at home, with a quiet space to focus. If your company has the capability to offer this as an option, this may be a great way to help lessen contact (for now) and give peace of mind for team members who are weary to go out into the public.

Education is Key

Create your own "task force" within your communications or HR department who can distribute weekly emails regarding symptoms, awareness and provide clear options available to teammates who are feeling under the weather. Take measures to inform the company on daily or weekly precautions your company is taking, such as enforcing a handwashing policy, hiring a cleaning crew to wipe down all common areas on a regular basis, and limiting guests. It goes a long way to know that a business is looking out for the best interest of its team members, and by keeping this conversation and awareness at the forefront, teammates will be more and more aware of their own actions as well.

Incorporate a Little More Fun in the Workplace

Last but not least, incorporate more fun into the workplace! While this will be an unsettling time that we hopefully will not experience in our lifetime to this magnitude again, it's important to lighten the mood and celebrate our teams and their hard work and dedication to the company and its culture! Celebrate small victories, reward workplace safety ideas and host fun contests.

As the world begins to open back up and companies welcome their team members back into the workplace, it is critically important to recognize, understand and mitigate the worries of our teams. By making your team feel safe, heard and cared for, incorporating fun in the workplace, and establishing clear modes of communication, we can all come back to work feeling more at ease, and celebrate that we all came out of this stronger than ever before! □

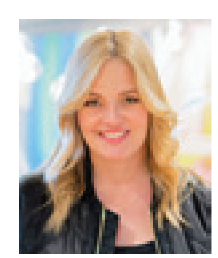
***Briana Iverson** is marketing director at Hughes Marino, an award-winning commercial real estate company specializing in tenant representation and building purchases with offices across the nation. Contact Briana at 1-844-662-6635 or briana@hughesmarino.com to learn more.*

Timely Advice from Mike Robbins, Business Coach & Best Selling Author of

WE'RE ALL IN THIS TOGETHER

By Shay Hughes

Since the beginning of our story at Hughes Marino, we have met more wonderful people than we can count. From our incredible teammates, to our innovative clients, to so many businesses and thought leaders we have built relationships with over the years—we are forever grateful for their impact on our lives and our company. One person who has been with us since the very beginning is our business coach, Mike Robbins. Mike has played an integral role in helping us transform our company culture into what it has become today, and we are again honored and humbled to be included in his latest book, *We're All In This Together.*



Shay Hughes
President & COO
Hughes Marino

"One of the things that Jason, Shay, and their team do as well as almost any company I've ever worked with is that they challenge each other to be the absolute best they can be. And they do it with a foundation of genuine care for one another. They balance having an incredibly high standard of excellence while also making sure everyone is nurtured and supported."—Mike Robbins, *We're All In This Together*

Mike is a world-renowned business coach, whose impressive client list includes Google, Microsoft, Wells Fargo, eBay and countless other global companies, as well as some of the most victorious professional sports teams in the nation. He has authored five books on culture, authenticity, appreciation and team building, and anyone who has the opportunity to hear him speak walks away truly inspired and ready to take on any challenge that comes their way.

Mike's latest book highlights how great teams thrive when they focus on creating a culture of high-performance, trust and belonging. He details how focusing on four pillars of 1) creating psychological safety, 2) focusing on inclusion and belonging, 3) embracing "sweaty-palmed" conversations and 4) a drive to care and challenge each other are all key ingredients to creating an authentic culture. Another aspect he focuses on is nurturing an environment of empathy and compassion. I love all of these concepts, and with Mike's guidance and our major focus on an authentic culture at Hughes Marino, it has paid off in countless ways.

"We often think that in order to have a high bar and push each other we can't also be caring. Or we think that if we care about and nurture one another, we can't also expect a lot from

our teammates. Actually, the goal for us as team members, leaders, and teams as a whole is to be able do both at the same time. It's not one of these things at the expense of the other, it's being able to do them simultaneously and passionately.

Creating an environment that supports both caring about and challenging each other takes courage on everyone's part, and at times goes against conventional wisdom. But being willing to focus on both of these things, and encouraging others to do the same, creates the conditions for everyone to succeed at the highest level. The healthy combination of caring about and challenging each other is the secret sauce of high-performing teams."

The timing of his book, its incredible message, and its title—*We're All In This Together*—couldn't be more applicable to what we are all experiencing right now. During this unprecedented time with so much uncertainty, what is certain is the kindness, care, love and support we can show within our families and our teams. I truly believe we will carry this message with us when this era passes and we return to a new normal. Mike's message of positivity and kindness is extremely uplifting and exactly the kind of thinking we all need to hear a little more of right now.

"The great thing about both kindness and compassion is that they're contagious. The more willing we are to be compassionate and kind to our fellow team members, the more likely they are to be that way with us and everyone else on the team. And, as we consistently and deliberately practice compassion and kindness with the people on our team, we demonstrate our care for them and contribute to a culture that can allow us all to achieve our best results."

Since that first meeting when Jason and I contacted Mike to speak to our team about how to build an award-winning culture, we knew he would be an incredible asset, and we are even more grateful now for his influence and leadership than ever before. Congratulations to Mike for writing yet another incredibly inspiring book that we all can enjoy reading this year. We truly are all in this together! ◻

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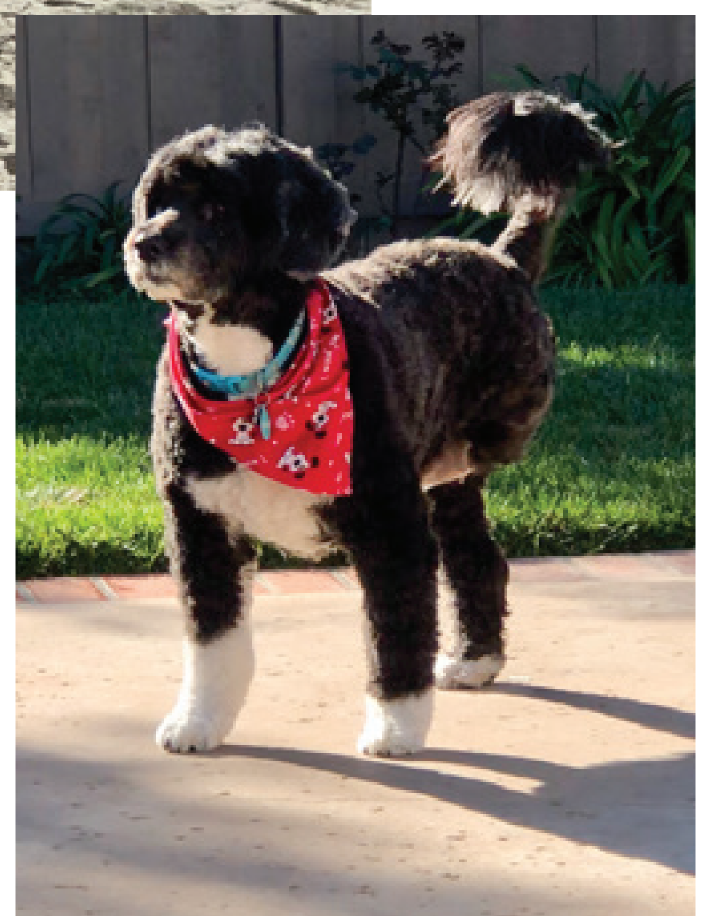

WHEN THINGS

GET HARD,

GO HARDER,

AND IT JUST

MIGHT GET EASIER

BE LIKE BANDY

By John Jarvis

Working from home in the midst of this crisis is hard. It is hard to focus. It is hard to stay motivated. It is hard not to worry about the spread of COVID-19 and how the world in which we live will have been forever changed when we finally emerge from this self-induced isolation.

In dark and challenging times, leaders step forward and character is revealed. We can learn a lot from watching others who have, perhaps, found a way to carry on in spite of obstacles. I find that kind of inspiration in our three-legged rescue dog, Bandy.

We already had a four-legged dog, a Portuguese Water Dog named Jackson. As a breed, they tend to be expensive, so we weren't looking for another one when my wife, Sara, got the email about sweet Bandy, who had been in a rollover car accident, stuck inside her crate and thrown from the car, losing a hind leg as a result. Sara said yes, we'd take her, and now we have two Portuguese Water Dogs.

When we took Bandy in, she was terribly feeble. She didn't move well at all. When she would walk, her stride was a full circular contortion of her body, as she worked to drag her hind leg forward while skidding her undercarriage along on the ground beneath her. It was really sad to watch.

I bought her a "doggie wheelchair," the kind with two wheels and a canopy for her hind quarters to rest on, but she wanted nothing to do with it. She would just shake and quiver and refuse to move every time I put her in it. What to do?

One day I was so sad and frustrated that I just picked her up and put her in the car with Jackson and me. Pre-Bandy, Jack and I had a wonderful routine of running on the beach in the evening. This night Bandy was coming with us. I had no idea how this was going to work out.

And here is the crazy thing. This feeble dog that couldn't walk? She could run! In the forgiving sand near the water's edge she would chase after the ball like a bat out of hell. And, man, how she loved it. She'd come back and drop the ball and bark and spin around and smile and bark. There is some kind of crazy physics at play where being "at speed"—in the rotating cycle of legs pulling and reaching and stretching out—the missing hind leg isn't even a thing. At speed, she finds her center of gravity as she leans forward with the beautiful poise of a dog at full sprint. It is truly wonderful to watch.

Bandy runs the beach with us every evening now. And she gets herself up into the backseat of the car now too. Jackson still gets the front seat, where he stands with his head out of the window. Jack has been generous in sharing his family with Bandy, but the front seat remains exclusively his. Which is OK. Bandy doesn't much like going near the window anyway, I fear it stems from past trauma.

And here is the thing. This three-legged dog isn't just surviving, she is thriving. She is living her best life every day. She reminds me of the power of attitude. And the power of gratitude. She certainly has an abundance of both. And she reminds me that even though what we are all going through right now is hard, it could always be harder, so let's just do our best to be grateful and get to work. And isn't it cool to think that sometimes, when it is hard to walk, we can try to run instead? That when things get hard, we can go harder, and it just might get easier! How cool is that. Thanks Bandy.

Yeah, these Portuguese Water Dogs can be expensive. I sometimes joke that we got Bandy for 25% off. And she was worth every penny. □

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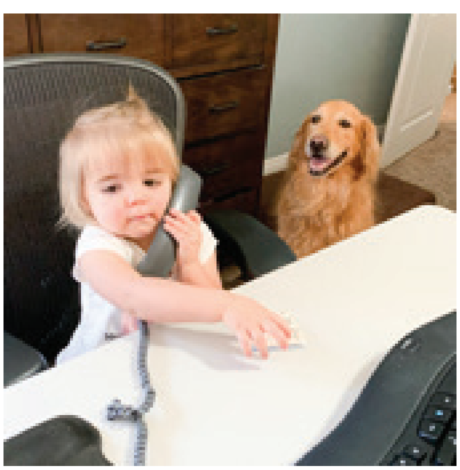
Here are some of our adorable #WFH coworkers!





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