

## Tenant RELATIONS

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the trend becomes one of inexpensive money and increasing rental rates, but there is no evidence that this is in the future. Instead, there is overwhelming evidence that major owners are putting their maximum efforts into creative planning to retain the following:

- those tenants whose rent structures are high enough that they are in danger of being wooed away with lower rents;

- those tenants who were procured at such expense that there would be no economic return to the building for many of the years of the tenants' occupancy;
- all tenants.

In the competition for a tenant, the existing landlord should be successful at lease renewal time. He or she should be able to offer the best economic terms to the tenant. The problem is that the best economic terms may not provide the landlord who signs the tenant with a viable return on the

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investment. Thus, even if the existing landlord succeeds in renewing the tenant, it may not be seen as a victory.

When a landlord is able to step back from the emotional strain of competing with other landlords for his or her tenant, he or she will fully realize the importance of a tenant retention program. This is a planned and executed program aimed at giving each of the building tenants personal attention, making them feel appreciated, providing special events and privileges, and maintaining the building and services in a manner that will instill pride in the tenants and impress their clients. This tenant retention program is conducted in the hope that tenants will not consider moving from the building at the end of the lease term. If moving affords considerable economic advantage to the tenant, the tenant retention program will probably not influence the tenant.

When there is a *landlord market* — one in which the supply of space is limited and the demand is strong — landlords feel they are entitled to the financial benefits of the market. Tenants feel the same in a *tenant*

*market* when the competition for leases is fierce. But there is merit in a tenant retention program which recognizes the dependency of each party on the other and has the potential to benefit both.

Before any tenant retention program can be developed, the team of owner/asset manager/property manager/leasing manager must be in agreement with the concept and the goals. Questions such as the following must be addressed:

- What is the timeframe of the plan? Is the plan for 2 years, 4, 10, 20? Or is it only for the period in which a tenant market exists?
- What is the plan for selling or holding the property? Generally speaking, an owner and owner representatives know the investment philosophy of the company. Pension funds and institutional investors have a history of long-term ownership. This factor of length of ownership makes a great deal of difference in planning.
- Is there capital available for designers, renovations, public relations, commissions, and tenant improvements?
- Do all members of the team agree on the philosophy of tenant retention?
- Do ideas such as newsletters, tenant events, one-on-one meetings with principal tenants, flexibility, community involvement, child care, health concerns, competition with other buildings, and bottom-line vulnerability offend the owners? Are they merely reconciled to change or eager to meet the challenge?
- Does the team recognize the need for professional evaluation, design, engineering, and public relations?
- Is there effective market research available and ongoing so that all decisions are made with accurate information on the micro and macro markets in mind?

### Team focus on concept

The property manager who succeeds in getting the team to focus on tenant retention has a good chance of carrying out a plan. It is usual for such a team to resolve the problems of marketing and leasing, but not usual for them to consider the problems

of property management, which are dismissed as housekeeping concerns. But if the property manager is to get the support, financing, personnel, etc., needed to carry out a long-term plan of tenant retention, he or she must have the enthusiastic backing of those in power.



It is said that tenant retention should begin at lease execution (or before!) and not at lease renewal. And what party is in charge at the time of lease execution? It is property management. This would mean that management personnel who were

formerly responsible for carrying out the contractual obligations of the lease are now responsible for managing in such a way that the tenant never wants to move out.



*This article is based on BOMI International's "Fundamentals of Real Property Administration" textbook. For information on BOMI designation programs and courses, visit [www.bomi-edu.org](http://www.bomi-edu.org).*

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