



The commercial classroom: Request for Proposal

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Commonly we think of an RFP (Request for Proposal) coming from a municipality when they want to hire a company for specific services, i.e. snow removal, or from a company seeking bids for their purchasing of certain materials or supplies. Some real estate owners use RFPs to select a broker to represent them in the sale or lease of their property.

The purpose of an RFP is to create a competitive situation. The source of the request for proposal states what they want done and invites "vendors" to bid on a "contract" to perform the required services. Responding to an RFP requires detailing the services the "vendor" is willing to provide and the costs of those services.

A municipality, for example, wanting to sell off surplus property may wish to hire a real estate brokerage firm to assist them. An RFP goes out to brokers in the area inviting them to present a marketing program and their fees for consideration. Or that municipality may be disposing of only one property and post a Request For Proposal in the local papers soliciting purchase bids and terms directly from potential buyers.

The RFP technique can also be successfully used by real estate agents when representing a tenant. Landlords need to keep their buildings fully rented; vacancy affects their cash flow. Given today's economy landlords may have to be aggressive to keep and get new tenants. This presents an ideal situation for the agent representing a tenant. The tenant (agent for the tenant) can create a Request for Proposal and send it to the owners of several buildings they are considering renting space in; the landlords then respond with their best "bid" to lease space to this tenant.

For this to work an RFP must be a very detailed document reflecting what the tenant would like to see in the lease and what the tenant is willing to pay to rent space in a building. Think of it as the tenant's "wish list." It lists key elements in leases; how much space is required, the rent they can pay (the tenants budget); if this includes all, or would they also be willing to pay additional rent for items like utilities or common area charges; how much they will offer as security; desired terms of the lease; any options to renew or purchase; concession periods; sign requirements; parking; insurance; build out, construction or tenant improvements required. A complete picture of what the tenant needs, what they expect, are willing to do and what they offer to pay for. The proposal will also have a time line; landlords must respond by a certain date.

The landlords who receive the proposal can now respond item by item to the proposal. We will do this, but not this. You request base rent of \$22, we are willing to lease to you for \$23 per s/f. Based upon the initial responses the tenant can now decide which building they wish to pursue. The stage for the final negotiations is set, the RFP serving as the tenant wish list, the landlord's response being their wish list. Using this technique usually results in initial agreement on many of the issues; those remaining may now be negotiated to the successful conclusion of a lease.

The competitive situation the landlords are placed in, knowing what is important to and the capabilities of the proposed tenant, allows them to decide if they want this tenant for their building. It also encourages them to present their best deal to the tenant. The RFP says to the landlord that this tenant is serious and will shortly be moving into new space in your building or another owner's building.

In representing a tenant I can't think of a better way to get them the best deal possible.

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