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Service With a Style

Commercial Tenants are Customers Too

By Ellissa Bravenec

It certainly wasn't a "business as usual" year. By the end of 2001, the effects of a national recession, the decline in the telecommunications and dot-com industries and repercussions from the terrorist attacks of Sept. 11 were stifling most of Texas' commercial real estate markets.

In Dallas, the office vacancy rate including sublet space was 18.4 percent with 3.5 million square feet under construction or renovation. The Houston market was relatively stable, but Austin had the sharpest increase in vacancy rates and the widest gap between growth in supply and growth in demand of 50 major U.S. markets.

"The year 2001 was challenging. Tenants were in a wait-and-see mode, especially after the terrorist attacks," said Jane Page,

an asset manager with Crescent Real Estate Equities, a real estate investment trust (REIT) based in Fort Worth. As one of Crescent's two senior vice presidents in charge of asset management and leasing, she tracks the profitability of a 12-million-square-foot portfolio in Houston and Austin.

At a General Services Administration (GSA) conference at The Woodlands in February, Page said, "[In 2001,] our economists told us, 'lease space as fast as you can to any credit-worthy customer you can find.'"

Little Things Mean a Lot

Page's presentation focused on leasing real estate in challenging market conditions, with particular emphasis on retaining

existing customers and attracting new ones. Crescent's strategy includes a strong customer service component, Page explained. At Crescent, tenants are called "customers," property managers are "customer service representatives," and the leasing office is the "customer service office." Instead of just managing electricity bills and elevator repairs, managers place a greater emphasis on managing relationships with tenants.

"Thinking of tenants as customers is new in the real estate industry," Page said.

When working on budgets, asset managers must weigh the benefits and costs involved in giving tenants what they want. REITs, which report earnings to Wall Street, are under constant pressure to show growth. When the marketplace is highly competitive, as it was last year, cutting expenses is more practical than raising rents. Yet sometimes money must be spent even if it cannot be passed on to tenants in the form of increased rent.

Finding out what customers want is the first step. Because of this, maintaining open communications with customers is critical. Signage, for example, may be a necessary expense if tenants want it. According to Page, even little things like sending the chief executive officer and tenant contact donuts can yield intangible benefits in the form of satisfied customers.



CRESCENT'S
50-story Trammell
Crow Center
in Dallas
encompasses
1.1 million of a
28-million-square-
foot office portfolio.
Photo courtesy of
Crescent.

Listen in Lease Negotiations

Listening carefully to customers' wants and needs during negotiations and responding appropriately builds the foundation for good customer service. Sometimes having specialists at negotiations can help determine needs. For example, if the customer wants an unusually large number of kilowatts, an engineer can explain what is feasible and what alternatives are available.

Having up-to-date technology available also helps. Crescent leasing managers are implementing a system that will enable them to pull up diagrams of available space from the company's intranet and negotiate documents online.

Page indicated that Crescent worked to maintain its rental rates in 2001 but made concessions in some lease contracts, such as free parking or free rent, which it called "early commencement." Such concessions are necessarily kept confidential whenever possible because if word were to get out the marketplace might change. Prospective tenants might expect something that was intended to be a perk.

During negotiations, leasing agents and property managers must work together to achieve the common goal of finding and keeping tenants, Page said. Without a commitment to cooperation, these two parties can find themselves at odds. For example, the leasing agent may make promises to the customer to get them to sign the lease, leaving the property manager in the awkward position of being unable to deliver on those promises. Page stressed that leasing agents should keep in mind that any special rights they promise must be doable and communicated to property managers.

Page recommends hiring a deal-oriented lawyer to facilitate the lease closing. All parties involved should understand the terms of the contract, and the landlord should understand what the tenant's expectations are. Having a lawyer who can effectively communicate the details of the lease to the tenant is a plus.

Security Concerns Elevated

After the events of Sept. 11, security became a top priority for many businesses. Crescent customers were interviewed to find out how much extra protection they wanted. Security expenses doubled.

Crescent worked with local governments and other property owners to research solutions to security issues. Loading dock hours were made more stringent, and packages could no longer be left on the dock. Building managers reissued evacuation

procedures and had evacuation drills. Concrete blocks were installed at ground level to prevent someone from driving into buildings. Even so, Page said that there was really nothing a landlord could have done that would have prevented the tragedy at the World Trade Center in New York.

Repairs, Maintenance Are Key

Prompt repairs and maintenance are a cornerstone of customer satisfaction. Page reported that Crescent is adopting a new online maintenance tracking system, Rapid On Site

Solutions. Tenants use this web-based program to register maintenance or repair requests. Each request is logged, and the tenant receives verification that the problem was noted. The only person in the building who can access the system is the customer coordinator, who receives printouts every day of what needs to be done.

Work orders are relayed by e-mail to staff in the field through handheld devices. When the work is completed, the assigned worker enters that information on a handheld

device. The system produces an accurate log of calls and when they were handled.

Measuring Customer Satisfaction

Tenant-landlord relationships were tested in 2001 when one of Crescent's largest customers expanded and, as a result, 19 tenants in a building had to be relocated based on the terms of their leases. Only one of the 19 tenants decided to leave Crescent because of the reshuffling. Page attributes this to the rapport the company maintains with its customers and the organization's high customer service standards.

Crescent contracts with CEL & Associates to survey tenants about customer satisfaction. In 2001, 86 percent of tenants surveyed responded. The survey is used partially as a motivational tool for property managers, who receive extra compensation if they achieve a rating higher than 90 percent in each category.

The emphasis on customer service seems to have paid off. In March, the company was recognized as one of the top five real estate companies nationally for customer service, an honor awarded annually by the Building Owners & Managers Association and CEL & Associates. ♣

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Crescent Real Estate Equities



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