

# Houston Agency Leasing Group

Exclusively Representing Office Landlords



## What Does Competition Mean To Your Building

### HOW TO GET MORE THAN YOUR FAIR SHARE OF NEW TENANTS AND RENEWALS

As the Houston office leasing market continues to show flat to negative absorption figures through the second quarter, the dearth of growth in tenant's office space needs has seen a reversion to musical chairs among tenants in each submarket. This begs the questions: What motivates a tenant to make a move within their submarket, and, what can you do to minimize the likelihood they will move out of your building?

The answer to the first question is varied and sometimes motivated by subjective reasons cloaked in objective logic. Here's our top list of reasons companies move within a market, despite the immense cost to do so:

- 1. Corporate Culture:** When a new boss arrives on the scene, they want to make an imprint on the company and a significant way to do that is to replace the old office space with new office space – more open work spaces, the addition of huddle rooms, change in standard office size, etc.
- 2. Working Remotely:** As a result of more businesses working remotely during the current COVID 19 pandemic, firms are rethinking their space needs, and, in many instances, they are deciding that less space can work as they revert to staggering employee work schedules. Conversely, they may become less dense and need more space.
- 3. More Modern Environment:** Replace a less modern office space with a newer one
- 4. Economics:** Achieve cost savings associated with moving versus staying put.
- 5. Amenities:** This can vary from on site to those available within walking distance. And type of amenities can play a role as well – food options, on site activity options, hotels, apartments, etc.
- 6. Building Management and Ownership:** Dissatisfaction or perceived inadequacies with building management/ownership can play a major role in tenants leaving a property. This can range from reduced or deferred maintenance in areas that tenants can see, a loss in tenant base without securing a replacement, or a slow response time to tenant inquiries, great or small.

Many of the reasons a tenant may have to move out of your building, you can and should proactively address before the perceived issues turn into actual reasons a tenant might use to eliminate your building as a potential new location, or, pull the plug on

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your renewal discussions. The following are our suggestions on how to maximize the likelihood a tenant renews their lease in your building:

- 1. Capitalize on Engagement Opportunities:** Engage your tenants at every level. Whether it's the monthly coffee and donuts in the lobby program where your management staff is front and center, or, a receptionist contacting you because the soap dispenser is empty, make the most of your interaction and assure it's a positive experience for your tenant. By the way, apps that act as initial points of tenant concierge contact are great, but hardly replace the high touch personal contact experience that helps secure your relationship with tenants.
- 2. Have an Ongoing Health and Safety Initiative Related to COVID 19 Pandemic:** You must have a plan in place that includes increased and/or refocused cleaning and common area spacing procedures. There are numerous approaches to this situation, but the minimum requirement is that you must take action to address the situation in your building if you haven't already.
- 3. Change with the Times:** Just because your building isn't new does not mean you can't change with the times, even if it means using an alternative approach to a solution that has seemingly already been addressed. One example that comes to mind is the lobby area of your building – does the furniture out of "Architecture Digest" also make your tenants want to enjoy the lobby or treat it as a museum – look but don't touch?
- 4. Be Flexible:** Tenant needs and hot buttons can vary – the way an owner approaches each prospect should be with an open mind. For example, if a tenant needs to make major renovations to make a lease renewal feasible and you have another vacancy you can move them into during construction or in lieu of remodeling their existing space, consider that option as a way to make their renewal as easy as possible.
- 5. Amenities are Key:** Just because you lack a modern food court and gathering place in your basement (see Understory Downtown if you'd like to see one), by no means should you throw in the towel on providing unique amenities to your tenants. However, if all you are offering in the way of food is the same old deli option, you may want to rethink that. There are so many ways you can create a more authentic experience for your tenants that make them want to stay at renewal time and there isn't a building in town that can't step up their game in this area. A short list of ideas include; yoga classes, food truck Friday, meditation classes, topical speakers hosted in your conference room, etc. You show us a building and we'll show you ways to make it more memorable and "sticky" to your existing and prospective tenants.
- 6. Be Responsive:** This has not changed in 30+ years. Make a point of being responsive no matter whether it's proposal terms, lease language, questions about expansion rights, temp space, or anything else – including tenant rep brokers' favorite item – paying commissions quickly! We are still amazed that an informal survey of brokers at a CCIM event uncovered that this is still the most common complaint – slow response time.
- 7. Be Competitive:** Your market information should be constantly updated and contextualized with your goals and objectives. Further, your leasing and management team should be completely focused on your building's success to the exclusion of all competing projects in your sub-market. Can you really expect a property manager or leasing agent covering multiple properties that compete with your building to get all the attention it needs?



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