

## Bob Skyscraper Negotiation Course Case Study

Silk Stocking LLC is an old line, well respected law firm and the largest tenant in The Generic Building – a mid-rise Class A, multi-tenant office building located on the corner of Main and Main in downtown Steel City, a tertiary market but nevertheless the financial heart of the state. The Generic Building was developed by Bob Skyscraper in the early 1980s and houses other law firms, a stock brokerage house and a branch bank on the first floor. Silk Stocking was the first tenant to sign a lease to occupy space in the building prior to its construction. Initially, the tenant occupied the majority but not the entire 17<sup>th</sup> floor of the 17 story, 300,000 sf building. (The 18<sup>th</sup> floor was occupied by Bob Skyscraper’s company – there is no 13<sup>th</sup> floor!) Over the years, Silk Stocking has added partners and staff and now occupies its original space on the 17<sup>th</sup> floor, all of the 18<sup>th</sup> floor and small portion of the 16<sup>th</sup> floor for a total of 30,000 rsf. Each expansion has incorporated space that was previously built for others and has been modified only slightly in an effort to save tenant improvement costs. Each floor of the building contains about 18,000 rsf of leasable area. While the space was initially designed to incorporate state of the art technologies for the law firm in 1982, the lawyers’ use of the space had changed dramatically since then.

Silk Stocking’s Managing Partner, Manley Lawyer, is a member of the same country club as Bob Skyscraper. Steel City is a smallish city and most everybody knows or is related, by birth or marriage, to everyone else. While Manley and Bob are golfing buddies, Manley’s partners know that Bob Skyscraper is an astute business man who has a reputation for being “tight” and has been known to hold out for the very last dime. Silk Stocking has, therefore, hired a tenant rep broker, Stud Andrews, from the Next Big City to handle their negotiations. Stud Andrews has studied the Steel City real estate market and has determined, while there are a number of attractive suburban opportunities, there is one other Class A office building in the downtown market that would provide the right image for Silk Stocking and has enough available space if Silk Stocking now were to move. It is located at the same high visibility intersection. It is a 32 story building that is ten years newer and charges \$24.00/SF rents, has higher TI costs than The Generic Building but is reported to be offering one year free rent to new tenants. If Silk Stocking were to remain in The Generic Building, a costly and major re-working of the space would be necessary to eliminate the 1,500 square foot Law Library and the equally sized, on-site file storage room with its now empty high-density rolling file system.

Stud Andrews has crossed swords with Bob Skyscraper before and knows that, when folks refer to Bob as an “S.O.B.,” they don’t mean he is the son of Bob Skyscraper, Sr.! Stud would, like most tenant reps, rather deal with Bob Skyscraper’s friendly and accomplished Broker, Magnolia (“Maggie”) Blossom, to work on a proposal to extend Silk Stocking’s lease.

Silk Stocking has two years remaining on their existing lease. They are aware of the timing and planning involved to either relocate or re-configure existing office and would like to enter into a new lease somewhere as soon as possible. Stud calls Maggie Blossom to let her know he will be in town next week and is bringing with him a Next Big City architect's diagram of needed TI renovations, a Request for Proposal for a new lease term asking for a turnkey build out and a representation letter demanding he be paid a 4% leasing fee. Bob realizes that if he has to pay Stud a 4% fee, then Maggie will also want to be paid as if this is a new tenant and his total leasing fee will now be 6% of the negotiated rent going forward.