Looking for Your Dream Office? Don’t Go it Alone.

By Tucker Hughes | Entrepreneur.com

When the time comes for a new business to formally open its doors in a commercial building, most decision-makers will probably consider trying to find and secure office space on their own. Many entrepreneurs might question why they would need someone to help them, especially if they have to pay for the service. After all, they’re putting a lot of money into the business expansion.

But those with experience in leasing and purchasing commercial office space know that finding and securing a dream office is a lot easier said than done. Some business owners who have learned costly lessons in finding their first office opt to hire a tenant or buyer’s broker to help them with moving to their next space.

Savvy decision-makers know that brokers’ fees are included in the overall rent or purchase price (and that the landlord, not the tenant, pays them) so there is no “added expense” in the transaction. In fact, a good broker can save clients thousands of dollars, countless hours and immeasurable risk.

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Trust. It’s the core of any successful relationship. Until this year, however, it was hard to know who you could trust when it came to working with a commercial real estate agent. Undisclosed conflicts of interest were all too common, with brokers representing both the tenant and landlord in a single transaction, usually to the tenant’s detriment.

Halfway into 2015, we are proud to say this is no longer the case thanks to SB 1171, a new California law that took effect this year. The law, which I conceived and designed, requires commercial real estate representatives to disclose their agency relationships. This means that an agent can never again represent both you and your landlord without notifying you in writing upfront.

SB 1171 is a victory for commercial tenants, and just one of many successes we are counting this year at Hughes Marino. In addition, we are celebrating the second expansion for both our Orange County and West Los Angeles offices – and the opening of our new offices in San Francisco, Silicon Valley and the Inland Empire, along with the addition of numerous new members to our all-star team. Our company is expanding, and while there have been some minor growing pains, we are now able to work harder than ever to protect tenants’ interests and deliver best-in-class service to clients throughout California.

One element of that service is our ongoing effort to act as thought leaders in our industry and keep you informed about topics that are relevant to your business. That’s why we are launching this newsletter, WORK+SPACE, which we will be sending you periodically. It’s one more way we strive to add value for our clients, and nurture lasting relationships based on trust.

We hope you enjoy it, and that you’ll give us your feedback so we can continue to make it even better. We’d love to hear what you think.

Jason Hughes
President & CEO
Hughes Marino, Inc.
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Here’s a look at four issues that can arise if you set out to find office space on your own.

1 A Substantial Time Commitment

To research properties with vacancies in desired areas will take time — as will calling the landlords and arranging to view the spaces. You might have to visit these spaces during regular working hours.

You will also be responsible for knowing how much square footage is needed and perhaps the difference between usable square footage and rentable square footage. Without such knowledge, you’re liable to spend a lot of time viewing spaces that are too large or too small.

Be prepared to spend more time than you might predict in finding available spaces that meet your requirements.

2 The Prospect of Missing Out on Properties

Sometimes very desirable commercial office spaces are never marketed to the public. Commercial real estate brokers in the know about upcoming vacancies can get their clients into a coveted space before it hits the market.

Additionally, many brokers have access to CoStar, which lists commercial spaces available for lease and purchase. It’s the commercial equivalent of the MLS listing service, except it’s not free.

3 Complex Issues

If this is your first time leasing or purchasing commercial space, be prepared for the fact that it’s nothing like renting an apartment, purchasing a house or leasing a car.

There are many factors that might require negotiation, including parking costs and availability, early termination clauses and fees, tenant-improvement allowances, base-year determination, pass-through stipulations and early access to the property. Plus you’ll have to negotiate the rates (costs) and terms (length of lease).

And if you’re purchasing a building, the process is even more complicated.

Even if you don’t have a tenant or buyer representative working on your behalf, the landlord or seller you negotiate with will probably have a broker.

That broker’s job is to secure the best terms for the client, which means he or she will be working in direct opposition to your goals.

4 Risks

What if your tenant-improvement allowance doesn’t cover the remodeling or build-out you need? And who will help if you are required to use the landlord’s contractor at a cost that’s more than your tenant-improvement allowance covers? What will you do if the space isn’t ready when you need to move in?

When you decide to find space on your own, understand that you’ll be dealing with very sophisticated landlords. If things fall short of what you were promised or expected, you must handle these issues on your own. Without the requisite knowledge and experience to deal with them, you may be up a creek.

Despite all the challenges, many business owners do try to find space on their own. A few of them will be successful. Others may find the experience a complete nightmare when they pay far more than expected, are unhappy and counting the minutes until they can exit their lease or regretting a building purchase.

Still others spin their wheels for a while before realizing they are in over their heads and then call in a tenant broker for help.

Only you will know the decision that’s right for your company. If you do find yourself struggling, frustrated or confused, call a tenant broker who will probably say, “Let’s see how we can make this better for you,” regardless of the stage of the transaction cycle.

Tucker Hughes is director of Hughes Marino’s Orange County and Los Angeles offices, where he specializes in tenant representation and building purchases throughout Southern California. Tucker makes frequent media appearances to speak on the future of commercial real estate, and is also a regular columnist for Entrepreneur.com. Contact Tucker at 1-844-NO-CONFLICT or tucker@hughesmarino.com.
How a New Broker Disclosure Law is Shaking Up the Commercial Real Estate Industry

By Nathan Donato-Weinstein | Silicon Valley Business Journal

Say you’re a life sciences company looking for a new location. You approach a commercial real estate agent, who gives the impression he’s working on your behalf. But unbeknownst to you, the broker was also working for the landlord of the building you’re interested in. What’s more, the broker actually had a minority interest in the building. And he never told you any of that.

That scenario has actually happened, according to Jason Hughes, president and CEO of Hughes Marino, a tenant-representation advisory based in Southern California.

“These brokers never told the tenant that they have this conflict,” Hughes said. “This tenant went through, they did a crappy deal — the building sold and they didn’t have any property tax protection, exclusive use protection.”

The possibility is less likely today, Hughes said, thanks to SB 1171, which went into effect Jan. 1. The law, which Hughes pushed for, requires commercial real estate agents and brokers to disclose proposed dual-agency roles to possible clients in writing before being hired.

Forms must clearly state whether the agent represents only the landlord or seller, only the tenant or buyer, or both sides. (Dual agency representation is perfectly legal, and can be an efficient and effective route for both sides depending on circumstances.) Consequences for violating the law include losing your real estate license.

Residential real estate agents have long been required to make such disclosures, but the commercial sector was exempted because of the expectation that parties in these transactions are much more sophisticated and understood who was representing whom.

In fact, that generalization ignores a huge swath of the industry — such as mom and pop dry cleaners and other small businesses — that don’t understand agency, said Ron Rossi, a shareholder with Rossi, Hamerslough, Reischl and Chuck who was involved in the legislation with associate Laurel Champion.

“‘It’s designed to avoid conflicts, and disclose potential conflicts, sort of like lawyers have to do,’” Rossi said. “‘You can come see me but, by the way, I used to represent this person you’re suing. Before you engage an agent to represent your interest, you should know that.’

Beyond simply creating better-informed customers, the law is likely to have a far-reaching effect on how business is conducted, people in the industry said. One example: The law effectively expands who is considered a dual agent, because agency is established at the corporate level, Hughes and Rossi said.

For example: Say Tricia Tenant Rep only works with retail tenants at CBRE. She could be considered a dual agent if someone else at CBRE has a relationship with the landlord of a building she’s negotiating on. Traditionally, Tricia wouldn’t call herself These guys were there to serve the landlord. They were able to monetize the tenant too. But ultimately that’s in service to the landlord, which is where they make their money.”
a dual agent because she exclusively works with stores. Now, that could change, depending on the transaction.

And that’s a good possibility, because brokerages like CBRE, JLL and DTZ continue to grow ever larger. For the hypothetical Tricia, being branded a dual agent could hurt her ability to attract clients if they think she might not have their best interest at heart.

What’s more, as a dual agent, Tricia is restricted in what kind of information she can share with her client — such as intelligence that the landlord would accept less rent (unless the landlord explicitly gave her permission).

“In reality, that relegates you to being a messenger,” Hughes said. “What if this particular landlord is trying to sell the building and they need to make this thing happen?”

Hughes acknowledges the law effectively benefits his business model of only focusing on tenants. He says the industry has for too long been tilted favorably toward landlords, who pay the bulk of the industry’s commissions (including the tenant rep).

“The legacy companies — that’s what I call these firms — they’re antiquated networks with old-school business models,” he said. “These guys were there to serve the landlord. They were able to monetize the tenant too. But ultimately that’s in service to the landlord, which is where they make their money.”

Brokerages, he said, will inevitably gravitate toward serving exclusively tenants (such as Cresa Partners and SRS Real Estate Partners) or landlords.

Rossi was more doubtful it would upset any apple carts.

“It hasn’t affected the residential real estate substantially,” he said. “They have to do it right. They have to deal with all the forms and disclosures. You want brokers negotiating in your best interest. But at the end of the day both sides want to do a deal.”

As for that life sciences company in Southern California?

“A new CFO came in and said, ‘Why is this a bad lease?’” Hughes said. “He found out the brokers represent the landlord in this building and others. Now there’s documentation. If someone lies and gets caught lying, they will lose their license.”

Jason Hughes is president and CEO of Hughes Marino, an award-winning California commercial real estate company specializing in tenant representation and building purchases. 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.
How to Make a Workspace Feel Like Home

By Star Hughes-Gorup

For those of us who spend more time in our offices than we do in our houses, it’s important that our workspaces provide some of the comforts of home. After all, if you’re going to be spending upwards of 60 hours per week at work, you might as well make it your home away from home in the truest sense!

Here are a few tips to make your office feel a bit more comfortable – and more like your happy place – for you and your employees to be spending those long hours.

**Get Comfortable With Couches**

Plush couches in common areas are much more than just places to decompress for a few minutes. Team members may find themselves brainstorming with colleagues over an impromptu coffee break, or you might even find yourself using it as a unique setting for a business meeting, rather than relying solely on the availability of a conference room.

**Add Coffee Table Books**

From a design standpoint, coffee table books can bring color and fun to even the most basic common areas. But they also provide entertainment for waiting guests, or a nice way for you to take a quick breather and decompress for a few minutes during your day.

**Create a Living Wall**

More and more companies are creating living walls within their office spaces. These walls composed of a variety of plants bring in soothing greenery and can completely transform an ordinary common area into a lush, rejuvenating space, drawing the outside indoors.

**Infuse Your Space With Scents**

Aromatherapy can be extremely helpful when you’re stressed at work. Find soothing scents and bring them into your office in the form of a scent diffuser for those times when you’re overwhelmed. Or try picking a bold citrusy scent to re-energize you throughout the day.

The Hughes Marino headquarters in Downtown San Diego was designed to feel as much like a home as it does an office.
Decorate Your Bulletin Boards

Add personal elements – favorite quotes, special mementos, and inspirational images – to a tack board next to your desk. It’s amazing how quickly a few words or images can turn your day from blah to blazing, so look for words and images that really strike you.

Buy Fresh Flowers

Flowers achieve the same objective as a living wall, but within your own space. They bring a bit of the outdoors inside your office – and bring a pop of color to the space! And if you don’t have the budget for fresh cut flowers each week, consider a potted plant or orchid instead. Plants in the workplace have been shown to boost productivity, and also help clean the air.

Keep Snacks Stocked

Having healthy snacks on hand will help you feel more at home, as well as keep your energy levels high for late nights. Fresh fruit or granola bars on the countertop will give your space a much homier feeling than a vending machine.

Display Personal Photos

Photos of your spouse, children, parents, friends, and pets help keep them close to you throughout the day, and remind you that you’re working hard to provide for those you love! Experiment with different frames, and update photos over time to keep your space feeling like your home.

So many of us spend so much time at work that it only makes sense to bring a bit of home into the office. By adding flowers, photos, comfortable couches, candles and personal items to your office space and common areas, going into “work” can be as comfortable and welcoming as returning home after a long day.

Star Hughes-Gorup
Director
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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 starhughes.com. Contact Star at 1-844-NO-CONFLICT, or star@hughesmarino.com.
Why You Haven’t Audited Your Lease (And Why You Should)

By Ed Muna

The term “audit” carries many negative connotations. From the burden of a corporate audit to the unknowns of a tax audit, everyone wants to steer clear of an “audit.” Because of this, many businesses avoid entertaining the process of a lease audit, and are potentially leaving millions of dollars on the table by allowing their landlords to charge them expenses that may not be permitted under their real estate lease.

Further, many companies assume that finding a mistake is like finding a needle in a haystack. What might surprise you is that history has shown approximately 1/3 of commercial tenants are paying more in operating expenses than required under their lease.

So before you write off what could be a very rewarding process, it is important that you know what a lease audit is, and what it is not.

It’s Not Really an Audit

While the real estate industry hasn’t been able to shed the word “audit” from “lease audit,” the process would be better described as a contract compliance review. Even Deloitte, one of the “Big Four” accounting firms, acknowledges in their literature that a lease audit should not be construed to be synonymous with the terms “audit” or any form of “attestation” service as described in the professional standards issued by the American Institute of Certified Public Accountants. As a matter of fact, Deloitte avoids the term “lease audit” whenever possible and simply calls the process lease consulting.

Unfortunately, and by design, the audit language in most leases adds confusion for many tenants. The typical lease audit language looks the same as it did 30+ years ago when accounting was prepared on paper ledgers and landlords didn’t want disgruntled tenants fishing through their “books and records.” In order to keep tenants at bay, landlords offered costly and burdensome obstacles for them to partake in the process, including hiring one of the Big Four.

Reality Check

The good news for tenants is that the process of validating their operating expense charges does not require an audit right in the lease and should not trigger audit provisions that may exist. You will not need (or want) to hire a CPA, and the landlord’s books and records likely won’t come into play. Instead, the focus of today’s lease audits is on whether the inclusion of certain expenses is permitted under the lease and whether they comply with industry standards.

Each year I audit hundreds of leases and help clients identify millions of dollars in erroneous charges. On occasion a landlord will try to snuff the process by pointing to restrictive clauses in the lease, only to be brought back to earth with the assurance that I don’t need to look through their books.
and records. The bottom line is, if your real estate lease allows the landlord to pass through operating expenses, then you have the right to know if those charges are accurate.

Who Should Perform the Review?

So who should you turn to validate your lease expenses? First off, do not hire an attorney or real estate agent who won’t have a strong understanding of the landlord’s management and accounting side of the equation, or a CPA who likely does not understand the legal or leasing side of the equation. I have lost track of the number of audits I have taken over from a single discipline professional only to find that they have barked up the wrong tree and wasted the time of both the tenant and the building owner.

While each of the above are masters of their craft, they typically do not possess all the skills needed for a successful review. The reality is an audit requires someone who understands landlord operating expense charges from multiple perspectives, from the broker who negotiates lease terms, to the attorney who crafts the language protecting your interests, to the property manager and accountants who determine what should be passed onto the tenant. Fortunately, there are a handful (but not a lot) of reputable lease audit firms who possess all of these perspectives in-house – Hughes Marino being one of them – which gives them the unique ability to help tenants identify and recover erroneous charges.

A good lease auditor will review your lease and operating expense statements at no charge and be able to provide advanced insight into your expense charges, showing you what is acceptable and what might be cause for concern. It is a risk-free proposition that every business owner should absolutely undertake, and one that will very likely have a positive impact on their bottom line.

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

Title 24 Requirements More Costly Than Previously Thought

By Dean Petersen & Steven Gorup

It’s been 9 months since California’s new Title 24 energy code requirements went into effect, and suffice to say, they have had a significant impact on commercial tenants. Namely, the cost of renovating, expanding, or building new office space can be far more expensive than you might expect.

Here’s a recap of what the new Title 24 requirements entail: Light fixtures must consume even less energy than previously required and have multi-level dimming capability. They must also be automatically controlled meaning that, on a bright sunny day, they automatically dim based on how much sunlight is coming in through the windows. Typically this can only be achieved by replacing existing fluorescent lamped fixtures with new LED fixtures. You also need to have one power outlet with automatic shut-off capability for every outlet that has continuous power – literally a second power outlet added at every desk or workstation.

These requirements don’t come cheap. As a matter of fact, the cost of tenant improvements in commercial properties has increased by as much as $10-$12 per square foot for remodels and $6-$8 per square foot for new construction. Needless to say, an additional $10-$12 per square foot can really add up.

Case in point, if you have a 20,000 square foot space and want to expand by another 10,000 square feet, you can be looking at $300,000-$360,000 in addition to what you’re already paying for the renovations. Why so much? Because even if you don’t intend to remodel the existing space as part of your expansion, the new Title 24 requirements kick in if you touch more than 10% of the lighting, which you most certainly will as you unify two adjacent spaces. So, not only will you have to upgrade the lighting and controls in your expansion, you will also have to do the same in your existing space.

To make matters worse, tenant improvement allowances from landlords are not keeping up with the escalating costs of remaining compliant from what we’ve seen. Instead, tenants today can expect the lion’s share of their T.I. allowances to be eaten up just by modifying lighting and HVAC systems to comply with the new code – items they probably never intended to replace.

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Title 24 More Costly Than Previously Thought

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Can you imagine stretching every dollar to buy a home only to find that you need to replace $10,000 worth of lighting before you move in? That’s what’s happening to commercial tenants today.

Over the long term, the benefit of the new Title 24 requirements will be lower operating expenses via lowered utility bills. However, those who sign short-term leases won’t likely recoup the costs of the improvements before their leases expire.

At Hughes Marino it’s our job to make sure that our clients secure space for a fair price and with full understanding of what their leases entail. This includes negotiating a tenant improvement allowance that will be adequate for any upgrades you need to make to your space. We strongly encourage you not to go it alone when signing a lease, or taking on a renovation or expansion. Our construction management team knows Title 24 inside and out, and will make sure it doesn’t deliver a blow to your bottom line.

“The cost of tenant improvements in commercial properties has increased by as much as $10-$12 per square foot for remodels and $6-$8 per square foot for new construction.”

Dean Petersen
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Love What You Do and Who You Do it With

Why it really is possible to have a job you love at a company you care about.

By Shay Hughes

As COO of a company that spends a great deal of time talking about, investing in and promoting our tight-knit culture, one of my biggest fears is to have people on our team that aren’t happy. It’s like being a hostess of a party and wanting to make sure that the guests have a great time. Except in this case it isn’t a party, it’s a job they do Monday through Friday, all year long.

Some might call me crazy for even thinking this is an achievable goal, and whether they are right or not, it still remains one of my top concerns. That is, I want everyone on our team to love what they do and who they do it with.

Is it realistic for everyone to love being a part of our company, love contributing to the betterment of the team, and love the people they work with? I believe so, and I’ve seen it with my own eyes. Here’s a look at how it can be done.

Treat your job as more than a means to an end.

As the person who does almost all of our company’s hiring, I often tell people I interview that this is their life and they only get one shot at it, so please make sure this is something they are going to enjoy doing. If it’s not, I’d love to help them figure out what would make them happy and point them in the right direction, and sometimes even make an introduction for them if I can. But whatever they do, I ask them to please not join our team just because they need a job! We only want people to join our team because they connect with what we’re about on a deep and personal level. Because they think they are really going to like the people they work with. Because they want to be a part of something that is meaningful, where they can pursue things that are worthy of the hard work required to achieve them. Because they can’t imagine working at a “regular” job where people view it as a means to an end, rather than an important piece of their life.

Follow your instincts.

When I first rejoined the workforce after raising our three (now adult) children, I was uncertain about how my views of what a company should look like would be received. I talk about work in a way that is more personal than it is professional, and I use the word love much more than is unusual in a corporate setting. It was uncomfortable at first, especially because there were very few women
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in our company when I started, and the men certainly weren’t talking about love in the context of work. It didn’t take long, however, for me to gain the reassurance I needed to fully embrace my mantra of loving what you do and who you do it with. I first noticed it during a conversation I had with a wife of one of our executives, who came up to me after our very first company retreat (now a highly anticipated annual event). She held my hand and told me that I brought a maternal instinct to the company that was transformative. It was a short, sweet and profound sentiment, and I am forever grateful for it. In a moment, I realized that my mothering instincts were a strength that I brought to the team, not a detriment that I needed to shed or disguise.

Trust your values.

A few months later, still in our first year as a company, I got another sign that I was on the right track. We were still fairly small – only twenty people strong – but I thought it was important to somehow solidify what we stood for. Almost on a whim, we put to paper our ten core values – the things we valued most as people, as a company, and as a family. In hindsight, this was one of the most important things we have ever done as a company, and the results were staggering.

Our entire team was united on what was most important to us — almost word for word in many cases — and, out of those shared ideas, our core values were born effortlessly. They have become a guiding force in everything we do: how we treat each other, how we take care of our clients, and how we live our lives. By embracing our core values as people, and aligning them with the values of the company we choose to work for, it is inevitable that we will love what we do and who we do it with.

Know that every job has challenges.

Lastly, I realized that we all have the opportunity to love the job that we do, even if it isn’t always a bed of roses. Every job in every company, even if you are the CEO, requires some work that isn’t necessarily fun, stimulating or exciting. However I’m a big believer that busy people are the happiest, and anyone who has a job is fortunate to have the opportunity to be productive and find a sense of accomplishment.

The fact is all of us have the opportunity to love what we do. By focusing on helping others, whether it’s our teammates, our clients, or our families, it feels good to be busy and be part of a team with a shared mission.

All I can hope and strive for is that our team members feel like I do — that they can’t imagine working anywhere else. ☐

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

What We’re All About

Hughes Marino
Core Values

+ Always do the right thing
+ Deliver excellence in everything we do.
+ Enjoy the journey.
+ Embrace the family spirit.
+ Build lasting relationships based on trust.
+ Nurture your personal and professional life.
+ Pursue growth and learning.
+ Generously give to others.
+ Proactively communicate with everyone.
+ Be authentic, grateful, and humble.