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professional services

A new twist on an old process to buying property - a lease abstract specialist

By Elliot Zaks, Madison
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Planning to buy a chain of retail stores? A shopping mall? An office building? An integral part of the process is learning about the current leases. You need to know the terms of the leases and how those lease terms will affect your transaction. In the past you would probably have given this project to the law firm handling your due diligence work. Now, you might consider another option—a lease abstract specialist.

The Function of a Lease Abstract

A lease abstract is a summary of key lease provisions presented in a brief, but organized format. De-

pending on your situation, you may need an abstract of an entire lease or leases, or you may be looking only for very specific lease provisions. Either way, an abstract gives you the information you need in an easy to use format. If you need abstracts of multiple leases, you can also get a summary report that consolidates the abstract information in one place. That can be a real time saver.

Why a Specialist?

Consider what happens behind the scenes when a law firm reviews commercial leases as part of a due diligence effort. For the law firm, the leases are a small piece of a big project. So, they are typically handed off to junior associates or paralegals—each of whom has his/

her way of doing things. Add to the mix the fact that while some of these associates or paralegals have experience with lease review others are complete novices, and what you get is mixed results. And, some fairly steep fees.

In contrast when you select a specialty firm for commercial lease review you get a staff of real estate professionals, who have been trained specifically to review leases and produce accurate abstracts. You get consistent results because all the reviewers follow the same procedures and guidelines. Management monitors quality closely. And, you save money.

One Example

One such specialty company is LeaseProbe, LLC, a Madison Com-

mercial Real Estate Services company, headquartered in Lakewood, N.J. According to CEO David Tesler, "With more than 100 full-time professionals on staff we can generally produce lease abstracts for less than half of what the law firms charge, and we do it in a fraction of the time.

In fact, many law firms have started to turn to us for lease abstracts. Small and medium size firms just don't have the manpower to do extensive lease review. And, large firms are finding that their associates' hourly rates of \$250 and up are more than the market can bear. So, outsourcing this aspect of the project makes sense."

As an example, Tesler cites a recent assignment from a large law

firm in which they were asked to abstract the Assignment and Subletting provisions of 250 commercial leases to find out if a proposed merger would trigger an assignment prohibition. LeaseProbe was able to turn this assignment around in five days—a job that would have taken the law firm two or three weeks to complete in-house. Better still, they did it for about 50% of what it would have cost the client had the law firm assigned their own staff to the task.

Specialization works because it allows vendors to develop true expertise in their chosen area and put the staff and systems in place to do the job efficiently.

Not Just for Investors

Although lease abstracts are part of a commercial investors' due diligence work, there are other parties who find them valuable as well:

- Lenders and investment banks—who need to verify the income and viability of a property before authorizing a loan;

- Large tenants—who lease numerous commercial properties and need organized data on their lease responsibilities and costs, and;

- Brokers, attorneys & accountants—who don't want to tie up their staff to do the work.

Specialization Is the Trend

The emergence of lease abstract specialists is yet another example of the trend toward specialization in the real estate services market. Following the pattern of other professional services organizations—accountants, attorneys, medical professionals—real estate service companies are finding a niche and concentrating their efforts in that area.

Specialization works because it allows vendors to develop true expertise in their chosen area and put the staff and systems in place to do the job efficiently. The jack-of-all trades just can't compete on quality, turnaround time or price.

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