Conflicts of Interest in the Field of Tenant Representation
Abstract

The role of a tenant representative is to represent an occupier in legal and financial matters that regard the occupier’s premises. Companies in the tenant representation industry are commonly providing not only tenant representation, but also various other services within the field of real estate. Conflicts of interest can appear when the same tenant representation company works with not only occupiers but with landlords as well. Conflicts can also appear when providing several separated real estate services if the tenant representation companies choose to carry through the services in ways that are the most profitable for themselves, but not for its clients.

A principal-agent problem might occur when there is asymmetric information to the advantage of the tenant representative. The thesis can be viewed as an international analysis, which seeks to investigate how tenant representatives perceive conflicts of interest, and how they manage such conflicts if they appear. These are questions that has to be answered in order to determine the importance of conflicts of interest within the industry, which is why interviews with key persons in major global tenant representation companies has been carried through, in person as well as over the phone. These interviews are the foundation for the results of this thesis in combination with responses from a survey that was performed among people in the tenant representation industry.

The importance of conflicts of interest in the field of tenant representation varies across the world. The size of the company client will also determine how conflicts of interest are prioritized for the client. While most in the industry seem to agree that conflicts of interest do exist in the field of tenant representation, there seems to be disagreement regarding whether or not such conflicts can be managed, and if they present an issue.
ACKNOWLEDGEMENTS

This thesis is written at the Royal Institute of Technology, KTH in Stockholm during the spring of 2013.

The inspiring support and guidance from my supervisor Olof Netzell and the extensive response from the interviewees and survey respondents has been very rewarding when working to reach interesting and substantial results and conclusions. My special thanks go out to Charles Walckenaer and Matthieu Guizard at AOS Studley in Paris, Hugh Stallard at AOS Studley in London, Julie Steffen at Jones Lang LaSalle in Chicago and James Crisp at Cushman Wakefield in London for their generosity of answering my questions thoroughly and with great interest in my work. I would also like to thank my loved family for their support and motivation provided throughout the time being.

Jesper Cronsoie, 2013-05-17
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1. INTRODUCTION

1.1. BACKGROUND

Services performed within the field of tenant representation work to provide guidance and consultancy for an occupier in legal and/or financial matters related to the occupier’s premises. Exactly which services that lie within the field differ depending on whom you ask, but most seem to agree that the services should all be performed to represent and benefit the occupier. While the reasons for hiring a tenant representative vary, one might consider lower premises costs and more space efficient premises as examples of results of how a company could benefit from hiring a tenant representative.

1.2. QUESTION FORMULATION

Which conflicts of interest are by tenant representatives perceived to be the most important in the field of tenant representation?

How are conflicts of interest prioritized among tenant representatives?

Are the tenant representatives providing services in ways that they consider following good business ethics?

How well aware are occupiers or clients of the possible existence of conflicts of interest?

1.3. METHODS

1.3.1. QUESTIONNAIRE SURVEY

80 employees of companies active within the field of tenant representation were asked to participate in an online questionnaire survey that was carried through with the help of a web application called Survey Monkey. The survey consisted of 10-11 questions depending on whether the responding person did state that he or she represented the tenant exclusively or not. The questions were formulated to cover different aspects of conflicts of interest within the field of tenant representation and the survey was expected to take no more than five minutes to answer. Each corresponding person received a link entailed in an email. Various alternative services such as Esurveyspro.com and Freeonlinesurveys were discussed but Survey Monkey turned out to be the most accessible alternative with the possibility to compile the results with a good overview. Out of the 80 people who were asked to participate, 20 had left their positions or were not the right person to speak to regarding tenant representation matters. Of the remaining 60 people, 15 responded to the survey and 11 completed it. 10 of these 11 respondents are from Sweden. The incomplete answers from the survey have still considered part of the work material.
1.3.2. **Follow-up Phone Calls**

Follow-up phone calls were performed to try and reach out to the persons who did not complete the survey. The purpose with the phone calls was to increase the amount of answers as well as to offer an alternative way to answer the questions if one was not comfortable in answering them by mail or simply did not have the time to. The phone calls were carried out on the Friday and the Monday that followed the email send-out. The respondents were also given the opportunity to answer the questions more extensively.

1.3.3. **Direct Interviews**

Direct interviews were carried through with five interviewees whom all have senior positions in companies within the field of tenant representation. The interviewees were chosen because of their positions in the companies they work for and their experience from working in the field of tenant representation. Thus possessing the ability to answer the interview questions thoroughly and honestly with strong credibility. Three interviews were performed in person in Paris, France and two interviews over the phone. The purpose of the interviews was to gather more thorough information concerning the conflicts of interest and how they look at the tenant representation industry.

1.3.4. **Previous Research**

Various literature and previously written theses have been used as background material for creating the framework for defining the tenant representation service and what it means to companies as well for the understanding of conflicts of interest and the principal-agent problem.

1.3.5. **Restrictions**

The thesis is restricted to mainly discuss the Swedish, US, UK and French market in order to create an internation analysis of conflicts of interest in the field of tenant representation. Even though tenant representation services are not limited to exist in these countries only, they have been chosen in order to provide the most relevant background for discussion and analyses according to my own notion.

One should always keep in mind that there is a pending risk that the respondents of the survey and the interviewees answer according to what their company policy permits. This is an obvious restriction in the way that the answers might not reflect the real world situation and there might be omitted data. The combination of direct interviews and survey seek to provide information that offer a better overall and unbiased view of the industry and the conflicts of interest.

The responants from the survey are mainly Swedish (10 out of 11 completed) and is believed to have answered the questions as if they were concerning the Swedish market only. The results of the survey should therefor be considered only to reflect the Swedish market and
do because of this only work as limited material concerning the Swedish market.

It might further on be possible that some of the persons that were contacted to respond to the survey might not do so because answering might risk hurting their reputation and branding or might just be unprofitable for the company.
2. Theory and Previous Studies

2.1. The Tenant Representation Service

2.1.1. Defining Tenant Representation

As previously mentioned, the main idea with the tenant representation services is to provide guidance and consultancy for an occupier in legal and/or financial matters that regard the occupier’s premises. A tenant representation company is hired to help the occupier to achieve a more profitable outcome when e.g. relocating or renewing its lease of premises. The tenant representative’s knowledge and experience from within the industry is known to be an asset in order to achieve that more profitable outcome for the occupier.

Figure 1 – Illustration of the relationship between an occupier and a landlord. The scheme to the left without a tenant representative, the scheme to the right with a tenant representative.
Exactly which services a tenant representative takes on vary among the tenant representation companies but the following ones are the most frequently mentioned among the company in the industry:

- Premises search
- Lease negotiation
- Renewals
- Market analysis
- Termination of lease
- Disposal and Acquisitions
- Contract management
- Relocation management

These are all services that do not appear on a very frequent basis, which often leads to a lack of knowledge and expertise among the client company’s internal resources (Hörlin, 2011). Tenant representation companies aim to perform the needed services in order to reach a result that is more profitable than what the client could have achieved if taken care of by an in-house resource (Malmestål, 2012). The tenant representation companies have tenant representation as one of their core businesses, which ensures a higher level of expertise than a company that has its core business within another field of business. Examples of benefits with hiring a tenant representative are lower premises costs and more space and cost efficient premises (Hörlin, 2011). One might think of the tenant representation services as such services that give occupiers the opportunity to achieve an improvement in their premises situation; it could be through e.g. relocating the operations, disposal of premises, acquiring new premises or renegotiating the current lease agreement.

**Figure 2 - A model that illustrates what the occupier and the landlord commonly wants to accomplish in negotiations**
2.1.2. Compensation models

To fully understand the motives of a tenant representation company, one needs to understand the compensation models that are used when hiring a tenant representative and paying for the performed services. The most frequently used compensation models follows:

- **Incentive based** – The compensation is based upon the amount saved in comparison to the current contract. This is applicable both on renewals and relocations since a new contract is signed either way. Rent discounts, rent-free months and lowered relocation costs are often taken into account when calculating the compensation. Many consider the incentive based compensation model to be a win-win model.

- **Hourly rate** – The client pays the consultants by the hour and is therefore able to track the costs easily. This compensation model is not affected by the performance of the tenant representative.

- **Fixed/Incentive based** – The client pays a fixed starting fee plus an incentive based compensation. The fixed fee is the minimum compensation and assures that the tenant representation will receive some compensation no matter what. The incentive based compensation is lower in this model compared to when used alone because of the addition of the fixed starting fee.

- **Success Fee** – The tenant representative gets paid as a share of the amount saved benchmarked from the landlord’s first rent offer (Ultenius, 2007).

Compensation models are structured differently in the US compared to the other markets discussed in this thesis. Instead of the occupier paying the tenant representative by the hour or as a share of the spared rent, the landlord pays the compensation. The landlord pays a brokerage fee that generally varies between 4-6% of the lease; this is to cover the compensation of the landlord’s broker. If the occupier decides to use a tenant representative, that representative gets to share the brokerage fee with the landlord’s broker (Rosenblatt & Stein, 2010). Such a setup creates completely different type of incentive for why the tenant should hire a tenant representative - it does not present an up front cost for the tenant. The question remains to be asked what motivates the tenant representative to lower the rent for the occupier since doing so will decrease the compensation for the tenant representative (Hörlin, 2011).

![Figure 3 - How Compensation for Tenant Representation Services is Paid in the US](image)
2.1.3. The Tenant Representation Market

Tenant representation is an expanding industry in Sweden, though still significantly more developed in Stockholm, Gothenburg and Malmö than in other parts of the country (Hörlin, 2011).

Globally, the level of maturity varies significantly between markets around the world. The US and the UK markets were the first ones to see companies working as tenant representatives and many consider these markets to be far more developed and mature than others. In Sweden, the first companies started working with tenant representation in the early 1990’s and the market has since grown from just involving a pair of actors into a competitive market with companies that specialize only on tenant representation as well as real estate companies with services that cover many more services then tenant representation. Though Oslo and Copenhagen are maturing markets that are relatively developed, Stockholm is still considered as the leading market in the Nordic countries (Hörlin, 2011).

2.2. Conflict of Interest

2.2.1. The Loyalty Conflict

A conflict of interest in loyalty might appear when companies providing tenant representation services work also are providing landlord representation services and thus working with both occupiers and landlords. The companies in the tenant representation industry can be divided into two groups; companies that work only for occupiers and companies that offer tenant representation services as well as services to assist the landlord in similar matters. Representing both occupier and landlord could be a questionable setup since the occupier and landlord want to achieve different goals. This follows since the tenant representative is supposed to be working to provide the occupier with the best possible premises situation with the most suitable lease agreement, but at the same time the tenant representation company works to provide the landlord with a tenant who pays as high rent as possible and occupies the premises for the desired period. The two counter parts, the occupier and the landlord, have opposite incentives thus creating a risk of a conflict of interest in loyalty to appear (Hildoff, 2004).

Figure 4 - Illustration of the relationship between a tenant and a landlord when the same company represents both parties.
2.2.2. Principal-Agent Problem

The Principal-Agent problem addresses the question of whether the company performing the services (the agent) acts in the client’s (the principal’s) best interest or in its own. The agent may have access to different information than the principal. This information is more commonly known as asymmetric information. The asymmetric information can make it possible for the agent to act in its best interest without the principal even being aware about it (Investopedia, 2013). The asymmetric information is what enables the existence of a Principal-Agent problem and also what is causing it (Miller, 2005).

![Figure 5](image)

**Figure 5 - relationships of interests according to the principal-agent problem**

The principal, in this case the occupier, is hiring a representative to act on its behalf. The principal is the taskmaster and is the one who assigns the task or the assignment. In order to get this task done, the principal is compensating the agent (Sundström & Jansson, 2000). The lack of information, market knowledge or the experience within the real estate area makes it more expensive for the principal to carry through the assignment than what it would have been for a company with its core business within real estate (Miller, 2005).

The agent who has its (or one of its) core business in this case within the field of tenant representation, performs this type of services frequently. The agent therefore possesses a great amount of information, has higher market knowledge and experience from previous cases (Miller, 2005).

To exemplify the principal-agent problem, the following scenario could be considered; the agent is probably well aware of the rent levels in each and every area and knows the landlords way of working, how much the landlords first offer can be lowered and which special terms in the lease agreement that are important to keep track on in order to establish a good premises situation for the occupier. The occupier most likely deals with matters that regard their premises only when the current lease agreement is due to expire or if a problem develops with
the premises and action has to be taken. The lease agreements usually stretch around three to five years which makes premises a topic not very often handled (Steffen, 2013). To have employees with this knowledge in-house might not be profitable for the occupier because of how seldom the real estate services are performed. The occupier might because of this look to hire a representative that not only have the knowledge and experience within the field but also are able to carry through the representation to a much lower cost than what would have been if taken care of in-house. The relationship now consists of two parties with different levels of information and knowledge and that is what is defined as asymmetric information (Miller, 2005).

What could happen when dealing with asymmetric information in a business relationship is that the principal cannot know that the agent acts in the principal best interests. The agent can act unethically without the principal knowing anything about it. Let us pose a situation where the landlord is bribing the agent (tenant representative) during a premises search for the favor to select its premises, emphasize these and promote them to a larger extent than other landlords’ premises when presenting them to the principal (occupier). The principal are unaware of the bribing situation and are advised to proceed with the promoted premises and due to the principal’s lack of market knowledge it trusts its agent.

The problem that occurs when people might be acting immorally is part of the Principal-Agent problem and is often referred to as moral hazard (Miller, 2005). Whenever an agent can benefit from keeping the information hidden from the principal there is risk for moral hazard. Moral hazard is not unique for the field of real estate or tenant representation and appears in other fields of business as well. A typical example is taken from the insurance business where the insurance companies are not always aware of what e.g. caused the damage to a phone that was claimed as damaged. If the damage has been caused by the customer on purpose, the insurance company should not have to pay for a replacement phone and therefore needs to set up some clear rules by writing a contract or an agreement with the customer that clearly specifies during what circumstances the insurance is valid. The situation is comparable to the field of tenant representation where an agreement could be signed between the agent and the principal to straighten out what the relationship involves and what the expectations are. One might consider such agreements additionally important in the tenant representation industry and other real estate industries because of the magnitude of sums involved.

In tenant representation there are several different actors, all of them have their own incentives and drivers. Assuming that the tenant representative (agent) wants to earn as much money as possible by performing services that will result in an economical compensation. It is important to keep in mind that the tenant representative has tenant representation as its core business and has to leverage from this just as any other company needs to from their corresponding core business.
One might consider that the occupier (principal) wants to lower its premises costs and establish the best possible premises situation for the paid rent. The premises cost is often one of a company's top expenses, which means that even a small change might be of large impact for the company. To follow the previous example of how tenant representatives wants to maximize their profits, the occupier is most likely wanting to do so as well. One might also assume that the landlord wants to lease their premises to the highest rent possible, without risking losing any occupiers causing any vacancy in the premises. It should not be forgotten that there is many other factors of the lease agreement that affect the outcome of the lease for the occupiers e.g. exit options and costs for heating, cooling, water, customization of premises to mention a few. The landlord representative leverages from getting occupiers to move into the landlord’s premises with lease agreements that are as profitable for the landlord as possible.

These four, recently described, actors all have different incentives and they are working to achieve different goals. The occupier and the tenant representative might be working towards the same goal, but they still have different incentives that drive them towards it.

The existance of a principal-agent problem reflects back on the compensation models, which are in most ways shaped to align the incentives between the actors as much as possible. However one should be aware of that the incentives might still vary, and thus causing conflicts of interest to appear.

2.2.3. ASYMMETRIC INFORMATION

Given that the landlords and the occupiers have completely opposite goals that they want to accomplish at the completion of the assignment, the two will try to gather as much information about the opposite actor as possible and keep as much of its own information as possible confidential. By doing this one hope to avoid a situation where the opposite actor gets the advantage of knowing how far the opposite player is willing to go and how much it is willing to pay for the premises. Such a situation would leave no room for negotiation and even enable the opposite actor to push the negotiations even further to its advantage. Consider the scenario where the landlord or the landlord representative has received leaked information from the tenant representative regarding the occupier’s specific requests for a certain listing. The landlord and the landlord representative are now in a peculiar position when negotiating the lease terms since landlords and their representatives know that the occupier wants those premises regardless of the cost of it. On the other hand would the occupier and the tenant representative benefit from knowing the landlord’s situation and the market since a scenario where the landlord is desperate to let premises due to the absence of rent otherwise will open up for the tenant representative to lower the rent.
3. Results

3.1. Tenant Representative’s Viewpoint

When it comes to conflicts of interest, the various companies look at the conflicts from different angles. Some argue that the conflicts are being managed while others believe that conflicts cannot be managed. Mainly three arguments are being used to why there is no such thing as an issue with conflicts of interest and these three will be described more in detail later in this chapter. These three arguments were commonly used and known among the interviewees and are from now one referred to as The Third Party Solution, The Chinese Wall and The Relationship and the Reputation of Tenant Representatives.

While everyone seems to agree that conflicts of interest exist, not all consider it to be an important problem. It is once again a question of whether or not it can be managed and this is where the interviewees’ opinions differ.

3.1.1. The Third Party Solution

A conflict can arise when the same real estate firm is representing the landlord and the occupier for the same property. Some of the tenant representation companies believe that a conflict can be avoided by taking use of an external company to objectively execute the tenant representation service. By doing so, it is believed that one can dodge the conflicts of interest in loyalty and be able to help the client out while still acting in an unbiased manner.

While this might seem as legit at the first glimpse, one might question if the external firm is completely objective and unbiased. Some of the interviewees believe that is not the case. The hired real estate firm and the external firm are in some way in business together and the external firm might still be acting in ways that might favorite the properties for which the originally hired tenant representative is representing the landlord. The input and representation of the external

![Figure 6 - Illustration of how a third party introduced to avoid conflicts of interest](image-url)
tenant representative will not be unbiased if their recommendation favorites properties that belong to sponsored landlords. In other words, one need to assure that the external firm is completely unbiased in order for this solution to rule out conflicts of interest. Assuring that the third party is unbiased might be hard to accomplish due to the natural relationships between the external tenant representative and the original tenant representative.

3.1.2. The Chinese Wall

The Chinese wall is an expression used by all of the interviewees and represents the internal division of resources working with tenant representation services and the resources working with landlord representation services. By separating these so called teams and making sure there is no sharing of information between the two, the real estate firms supposedly can make sure that the same company can represent both landlord and occupier at the same time. The team working with the occupier does not have anything to do with the team working with the landlord; hence the expression of putting up a Chinese wall between the two is being used. They use different computer systems, sit in different spaces or different parts of spaces and are supposed to not know anything about the other teams’ operations. The survey answers also show that respondants believe that this argument does eliminate the existance of conflicts of interest.

This setup is considered as water proof by some companies, while others see major implications because they believe that the information actually is spread between the different teams even though it is told not to. Walckenaer describes the Chinese wall as only 1 centimeter high and Stallard mentions that all brick walls have cracks and loose bricks in them. An implication is that it is hard to keep the information within the team since even if the resources do not work together or in the same space, they still eat lunch at the same restaurants, they go to the same bathrooms, they might know each other on a private note which means that information is informally or formally shared between the teams resulting in cracks in the so called Chinese wall.
3.1.3. The Relationship and the Reputation of Tenant Representatives

It is believed by some of the interviewees that in order to stay alive in the business of tenant representation, one needs to keep the relationship with its client alive and ensure that this relationship stays healthy in order to get repeat business. If the best job is not being carried through and the consultancy is not profiting the client then the trust is broken. Most companies consider it crucial to remain on good terms with the clients since not doing so might result in dissatisfied clients and not getting any repeat business. In today's society where sharing information is just a click on the computer mouse away, the word will easily spread if a company does not act professionally nor does a bad job. One interviewee repeated the expression "one is only as good as one's latest job" and referred to the fact that staying on top of the business and constantly providing top level services is crucial to keep the good reputation and get repeat business just as well as reaching out to potential customers as the best alternative when they might be looking to hire a tenant representative.

Even though this is agreed upon by most, it does not necessarily ensure that conflicts of interest are avoided or managed. Even exclusive tenant representation companies works to provide the best possible service and the relationship argument is by some considered as “weak”.

3.1.4. Corporate Solutions and Panel Setup

The tenant representation services are relatively seldom performed, it usually takes between three to five years before the lease is due to be renegotiated. The same client will only bring new assignments once during these periods. Guizard mentions that some tenant representation companies have therefor introduced what they refer to as corporate solution services. These are services that involve other real estate services as well as tenant representation in order to keep the relationship more vivid and alive while also ensuring that all of the occupier’s real estate matters are being managed. The market is, according to most of the interviewees, trending towards more popular demand of corporate solutions, something that might create a more honest and transparent atmosphere as well as keeping the industry free from unserious actors.

According to Walckenaer, setting up panels for global accounts is another way of customizing the corporate solution setup for larger company clients. One company can be responsible for one type of real estate assignments in one area or market and responsible for another type of assignment in another market. For example, company X is responsible for client Y’s tenant representation in North America, asset management in EMEA and project management in Asia/Pacific. Through this panel setup, the real estate firm is able to ensure higher quality results for its clients.
3.1.5. Importance

In markets like the UK and US, the tenant representation market is considerably high developed and mature and there are no dominant market shares. In combination with a large amount of agents, brokers and landlords and high transparency from the tenant representation companies towards the clients, the options are considered by some to be enough to make sure that there is no risk of conflicts of interest to appear. ISO standards and internal codes of conduct are used to ensure high quality and living up to the quality standards.

Business ethics is believed to influence the way companies on the market acts. These ethics are different around the world and what is acceptable in one country might not be acceptable in another. There is a conceived correlation between business ethics and how mature the markets are, even though not to a complete extent. The Moscow market is mentioned as an interesting example. The Moscow market is relatively mature and well established but the way business is being conducted is still very unique for that market and does not look much alike other parts of Europe. One should always bear in mind to be careful about generalizing. The variation in business practices and ethics across the world is perceived to present a big challenge for the industry.

Conflicts of interest are not a prioritized issue according to Crisp and the current system can remain functional when relying on quality standards (ISO’s) and codes of conduct. Many seem to agree that neither the companies in the industry nor the clients prioritize the loyalty conflict. However, it is believed to trend towards a change due to an increased amount of cases where the loyalty conflict has caused serious collaterals for occupiers. When something goes wrong in a tenant representation project, that is when the client awareness increases and the conflict becomes a more established issue in the industry. Until anything goes wrong, few seem to care because they forget about the deal once it is done if a major implication or scandal has not occurred.

Larger companies tend to sign with large and well-known tenant representation firms for several reasons. The most easily described reason is when the client demands the amount of resources and workforce that can only be handled by a larger tenant representation firm that is capable of providing enough resources to get the job done. Some believe that the larger tenant representation firms are being hired simply out of insurance policies. By insurance policies means that the person responsible for real estate within a client company can fall back on the fact that he or she chose the biggest actor on the market which should be considered as a good choice and thus cannot be blamed for making an irresponsible choice.

Conflicts of interest are according to some only relevant to tenant representation projects involving small businesses since conflicts of interest will affect them to a larger extent. The large company clients
may not see conflicts as a big issue and possibly even rule it out because it does not present a threat to them. It is considered much more important to get a hold of the premises that are wanted, even though the result is to pay higher compensation.

3.1.6. The Bigger Picture

The tenant representation services do not leverage nearly as high compensation for a real estate company as disposal and acquisition services or from what is commonly referred to within the industry as \textit{capital markets}. Capital markets involve services such as portfolio management, investment management, disposals and acquisitions and transaction advisory among others. A real estate company might carry through a tenant representation project in a way that does not result in a large compensation for that real estate company, but it will enable another branch within the same company to put the property on the market for a significantly higher price now that the change of occupiers has increased the property value. The result is in most cases a compensation that is significantly higher for the capital market services than the deficit in leverage from the tenant representation project. In other words the deficit from a tenant representation project can be consciously situated because it will leverage a larger profit in a transaction or similar capital market project. This way of making business is questionable what goes for both business ethics and loyalty to the client and is, according to many, not defendable in any way.

A historical example can be seen in a case from back in 2007, when the Norwegian banking company \textit{DnB Nor} signed the lease agreement for their new premises on Kungsgatan in Stockholm \textit{Central Business District} (CBD). The seven year long contract comprised premises with a total area of \(8000\) square meters at estimated rent levels of \(3500 – 3800\) SEK/square meter (Fastighetsvärlden Idag, 2007). The mentioned contract filled up \(8000\), previously vacant, square meter office space in a property consisting of a total of \(10\ 000\) square meter of office space (Fastighetsvärlden Idag, 2007). The property was owned by the fund \textit{LaSalle Euro Growth II} for which \textit{Genesta Property Nordic} was hired as investment manager and carried through the letting process. \textit{Jones Lang LaSalle} was hired as \textit{Dnb Nor’s} tenant representative (Fastighetsvärlden Idag, 2007). Later in 2007, the fund \textit{LaSalle Euro Growth II} decided to sell the property and the previously mentioned \textit{Genesta Property Nordic}, asset manager for the fund, hired Jones Lang LaSalle for the disposal service (Fastighetsvärlden Idag, 2007). \textit{LaSalle Euro Growth II} is owned by \textit{LaSalle Investment Management}, a subsidiary to \textit{Jones Lang LaSalle} – the company which represented the newly signed tenant, \textit{DnB Nor}, and also responsible for the disposal project.

The signing of \textit{DnB Nor’s} contract came just months before the public announcement was made that the property was being sold. One might question if the tenant representative operated with according to good business ethics when providing the best possible solution for \textit{DnB Nor} when the signing not only accommodate \textit{DnB Nor} in new premises, but
as well zeroed down the 80 % vacancy rate in office premises in the property which their subsidiary (LaSalle Investment Management) owned and for which they (Jones Lang LaSalle) were responsible for the disposal project.

According to Stallard, for every tenant representation case there is two landlord representation cases. Meaning that it is more profitable for the companies working with both tenant representation and landlord representation to focus on the landlord representation services since this leverages more income thus causing the tenant representation services to end up in second hand.

3.1.7. Compensation Models and Incentives

3.1.7.1. The American Compensation Model

To some of the interviewees, the compensation model used in the US is not creating any incentives for the tenant representative to reach a better deal for the occupier since doing so would not increase, but decrease the compensation for the tenant representative.

Others argue that working in accordance to the American compensation model provides the tenant representative firms with more knowledge and a better overview of the market and that their professionalism should be enough for their clients to ensure that the representation process is carried through for establishing the best possible outcome for the occupier. The tenant representation companies mean that they would neither be trustworthy nor competitive if they would act in ways that would not be the best for the occupier.

Hildoff mentions that the decision to only represent the occupier is more in focus in Sweden than in other countries.

The compensation model used in the US is by multiple interviewees considered to be very old fashioned and is working only because it is just the way it has always been and the market do not seek to change it since the tenant representation service does not cost the client anything up front and still leads to a better situation than what would have been if the decision would be made not to hire a tenant representative. The setup makes the tenant representation service very easy to sell in the US since the client is still better off hiring a tenant representative than not doing so.

3.1.7.2. Offer Inflation

A problem with the success fee compensation model could occur if the tenant representative gets paid as a share of the difference between the landlord’s first offer and the final, signed agreement, if following scenario is considered:

The tenant representative collects a first offer that is consciously high and nothing has been done to improve the occupier’s terms. This, inflated, offer will enable the tenant representative to negotiate the rent down to a level that might not be immoderately low, but still
considerably lower than the first offer. By inflating the offer in this way, the tenant representative is able to collect a higher compensation. The phenomenon is widely known and referred to as *offer inflation* and is very common in low transparency markets such as in China and India.

From the first look it can seem natural to try and align the companies’ incentives, however it seems to be hard to achieve since there is a basic understanding in the industry that every company works to stay profitable. The client are able to choose the compensation model that works best for the client in order to try and align the incentives and create the best possible outcome for the client. Most tenant representation companies offer quiet a few options of compensation models and the most suitable one can be chosen by the client.

**3.1.8. Transparency**

Another perspective is that even though working only for occupiers does in fact eliminate the possibilities of a landlord-occupier based conflict of interest, it does not necessarily make it a key differentiator. There are many other factors that occupiers select their tenant representative by, such as experience, reputation and trustworthiness. Transparency is considered as a must by many today and in order to retain your clients you have to perform time and time again to maintain the reputation and trustworthiness you need to keep your business moving forward and getting repeat business from clients. The transparency is an underlying fundament for the mentioned Relationship and reputation argument used in the industry.

The UK and US market is considered by the interviewees to be very transparent with higher client awareness than elsewhere, most likely because of its level of development and matureness. Some tenant representative firms, when questioned if there is any risk for conflicts of interest, explain to the client how they work to ensure that there is none that will affect the performed work. One way of doing this is in very fine print on the service agreement. Others explain that there certainly is one, but that they are not affected by it since they only work for occupiers. Because of the difference in how tenant representation companies perceive conflicts of interest, a gap in perception is presented depending on the business strategy of the tenant representation company.

**3.1.9. Client Awareness**

The trend is, according to some interviewees, that tenant representation companies on most markets are becoming more transparent in order to stay on top of their business sector and retain the trust from the occupiers. Increased awareness among the occupiers or clients what concerns conflicts of interest could lead to less companies trying to take advantage of clients (principal agent-problem) since the information is less asymmetric now that the client is more aware. Increasing the client awareness even more could be an important step towards a more honest and open tenant representation
market. Increased client awareness might not change the need of expertise within the industry and the demand of tenant representatives could remain the same. However, a more trustworthy relationship between the client and the tenant representative arguably could lead to increased customer satisfaction and higher reliability for tenant representatives. Over time, clients’ expectations of the representatives would likely change and the transparency become a requirement from the clients. The industry might never become completely transparent since the client cannot monitor every single thing the tenant representative does and the information it receives. The information may in many cases always remain asymmetric, but the increased awareness will take the industry steps towards becoming more honest and open.

9 out of 10 from the survey believe that the clients are either well aware or aware of conflicts of interest. As mentioned, these answers are most likely to reflect the Swedish market, showing signs that the clients on the Swedish market are relatively aware of conflicts of interest.

According to the survey, the awareness of consequences of unloyalty seems to be increasing. However, as previously mentioned it is believed by some interviewees that a significant increase of client awareness only happens when something goes wrong and when that happens it opens up opportunities for the companies that brand themselves as free of conflicts to win over the clients who has been affected by conflicts of interest.

### 3.1.10. Different Conflicts of Interest

According to Guizard, conflicts of interest are not limited to occur when performing services for both occupier and landlord. Conflicts of interest can occur when tenant representation companies perform services that involve several areas that might lead to other, different, follow-up repeat business from that same client. Consider the case where a tenant representation firm performs tenant representation, project management as well as furniture procurement is hired to perform a premises search. The tenant representative may select and present listings that prioritize premises that need remodeling in order to lead the client into hiring the tenant representation company for the project management service. Or if the decision stands between relocating or remaining in the current premises, the relocation alternative might be promoted only to present to the client the possibility for them to also carry through a furniture procurement project that might be needed.

These conflicts of interest might present a challenge for companies that consider themselves as free of conflicts since even though they remain loyal to the occupier, they might not be completely free of conflicts.

The survey shows that most tenant representation companies offer other services than tenant representation. In fact, all of the respondents that stated that they represent the occupier exclusively do offer some other services than tenant representation.
4. CONCLUSION AND ANALYSIS

4.1. CONFLICTS OF INTEREST IN THE FIELD OF TENANT REPRESENTATION

There seems to be little, if any doubt that conflicts of interest do in fact exist in the tenant representation industry. However, a few things can be said about the importance and prioritizing of such conflicts:

- Conflicts of interest are more prioritized and more of an issue in some markets than in others. It is considered much more of an issue in Sweden than in the US for example.
- Conflicts of interest affect smaller company clients to a larger extent than larger company clients.
- Companies in the industry are unable to agree whether or not conflicts of interest can be managed.

So while there are conflicts of interest in the industry, these do not seem to be on people’s (neither clients nor real estate companies) agendas and are considered to catch the attention of the clients only when something goes wrong in a tenant representation project or if a scandal occurs.

There are different sorts of conflicts of interest in the tenant representation industry. The conflict of interest in loyalty that can appear when the same real estate company is working for both landlords and occupiers has been in focus throughout this thesis, but it is not the only conflict of interest that exists within tenant representation.

Companies that work for both landlords and occupiers consider themselves able to manage possible conflicts of interest while others believe that the arguments these companies use to ensure that they are free of conflicts, are not enough to rule out conflicts of interest.

The tenant representation industry is neither the largest within the real estate sector, nor the one that is the most profitable for real estate companies providing real estate services involving tenant representation. Since there are other services that are more profitable than the tenant representation service, the tenant representation service might be performed in ways only to carry through another real estate project that will leverage considerably higher compensation than the tenant representation service. Representing the occupiers in such way questions the business ethics in the industry, business ethics that are important in order to keep the industry from unserious actors. The variation of business ethics across the world is conceived to present a big challenge for the tenant representation industry.

The level of maturity and development of the tenant representation industry varies substantially across the world. The US and the UK are the most developed tenant representation markets while countries like China and India are much less developed and mature.
4.2. Limitations and Difficulties

One could argue that it would be interesting to investigate and discuss the clients’ perspective of conflicts of interest. However, this thesis is designed to only investigate the tenant representatives’ perspective and is therefor only based on responses from people who currently work within the field of tenant representation. The clients’ perspective would, according to me, be an interesting and organic continuation in order to reach a viewpoint that could take the research a step further.

4.3. Concluding Discussion

It is alarming that something has to go wrong in order for the conflicts of interest to become relevant to the clients. If this is the actual case, then the industry may not be as transparent as most think and wish it were. Potential clients or customers to a tenant representation firm is likely to be disappointed if they are not properly informed about what conflicts of interest that might exist and how conflicts of interest will be taken care of if they are important in the specific project. Since there is little doubt about the existence of conflicts of interest, it can be hard to understand how a tenant representation company, can leave out such information to its clients. Furtheron, one might question if it should not be necessary for a scandal to occur in order for the client to become aware of conflicts of interest and its possible complications. The companies in the industry are responsible for making sure that they follow good business ethics.

I personally do not believe that conflicts are completely impossible to manage. I do however believe that conflicts are really hard to manage and that most companies are unable to carry through their management of conflicts. Thus, making the companies believe that they have succeeded in the conflict management, which creates sort of a false illusion of being free of conflicts when they in fact, are not.

It might be difficult for the tenant representatives to claim they are completely free of conflicts when, as a tenant representative, you have incentives that are different from your clients’ incentives. When push comes to shove, there is a significant chance or risk that you do what is best for yourself and most profitable for your own business. Even though there might be cases where you actually put you own interests aside in order to completely satisfy your client, this is probably nothing more than an exception of the rule. In addition to the different incentives it would be considered important for the client to think twice and reconsider what incentives the tenant representative actually has and how the tenant representative’s performance can be adjusted and optimized to suit the client’s needs.

I, personally, value ethics and appreciate what it does to humans in general. It brings out the better side of us and makes the world more collaborative in general. I therefor consider good business ethics as something that every company within every industry should strive to live up to in 100 % of the cases. Of course, it is hard to live up to a 100
Policy what goes for good business ethics since good business ethics is not black and white, there are steps in between as well, but I hope that every company tries to always act according to good business ethics.

It takes time for any field or industry to develop and mature and so is also the case with the tenant representation industry. However, the markets that are emerging will probably come closer to the more mature and establish markets assuming that development slows down in speed in pace with progress. There are of course other external factors that are determining and will determine how the various emerging markets develops, so the movement might appear in different speeds on different emerging markets.
5. BIBLIOGRAPHY


6. APPENDICES

6.1. A. SURVEY QUESTIONNAIRE

1. Is your company taking a distinguished position by representing the tenant exclusively?

IF YES

2. Does your company offer any other services than Tenant Representation?

3. Do you believe that your company’s clients value your loyalty?

4. How well aware do you think your clients are of a possible conflict of interest in loyalty?

5. Do you believe that your client is willing to pay more for ensuring the exclusivity in your representation?

IF NO

6. How well aware do you think your clients are of the possibility that a conflict of interest in loyalty might be present?

7. How do you confront a client who questions your loyalty?

8. How much would you expect to increase your allowance in order to work exclusively with the tenant or exclusively with the landlord/property owner?

GENERAL

9. Do you personally see a trending change in clients' demand of loyalty?

10. What is your allowance model for Tenant Representation services?

11. What is your personal opinion regarding a possible decision to more exclusively represent the tenant?

12. Does your company perform customer satisfaction surveys?

13. How does your company evaluate customer satisfaction?

14. Are the results collected from the surveys used to enhance your operations?

15. What is your name?
6.2. B. Direct Interview Material

6.2.1. Interview with Julie Steffen, Vice President of Jones Lang LaSalle’s International Tenant Representation Team, Chicago, IL

Julie has agreed on that this conversation is being recorded.

• Is your company taking a distinguished position by representing the tenant exclusively?

I think generally we would, it depends, and here are the structures that you may have. We could have a situation where we always look to represent the client exclusively for one specific transaction, so that is usually the best how you could achieve the best result in negotiations with landlords. So I think exclusivity for one particular project is very essential for us and really one of our key drivers that we are looking for when we are being hired by one of our clients. Exclusivity on a portfolio basis, that is on a regional or a global basis is not always necessary for us because in some cases when it does not really make sense or is not necessarily warranted. If there is exclusivity certainly the terms of the engagement in certain structures of the global contracts or the regional contracts will be more favorable if it is an exclusive agreement versus a preferred agreement, so basically the terms of the agreement are a little bit more favorable for the client if we have a full on engagement from a service standpoint. Otherwise usually it’s still the same delivery on a transaction by transaction basis however if there is an exclusive one we will undertake all the work for them and we can manage our time more, a little bit better and also look a little more far out and more strategically at the portfolio.

• Does your company offer any other services than tenant representation?

Yes, absolutely. We offer, take a look at the website. Basically anything related to real estate. From project management, construction, facility management, landlord representation, property management, strategic consulting, valuation, capital markets so working with investor clients, anything really relating to real estate we handle.

• Do you believe that your company’s clients value your loyalty?

I think the key thing is a partnership approach, I think that is how we would probably, we talk about loyalty, that you take more of a partnership. We have very different clients right like anywhere from where they truly see us as a vendor that’s usually not how we would like to look at our clients, that they see us as a pure vendor and we see them as a client that we deliver the work to and that’s where the relationship ends. Usually you want to be at the further end of the spectrum where I guess you could talk about a certain amount of loyalty between each other and where it is more of a partnership or sometime even a strategic alliance between our clients and us as their service
provider. So where those lines kind of blur a little bit more and where everybody takes a little bit of a bigger picture approach and you move away from purely looking at what are the fees for the transaction and what we are looking at is an overall relation and maybe sometimes do work that might not be as profitable because for the larger good. And I think that’s where you want to be. So I think that answers the question a little bit.

- How well aware do you think your clients are of a possible conflict of interest in loyalty? How well aware are the clients of the situation where there might be companies representing the landlord in the same case as they’re representing them as a tenant?

So, we often in our business and given the size of our firm we often deal with potential perceived conflict of interests and that is something that we take very seriously because obviously they can create very huge issues and liabilities as well, which is why we have from our legal department very thick processes in place that we share with our clients. If there is a potential perceived conflict of interest for example if we’re creating a market survey for a potential option in the market and we are either on the landlord representation side for one of these options or even on the property management side we inform and flag this fact to the client so that they are a 100% aware and could even tell us that they want to not consider this option because the potential conflict of interest. However with that being said, our way of dealing with this is that we have teams that are purely tenant representation teams and we have teams that are purely landlord representation teams. They sit in different corners of the office, and well obviously there is a certain amount of communication, the projects are handled absolutely separated there are a limited access of documentation that the tenant representation have versus landlord reputation so that no accidental sharing of information can happen that is not intended and so building up those so called Chinese walls. And this is the process that we also explain to our clients as we inform them, so inform them is the first step to make sure that they are ok with it. We inform them about the process that we will undertake, are the teams separated sometimes even on separate floors and make sure that the client is comfortable with the way that we are moving forward with this.

- Do you believe that your client is willing to pay more for ensuring the exclusivity in your representation?

No I don’t think that. Because generally, if one of our tenant representatives takes on an engagement, we can in most cases we cannot have this person work on one transaction alone. But what we can certainly guarantee is that they will not be acting for a landlord or in any potential conflict and that is something that is guaranteed. I am not sure that our clients would be willing to pay a premium for that because I think that would be expected as part of conducting ethical co-work in our industry.

- Do you personally see a trending change in clients’ demand of loyalty?
I think we have a lot of clients that are becoming more weary, especially when handling transactions globally, and more aware of a potential conflicts because most of the firms that are playing they have high reputation and have a good global presence, most of them face this issue. Because all the ones that are assigned with JLL, CBRE or Cushman, all of them represent in some way, shape or form investors and landlords. So I think most of the occupiers are becoming more aware of it and are becoming more conscious of asking, “what are your processes of handling a potential perceived conflict of interest?”

• You’re saying the clients are getting more and more aware. Are you saying that the market, the American market, getting more transparent?

So the US market, one of the most transparent markets right now is actually the one in Australia. There is a transparency report on our website. The US is a fairly transparent market compared to many other places in the world. One thing that is very different here compared to Europe for example is that here the tenant representative is compensated by the landlord and in Europe I know that this is perceived as a clear conflict part being compensated by basically the other party. Here it is just become a complete standard and is just expected by both parties so there is really no conflict and it is very similar by Germany and Poland where fees are also paid by the landlord for new acquisitions.

• So are you saying it works the same way in Germany as well?

Yes, it is the same way. In Germany, landlords pays the fee and I think the reason is that it is just the traditional brokerage model that we also have here in the US, while in the other parts of Europe, tenant representation is more of a consultancy service more then the traditional brokerage model, so I think that is where the difference comes in. I can tell you that from our US clients, none of them would perceive us getting compensated by the landlord as conflict - they would actually encourage that. So in many cases when we go to Europe, when our US clients have a need in Europe, they are often chocked that they have to pay a fee and if we give them an option, 99% of the time they go with the option where the landlord compensates our firm.

• What would the incentives be for the tenant representative to actually negotiate a better lease agreement for the client if they get paid as a share of the rent, i.e. a higher rent leads to a higher fee.

That is a very, very good question. It is one of the biggest issues basically in our industry and no one has so far found a solution because market practice in most cases is always to be compensated based on the rent paid, there are a few exceptions here in the US for example and in some markets it really varies state by state and city by city how rents are being quoted. In some cases you’re being compensated by for example $2 per foot so it depends more on the size versus the actual rent so that can happen, but it always depends on the lease terms here
as well so it is a certain buck per square foot and then based on the lease term as well so it is over the total lease term.

- But none of those allowance models does really create an incentive for the tenant representative to get a better deal for the client?

  No, and the thing is, you're absolutely right, in some cases we do structure fees around savings achieved. But even with savings you always have to be questioned for what do you measure the savings against? Do you measure the savings against the previous rent? Well, if the market has... that is really not a good representation. If you take the landlord first offer and you take examples like China landlords have a tendency of inflating their first offer because they want to leave room for negotiations so that is not the really a good reflex. So there is really no good model, what we usually try to do is provide the market standard and in some cases we cannot provide an option to charge based on savings achieved. But that would certainly be only if the client pays, If the landlord pays then it would have to be based on two months rent or 12.5 % of the first year’s annual rent. So the industry really has not found a good solution, but you will find that in many circumstances that is the case. You think of an accounting firm for example or a business consultant, the longer the project takes, the more complex they make it, the higher the fee as well. There is no link. That is where the challenges often come in in the industry or various different industries. How does the compensation actually work and does it really reflects the value that was created for the client? In our case, JLL has been recognized as a very ethical firm and is the only real estate firm that has been recognized with an ethics award every single year during the past six years now (JLL global). It is on our website. It is an ethics award that we have been given every single year. It is one of the things where, every employee here has to sign an ethics statement that we will always act in the best interest of our clients. I understand that in many ways this does not necessarily mean much to many clients but it is something that our firm holds us to and it is kind of a standard that we try to adhere to. I think it’s something also where it comes down to the partnership as well. If we do not achieve a good deal for our clients then often we follow up with information; by the way, here is the deal we achieved for you and here is a deal that was recently closed in a similar building so they have a good understanding of where they ended up. Hopefully it is below what other’s had achieved for their client. I think in many cases that is also something to look into, we want to that repeat business, we want to have more of a partnership. We do not just want to do this one deal and get the highest fee possible but we want to do this deal, the next deal and then the other deal from the other market as well.

- The fact that the whole tenant representation service is so seldom performed, the lease agreements are usually go on here for between 3 and 5 years. It takes a while between the assignments or between the times when the same clients hires you again.
And that is very true, the only thing is that usually and that's where firms like JLL, we really try to help and work with our clients around the globe or entire region. If the client is a European firm, we hopefully work not only in Stockholm but if they have a lease in Berlin, Germany hopefully we will help them with that as well. And that is where we end up in this partnership model again kind of comes in again. There is a similar thing here in the US where you will find that most of our brokers here they have clients they work with here in Chicago but where we also and we through that relationship that this broker have here in Chicago we also handle the Boston requirement and we handle the LA requirement.

- **Success fee.** Where you inflate the rent to make room for negotiations in order to achieve a higher success fee. Is it a commonly used allowance model?

  It is often used. Usually we discourage it in certain markets like I said China for example and in some cases also India. In markets like Germany for example or most other places in Europe you can use this model pretty comfortably because we know that the landlords do not really inflate, they do not want to waste their time going around and round in circles negotiating.

- **Can there be a co-relation to the transparency on the (specific) market?**

  To a certain extend I would say so yes, he maturity and the transparency of the market.

- **What are your allowance models for the tenant representation service?**

  Yeah, it varies for example in Asia you have one – two months rent that you would get compensated on (you have those numbers varying from 1 -3 months rent) and in Europe and in Asia it does not depend on the lease term, in the US it always depends on the lease term as well - the length of the lease term.

- **What is your personal opinion regarding a possible decision to more exclusively represent the tenant?**

  I think it varies on a case-by-case basis. I think in some cases, exclusive like I said on a project you always have to be exclusive. In portfolios etc. exclusive does not always make sense because in some cases the portfolio is very strong in markets where maybe our firm does not have a very strong coverage we would not want to have our clients be locked into only using us but in those cases we want they should be open to use the best-in-class broker if our firm is not the best firm on that market.

- **Does your company perform customer satisfaction surveys?**

  Yes.

- **How does your company evaluate customer satisfaction?**
It really depends. We do this on portfolios and that is really for kind of measuring the performance on providing strategic oversight providing portfolio review and opportunity assessment across the portfolio and obviously the responsiveness and the quality of the service provided as an account manager so in matters for accounts and portfolios. For projects specifics, for one transaction alone usually it would be measured on the result of the transaction, when did the rent come in and against where market is at, did the client feel that we understood their objective, did they feel like whatever they told us were important to them was actually reflected in the way the service was delivered to them and the way we delivered the property. In some cases for some clients for them speed is important so in sometimes we do include that though often an issue an issue that is out of our control. There is only so many influences that we can have, landlords not responding is not providing approval, and there is really nothing we can do. But, for single transactions it really comes down to the terms overall that we’ve achieved and how it is compared to market, that is usually how its measured.

- Are the results collected from the surveys used to enhance your operations?

  Yes they are, usually and again we don’t always get the answers back from our clients but usually they're being steered up to the management levels so if there are any outlying ones and any gaps or issues they’re certainly going to be addressed within the teams.
6.2.2. Interview With Charles Walckenaer, International Director at AOS Studley, Paris, France

The question is pretty much: what is my experience with the clients behavior or attitude towards the absence or not of a conflict of interest so lets say I’ve seen several families of clients. The first family is the one that’s suffered from it so therefor are after that convinced that it makes sense to be advised by a company that is not conflicted because it’s in their best interest and therefor you get the best performance. In those situations it is easy to convince them if the relationship between you and the decision maker within the company is good in addition because it is also one of the keys that the personal relationship is good and he is convinced that being non conflicted is a value added, we have to win those clients. The second family is the ones that do not know, they are not aware, they are not informed of how the market works they don’t have the clue. Its difficult to come out to those meetings by difficult to win their trust, trust in a single meeting because they don’t see all of the differences and how the business works, what the competition does what it brings to them what it takes away from them so it takes time, and you would need time to educate this family of why it becomes an added value for you. The third family that I’ve found more often than you would have imagined is the family that will challenge you AOS Studley on our non-conflicted position and I will give you one example: I met an American company, a big insurance company and the guy said “how can you say you’re not conflicted? You are conflicted, you AOS Studley.” I said what are you talking about? He said, “You work, you do project management and you do design and build. So the temptation within your group would be to have me visit buildings in a very poor state and condition so you could in one hand ensure the transaction and get the fees and on the other hand make sure that there will be a big work budget that would be needed to fit up the space so that you would also get that part of the business. So I challenged him and we had a big fight, which was totally stupid because it was a client or a prospect and I was just the advisor but in the way he made a point that the absence of conflict of interest is very difficult to obtain. You can be purely dogmatic that you are just advising companies and not doing works, but it is difficult to make a living out of that only. As soon as you do something else in terms of services you can be challenged in terms of “you say you’re not conflicted but in fact you are conflicted”. That’s maybe a counter-example but it exists. You always have to be careful in the way you define your company you define your ethics and you define the way you work. You always need to be cautious in terms of talking about the competition because the more, the bigger the aim is against the competition the more you will be attacked by people that will consider that it is unfair but what is interesting and what I’m convinced about is that most of the conflict is with the landlords that will be the biggest conflict. All of the brokers at JLL, Cushman Wakefield, CBRE, DTZ, BNP here in France; it is always the same model: they work for landlords and they work for tenants between 65-70 of their global fees come from
the landlords and the difference comes from the tenants. Any market, any competition - that is the typical setup. It is two third minimum landlords and one third or fewer tenants. When I was at Knight Frank it was that figure, my team did exactly that 66/34. DTZ 70/30. So it is always the same figure that you will find so all of these people are great professionals, very knowledgably but definitely conflicted and the reason I left those companies was to test how powerful the message of working only for tenants by joining AOS Studley, the reason I did that was that I made many transactions where at the end of the transaction everyone was unhappy, the landlord because he thought that even I was not advising him on that deal, that I went too far. Because he trusts me enough to give me other buildings to market so on that deal I was only on the tenants side but he was frustrated because he thought that I could have done the same deal but avoided to go that far with the tenant. So the landlord was frustrated, and the tenant is often frustrated because he felt that I could have gone further. So even though the deal is signed, which means that everybody is happy and that’s what the reality on our market here in France. Everybody was frustrated. You want your client to be happy; you want your client to be convinced that he got the best possible deal. And here at AOS Studley I am avoiding this now.

- The other companies like JLL and CBRE as you mentioned – this Chinese wall that they have that separates the different teams or a third party company who takes care of the tenant service. How do you see that?

It is ridiculous. The Chinese wall is about one centimeter high, the teams from the tenant reps sit next to the landlord reps. It often happens that the same broker announces that he is on the tenant rep team but he also has buildings to market on behalf of landlords. So the Chinese wall is not even transparent it is a brick one centimeter high wall with people all sitting together in meetings that are organized and names that are shared amongst the floor with all of the other brokers with the temptation that it is a business and an industry temptation. The case here in Paris, and it is kind of odd because it is not the case in every market, you can advice both parties. So at one time you have 10000sq m for Nokia to look for in Paris or its suburbs. All of the 10000 opportunities marketed by JLL will be put as a priority even though they say to Nokia they act on the tenant rep side on the. All of the JLL landlord brokers will say they have this this, this and this because if we do this together I get 15% for advising the landlord and you advising Nokia will get whatever fee you've negotiated with Nokia and that will add so it is better for JLL so this is the way we should do it. You can, whichever broker, whichever professional, whichever way in this market which is true in every market but even more so here not only will the Chinese wall not exist, but in addition to that broker will share
and hope that the final decision will be that their tenant will take a building owned by the landlords that they represent also.

• They're doubling up their profit from doing it this way?

CBRE and BNP in this market can even go further by only presenting buildings that they market because CBRE and BNP have about 90-95% landlord shares. So that means that they represent the entire market or have access to all of the available buildings so they can take the risk. JLL or Cushman Wakefield they have 30-40% market share so they will not take that risk, they will not only show the buildings that they market, but they make sure that the ones they market are presented in such a way that Nokia will consider these buildings before they consider the buildings marketed by the competition.

• So that creates the question regarding the incentives of these companies with obviously there's a risk for working as a corporate just to maximize your profit without caring about what deal the client gets.

Your question was on the Chinese wall and I answered that not only do the Chinese wall not exist but also they will do more than what they can to maximize their profit, which of course will not profit to the tenant because 66% of the money comes from the landlord. So the party they will favor best advise make sure its satisfied 2/3 times or ¾ will be the landlord. So the odds have to be against the tenant, no doubt. The reason why Nokia or big corporates will choose JLL or CBRE is more of what I call the insurance policy, because they are two of the global market leaders so when you are a decision maker within a big corporate organization you have to choose between the big boys, the middle boys and the small outsiders, almost every time you will take the big boys because the insurance policy, if something goes wrong; they're the market leaders, it is not my fault. Me, the decision maker from Nokia, I chose JLL they're no 1 in the world, what can you blame me about? Be fair to me, I chose the best. They understand what we do, they appreciate what we do but it is an ongoing challenge for us to convince these organizations that in spite of what we do, we can be an insurance policy so that is what we are working on right now.

• So you mean that not trying to convince them but try to make them aware of what the situation is like is a way of reaching that, I mean obviously the client awareness, the awareness among the occupiers has to be a keystone for the entire, keeping this exclusivity, depends on the awareness among the occupiers.
It is brand awareness around our specialty, which is just to focus on the tenants, but what we do know is that it is not enough. Once you make that statement it is not enough for you to be picked by whichever organization that you have to be convincing on the services you purpose, on the teams you put together on the references that you have to put forward to convince them that this has been done already, we have done it already with these organizations that you can call this guy or this woman within this organization to confirm that AOS Studley is a company that has been successful in treating with topics that are very close to the ones that we are responding to right now. I think our future; even though we do want to answer the big RFP (request for proposal) I think our future is more very sharp, dedicated one-off deals. I think that is where we excel at because we know this situation, we know the markets, we know on one specific deal how to put senior executives in front of decision makers, you’ve met Hugh, Hugh is a very good example of that. He is a very good example of that. He will go to a meeting, he will talk about the market, he will talk about the conflict of interest, he will talk about one specific building being advised by one of the brokers that has to be conflicted because of its relationship with the landlord for whatever centuries and on very specific items and you will say then that the only people that will represent you on this topic, lease renewal, lease renegotiation or whatever the topic is, is us. Because we are not conflicted and we are not the market, and because we are very experienced and I will be doing this for you so that is more, I believe more in that than in the big global international RFP’s.

- For some of other companies speak about the relationship, they want to keep the relationship and they use that as an argument for why they want to make sure that the client sticks to them and not losing them is important to them and thereby they have to provide a good offer or a good solution. With the tenant rep services happening so seldom, I mean you do it every 3rd or 5th year, it is not something you do so often so if you lose a customer, that might be because of other reasons during those three years. A lot of things happen during that time. They use that as an argument for why a conflict of interest is not real.

I am not sure exactly what your question is, who uses that argument?

- JLL for example. The arguments they use are the Chinese wall, using a third party solution – Third party being we can ask somebody else to represent you – we have another independent real estate firm who can do these tenant rep services for you and they provide this company for you.

And they decide who this company must be and they manage what needs to be done so that can’t be a solution. What they do sometimes is that they often say, “ok, you are interested in this building, I am
marketing this building but what we will do is that because I am conflicted, is that I will not be marketing this building. CBRE will be marketing this building. Because it is a joint agency (CBRE and JLL). I represent you the client, you’re interested of the building. Now CBRE will be representing the landlord. And of course that is bullshit because the landlord is paying you. Because you have a relationship with this landlord on other buildings so you are conflicted in same way, you are not directly conflicted, maybe indirectly but you are still conflicted. So they use that and then?

- The relationship. If you provide a client with a bad deal, he will not come back to you and the relationship is important to you therefor you have to make the best deal possible.

> I do not see what the difference is with us. Since they want to sell other services?

- They see that as a reason for why they cannot have a conflict of interest. Like why they still have to provide the best deal out there.

> Because they want to repeat the business? That is weak in terms of arguments. I mean everybody wants to keep his or her clients. Everybody wants to make a good deal in order for the client to come back. They can use that for the global agreement they have with the client in which they need to be very sharp on each deal because if the do not the company becomes at risk with that client. So if they have an international agreement and the Paris team fails, they put the entire relationship of the account in danger and everyone can use that. That maybe can be an argument. I think the most common argument used by the brokers is the Chinese wall and the second argument is the “perfect market knowledge”, that they have the market knowledge. And what they use against us is; AOS can tell you they are not conflicted but in fact they are conflicted because they do the works so competition uses that. AOS tells you they do not take fees from the landlords but in fact they do take fees from the landlords. Which is an argument they use, even though it is not true.

- What do you mean with that?

> Because in a marketing mandate, the landlord could consider having a reserving fee for the broker that brings the tenants. Even though the broker is not marketing, to make his building look sexier and more attractive. You could say I am going to give an envelope of X to my agent plus Y that will go to AOS if they bring me a client. And what they also say is that AOS not being in the market because they do not market buildings, because they do not talk to landlords makes them not as knowledgably of the market as we, JLL, are. We know everything about the market, we know every available building, we know every available project to be considered and the, we know every single landlord; we have access to 100% of the information of the market with us. With AOS you will not have 100% of the information of the market. That’s where they challenge us.
• How do you counter act on that?

That we are the only ones who could present 100% of the market because not only can we talk to all of the brokers but we can also talk to all of the developers and the landlords and T&P do that very well. They know the landlords. They can categorize the landlords, they know their portfolios, they know in which financial condition and shape all these landlords are, which portfolios are at risks, which buildings is mature to be well negotiated that is very key. We also have access to all the tenants because they are our clients. So imagine that tenants which has been the case over the last three or four years, has excess space, space that is not being marketed, that is what we call the grey market. It is not officially on the market but it could be on the market and we know that – our competition do not know that. So we know what the brokers have, what the developers and the landlords have and what the tenants could put on the market so we are supposed to know the market even better than they are. But they will say to our clients that "they do not know the market", we have CBRE and BNP will say “we have 450 brokers in Paris, they have three or four. It is statistical they cannot know the market as well as we do.”

• Do you think the awareness overall is increasing among the clients? Hugh mentioned that something has to go wrong in order for people to realize that there is a conflict of interest. Once it goes wrong it goes wrong badly.

That is the best case for us. The best-case scenario, I would say it is geographical and it is cultural. In the UK and in the US and sometimes in the Nordics, companies will be sensitive to that aspect. The rest of the world will go to “not sensitive“ to "not care". In India for example, the do not give a damn about conflict of interest, they do not even know what conflict of interest means. They will never give you an exclusive mandate. They will work with everybody out there and they will try to find for themselves the best possible solution. So going into a meeting with an engine corporate saying, "by the way, we are not conflicted. We can give a great deal for you. We do not care about the landlords, we can really smack a great deal for you". And then they will talk to somebody else as well. It is cultural and it depends on where.

• Depending on the maturity on the market or business ethics?

Both. The US and the UK are very much leading that. I cannot remember what the figure is but the most corporates are aware of that in those markets and in the rest they do not care. In Italy for example it just can’t be an argument that you are non conflicted, they do not see the point.

• You would think that your incentives should be aligned with your clients so the allowance model you use should be, if you score a good deal for your client...

...Performance fee...

• ...comparing it to the US for example where they use an entirely different model where they get paid by the landlord which seems to me a bit strange because the higher the rent the higher the fee. If it is splitted between you and the landlord rep it does not
really make sense to me. It is the same thing in Germany as well. What is the best solution?

I think most of the markets work like they do here meaning that you pay for you advisor. So if you represent the landlord you get your fees from the landlord if you represent the tenant you get your fee from the tenant. If you represent both you get your fee from both. Performance fee is interesting because it often works but not with CFO’s. It often works with CEO’s that are entrepreneurs and they know enough about the market to be ok to go that route so they know roughly what they can negotiate. And they will challenge you by saying “if you guys are good, you will get really good money”. And if we get a very good deal they will be very happy to pay incentives, ok? Where it does not work is with CFO’s because CFO’s always want to know exactly what figure they need to put in their spreadsheet and they want to know that figure when we talk about advise to be very low. Because they do not want their company to understand how much money they have paid us. They have a problem with that. The worst is with procurement; they will just massacre you on your fees considering that it is good for their companies if their brokerage fees are very low. Which I think is absolutely stupid because if they are to low, you will put a junior person on the deal which will give a very bad result and their own company will then suffer from having bad results. It is a wrong calculation but performance fee works but not with everybody. It works with top level, not below. But we use it, we use it as an argument saying “we are ready to play the game, we are ready to show you how convinced we are that a non conflicted position will enable you to have a very good deal and to prove it, we are prepared to not take any fees upfront and to only share the profits that you guys get after it is negotiated.

- How do people argue against that?

They do not feel that they know enough about the markets not to be stolen. What I mean is that usually when things works very well everybody knows in transparent markets what is negotiated so if for example you get a 3 6 9 year deal or whatever duration deal. Depending on the market you will get one month rent-free for your engagement. So for a 6-year deal you get approximately 6 months rent-free. You do not even have to negotiate. That is given to you by the landlord, that is mandatory. When tenants know that you can start discussing a performance fee with them and they might exclude from the performance fee the first six months rent. I do not need you (the tenant rep) to get that, I know that. That is the market. So let’s exclude three or four months and anything above four months we share, you keep 80, I keep 20. That works. If the guy doesn’t have a clue what often happens is that either he says yes and at the end of the deal he realizes that he owes you 200 000€ and he is super chocked and you will have to explain during hours and hours and days and weeks that it is good news for him if he pays you a lot of money. It is like paying taxes, you’re frustrated for paying a lot but at the same time it means that you have won a lot of money. In this case it is the other way around, they own
you a lot of money and all of a sudden they owe you a lot of money and they are frustrated because they feel like they have been robbed. So you need to be careful on that. The relationship by then is dead. Either you have to accept to lower your fee and you think that your client is not fair because the deal was very clear and has not been respected, either you keep it as is but the client will never work with you again. So it can create frustration. You need to be cautious. We always propose it, and we see how and up to where we can go.

• Given the state of the economy as it is now with every company cutting costs in every possible area. You would think that premises costs would be one to suffer from it. Does this create opportunities or problematics?

I think it is our best opportunity. We are the only ones who could objectively obtain results because we have no links with landlords. Any lease restructure, lease renewal, early exit strategy a successful premise search, anything linked to reducing real estate costs I think we are the only ones that should be able to do that. What we find is that there is often international agreements that take those opportunities away from us because they have an international corporate relationship with JLL or CBRE with the client no matter geography. We often find also that many companies tend to do it by themselves. Either because they have people that don’t have much to do or they have people that are convinced that it is in their job and in their role to do that. E.g. general secretaries, finance directors, sometimes facility managers, real estate directors they will consider that they will do it by themselves. That is also cultural, it will never happen in the US or in the UK. There they will always take an advice. They might not pay a lot but they will always take someone to put a stamp on their decision. In the rest of the world, mostly in the latin countries or in emerging markets, many deals will be done directly from the tenant to the landlord.

• Do you see a trend of clients going towards the exclusive representations? Are people caring more and more about exclusivity/loyalty? More on the agenda?

The exclusivity? More and more corporate companies that are outsourcing real estate services. Today it is 25 % of the companies that have a contract with companies such as ours, in the future we will probably see 35-45 % of the international companies that will have a company contract. Corporate solution contracts. What we see is that exclusivity with one advisor has never been successful for anyone for everything everywhere. It has never worked. So usually what more and more companies do now is identify panels of companies and do RFP on each subject. Case by case. So they do references, you have to be referred within the company to be invited on the panel, you have to go through the RFI (request for information) status and once you are on the panel you can go for the RFP and if you are the best you will be chosen or else lose it. But having one advisor exclusive on everything everywhere is different.

• How is that trending?
It is going towards the panel. The way I see it we will have three regions for every client in the future; the Americas, EMEA and Asia/Pacific. We will have every single business line so transaction management, property management, project management, facility management, consulting, lease administration, whatever the service line there is there will be a panel per service per region. AOS will be on the Project Management for EMEA, on the transaction management panel for the US and on the consulting panel for the Asia/Pacific within the same client and the same thing for the five or six big ones and then case by case they will go into a local RFP, we have seen that every single time.

- The JLL case is stated. How do they defend themselves in those matters?

They don’t. They assume it. They don’t care, they’ll get the money. You see many businesses that change their mindsets during their existence. You see many tenant reps that become landlord and tenant reps. You see many transactors that become capital markets. You see Johnson Controls which only used to do facility Management now they do real estate services as well. You see AOS Studley that used to only be doing Project Management but are now starting upfront by doing real estate advice, transactional work and then project management. You see lot of brokers that only used to do transaction management that are now doing project management. So you can see these companies evolving during the years and are only interested in one thing and that is making money and being profitable.

- The only way to create a win-win situation is to align the assign the incentives of the client and the company and the market to become more honest and transparent to a higher extent.

I agree. Fortunately enough, many clients agree on that. It is not always necessary, it is not always enough, it is often necessary to do more than that to convince that we are experienced, referenced, knowledgeable, that we can speak to the client. All of that is vital, you just cannot expect somebody to give you something just because you are not conflicted but we use it as our number one argument. We are independent, owned by ourselves, we have no pressure from shareholders or from the stock exchange or anything it is owned by us. Our only pressure is put on us by our clients, that is it. And our positioning makes us very successful in obtaining very good and aggressive deals in behalf of our clients. So we believe in that and we can sell that and we see people looking and observing that we do what we say and that we are really compliant with what we have explained and we have a lot of repeat business because we do have clients that are very sensitive to that. But not all are, so you need to educate, you need to continue to build the brand, you need to propose other services - workplace consulting is one of them, change management. You need to reinvent yourself continuously. It is not enough just to be none conflicted. And then it is the DNA. Meeting Tenant & Partner has been for us very great because we have the same DNA. All of the people here come from the world of brokerage. They know how frustrated it can be, have met clients that have been overly
frustrated by not being properly advised and all of the people within this company wants to address the same problematic which is the problematic given to us by the tenants and that is why we share this common philosophy which is to work only on one side and not on both sides. Two or three years ago I though that the business was definitely going that route, today I am not that sure. I thought brokers would become landlord brokers and tenant reps become more and more tenant reps, today I am not that sure anymore.

• Why?

I don’t know. I don’t think many clients are still ok to work with conflicted brokers they don’t make it that strategic for them to push the brokers to consider that they will have to choose between one and another. I think they can still do both very successfully because many clients will not pressure them to choose. And if they can, of course they should keep the same business model. And they will do what JLL did to DnB. Money upfront, money during and BIG money at the end. Why not?

• The overall awareness among the clients are high or low generally speaking?

Expectations or awareness?

• Awareness.

Depends where. Globally I would say low. In the UK and the US very high, in the rest of the world very low.

• DnB case. The bigger picture. How common is it that you perform services to just land the big job at the end?

Very common. And disgusting. Not only do they convince the tenant to work for them but they use the tenant to get the big money. You know that the tenant is not going to get a good deal so I find that disgusting. We have seen how frustrating it can be to find transactions for fees that have not always been very high and investment fees are often very high and very quick to get. That is very frustrating because we create value for a building that once that building is put on the market will generate huge fees for the investment brokers that will just come in and say that “we have this client, in this building, with this lease, the value of this building is such. I will take 0.5 or 0.8% of the value and that is 5 000 000 €. Good thank you very much it was good to speak to you”. So they will sell a building that is only valuable because we put the tenant inside and to put the tenant inside we probably got 300 000 – 400 000 €. So we get ten times less for working two years for a clients and investment broker will take two months to sell the building to take ten times more money than we do.

• It is common?

Yes.

• That has to be a problem for the industry?
It is, but it is the way the industry is set up.
6.2.3. Interview with Matthieu Guizard, International Director at AOS Studley, Paris, France

They don’t see it as a problem. At the end of the day it is not a problem. I know this argument, we have had in the past an internal debate on is it really a key differentiator? Is it really important? Maybe one two years ago we thought like this conflict of interest issue is no more so important because when you are facing competitors like JLL CBRE and so on they have so large choice of buildings that this is the only thing which cares for the client. The client wants to be sure he is choosing the number one or one of the three biggest players in the world. And then he will not make a mistake if choosing JLL, CBRE or Cushman Wakefield. And after that, conflict of interest doesn’t mean a lot for clients. Sometimes, I don’t mean that this is always the truth and I mean, this is a debate that we had two or three years ago; Shall we go focusing on that issue? But when I’m talking now with Henker. We have many projects with Henker worldwide. And they are only interested in AOS Studley compared to CBRE or Cushman Wakefield is that we are free of conflict of interest. So for some corporates like Merck in Germany, Merck has chosen us only, or mostly because of this argument. Knowing that we will never represent landlords or developers and we will never have an interest to rent this specific building or this building but we are completely free in our choice and analysis. So this debate that we had two to three years ago I think now, if we would have this debate now it would not, I would be very opposite to this idea and I would stronger say that we have to take care of that because for some big corporates it has become again a very big and important criteria for choosing the service provider.

• So it is trending towards...

Perhaps. This is only my experience. I cannot speak for the whole market but this is my personal experience. Seeing that I hear a lot of clients for whom this is important now where maybe two or three years ago that was not the case. But there are other conflict of interest for AOS Studley for example we do work in tenant rep and in project management. So one issue is that when we select a building as a tenant rep of course the clients or the competitors could say “ok, if you choose this building it is because there is a lot of fit out to do in this building, a lot of refurbishment so it will be good since you as a project manager will have a lot to do with that.” So there is again a conflict of interest in what kind of jobs do we do and amount of fit out we have to do after that. So we are not in that aspect, we cannot say that we are free of conflict of interest. Even if in the reality all people don’t think in their interest but in the interest of the client. This is the reality but we have nothing to demonstrate that, it is only a feeling. Of course competitors can fight with this argument, this is how.

• But still, you only represent the tenant and never the landlord?
No, never. But the occupier has to make some fit out to adjust to the building they have. It is different on every market. I don't know exactly how it is in Sweden, I don't remember, but in France most fit outs are paid by the tenant. In Germany it is the contrary, most of the fit outs are paid by the landlord. So in Germany the risk (in this specific example) of a conflict of interest doesn't exist while in France it is very high. We will recommend to a client or a tenant to go to THIS building because he will have to make all the fit outs which is our interest. Again, we don't do that, but the risk could exist. We could be criticised for it. So this is another kind of conflict of interest. The other one of course is between broker for tenant and broker for landlord and there is firms like CBRE or so that do property management and of course big players like CBRE are the most fabulous example where they do investment, they market the project then they win a deal to be the property manager, then they are the landlord agent and then they are the tenant agent to so it is crazy, you can do everything on a single deal. This is something we see often, especially in emerging countries where there are few competitors like in Brazil, South America, India or China. They do everything and on the same building.

- So are you saying that they are taking advantage of the situation?

Yeah yeah. That means that for the tenants it is crazy, they have to fight for everything. I have another example. It was here for a firm called ActiCall. ActiCall is a callcenter firm. They just rented some floors here in eastern Paris, 20km from Paris, it is 5000 sq meters and the tenant rep was CBRE. There were many things that didn’t work in the building so they had to fight against the landlord and the landlord or the property manager is represented also by CBRE. So they asked CBRE to attack CBRE. This was very recent and they said that we do not know what to do. We are engaged to CBRE, they are the tenant rep in France but we have to attack them as well. This is the typical case which is always very funny of course. And even the client was laughing saying "look, this is bullshit". This is very good for us because this situation, gave us two assignment in Brazil in Marocco because they didn’t want to work anymore with CBRE. Because of this special case in Paris. Absolutely conflicted.

- Hugh mentioned that when a problem arises, that is when the client becomes aware. Do you think that is true?

I think that it is true. Until there is no problem, the clients will tend to work with CBRE and JLL because they are the largest players. So they don’t take one client, when going with these players they don’t take a personal risk. They cannot do a mistake when choosing JLL or CBRE because they are market leaders. So an unexperienced person have to make a decision in 90% of these cases but then the issues or after some experience of conflict of interest he will change his mind and go with firms like Tenant & Partner or AOS, after some experience.

- Do you think the clients are aware overall?
It is not worldwide. This is another discussion now. The discussion is the level and the professionalism of the real estate people in the industry. It is very different from one country to the other one. If you take the real estate industry in France it is very poor. The level of people is very low among (in-house) clients. On average is a job which they did not choose. They have to do real estate in the end of their career or something like that. Poor people, no financial background and no technical background. If you go to the US or the UK then you can meet people with a very good background, good educated, clever and it is not the same discussion as in France. In France or in Spain or in Italy where the level is very low.

- So you think that level of the people does very much affect the outcome?

Yes. It does. Because they don’t see the big picture. The people here see like facility management issues and they are loosing themselves. They don’t see the big picture behind the figures and if you take a rent and agree on a lease over nine or ten years it is a large amount of money but they only focus on how the toilets will be painted. It is stupid and it is really an issue. So for us, if you want to discuss conflict of interest with these people you have no chance because they don’t get it. Here, with the people with low experience. Which is still the majority of people here in real estate.

- Are people getting more and more aware do you think?

More and more. I think that the difference between now and ten years ago is important. And maybe in ten years it will have completely changed. There is a new generation of people below 45 years old which are coming from other worlds, from the consulting firms, the law firms and finance who have been doing asset management previously for big international companies and these people have another vision of what real estate is. It is not only FM, it is a financial world. But that is why in some countries like here in France we try to discuss not with real estate people but with CFO’s and CEO’s because they will understand what we are talking about.

- With the state the economy is at now. People would like to cut costs. Doesn’t that mean that people are more willing to become aware?

In this hard time, maybe two or three years ago that was the case because back then there was a bigger criticism than now. Maybe that is why we had this debate on conflict of interest. The ambition of the client or their priority was not to avoid conflict of interest but just making sales. That was the only object. Conflict of interest was a deluxus. Now we are going back to some more rational things and then conflict of interest is coming back to the table, not only savings (cutting costs). Perhaps.

- Do you think the market is getting more and more transparent?

It is not just one answer to that, each country is different. It is very different and....
• How is it here in France?

In France it is quite transparent. In France people know what is happening, we know the rents, we know the lease start dates, we know many things. I mean, in western Europe it is quite ok. Also because there is a lot of financial demands behind the building so we have to know what is happening. The investors, developers and landlords has to know. If you go to the emerging markets it is completely different. It is absolutely untransparent. Nobody knows, it is a nightmare.

• And CBRE wants to keep it that way?

Of course. And in a very hard market. Let us take the worst example which is China. So in a very complicated market you have to be insured. That is why you take the leader, that is why you take CBRE or DTZ, because it is so hard to take the risk to go with a minor player or a small player, you have to go with the big player. So for them, for the big ones, it is good if it is a nightmare. It is a good thing for them.

• So you are saying that you think the conflict of interest is coming back to the table?

This is what I feel personally. Maybe the other people here will tell you the contrary. This is my personal experience since two or three years ago that this argument is coming back often.

• Since there are different allowance models, incentives may vary. Do you think the service provider wants to make what is best for them or do they care about the clients?

There is a new trend during the last years and it is becoming more and more important. It is the Corporate Solutions contract. Which is a framework contract on a worldwide basis. We are all doing that or we are all trying to sell this framework contract. Saying for example that, CBRE is the exclusive partner of real estate for Microsoft in North America. In that perspective, they have got contracts and we have got contracts also for two, three or four years. With that kind of contract you cannot do just one deal, make a lot of money and then it is finished. You have to be consistant, honest during a long period. Many deals, maybe ten, twenty or thirty deals are made during this period so if you make one deal and your client is paying you for nothing, you take the risk of loosing the entire contract. So people take care. Due to this new kind of contract which is quite new, only some years. You find a new population in the real estate service provider companies who are key account manager and some of these people don’t know anything about real estate. They are just here to manage an account like they would manage an account of companies selling cars or supermarkets. They are not experts in real estate. These people are thinking in a long term perspective and that changes a lot. The relationship with their clients and how they make the deal. This is true for small as well as big companies, this is for everyone. This is coming, the corporate solutions.

• The lease agreement is only signed very seldom. You want to keep your clients, but in three years a lot of things happen.
If you are only local. Let us take an example with AOS ten years ago where we were only in Paris. If Google is a possible client, they only make a deal in Paris every nine years. If we make one deal now with Google, I don’t care what happens during the nine years with Google because my only other possibility is in nine years. But, if I am now AOS in 2013 and I work with Google in 30 countries then I am sure that I will have three to five deals per year. So I cannot make a bad deal in Paris this year, because I have four other deals to make worldwide. So that changes absolutely my perspective on the account. This is why...

• The corporate solutions are creating more reliability and confidence?

I think so. It is a bit heavy, there is a lot of process and control and so on. It is not very simple but it brings more transparency and reliability for the clients.

• Inflated success fee. How common is it in France?

It is the same, this is a game. The landlord has to give you a first high offer so that you will get a margin to negotiate so that you can get your commission. It is everywhere the same. The clients know that, they say we don’t take the first offer cause we know what that means. They want to know what the first realistic offer is to avoid to pay you a lot of money. I believe that this kind of compensation will change in the upcoming years. I am really convinced that it will be the end of the golden age.

• What do you mean with that?

I mean that a broker can make 500 000 € on one deal for working only one month. So it is a lot of money. The arguments is to say “of course we make a lot of money on this deal. But we make only one of thirty deals so we have to get paid for the ones that does not work. This is how the industry works”. I think this is the only industry where it works like that, one is paying for every project. So some corporates are making some market analyses just to benchmark themselves but they absolutely know they will not move. One other company has to pay the industry for that (one company just wanting to get information, never plans to move). I think that will change. This is not fair. Companies are not willing to pay just to see a catalogue of buildings, some space plannings, you cannot pay 5 000 000€ for that. It is stupid. I think that this compensation model will change. Maybe to consulting like, daily rates or something like that. I think that will be the trend.

• Aligning incentives, steer the conversation towards more similar goals. What do you think about this?

I understand that, but you can make good money without having to be a LOT of good money. There is a difference between good money and a large amount of good money. In this industry I think this is too much money for the brokers and so on. There is no relation or no proportion between what we do (normal services) and what we earn (large sums). More and more tenants will refuse to pay what we are asking for and I
think that they are right. It is a good trend. To know what they buy, they just buy some advice. You cannot earn 500 000€ more than a doctor, it is stupid. I think the clever clients know that it is not normal and they try to change the market. I know some clients who try to change the market. Some big corporates, real estate directors, they know that. They are coming from the real estate industry; they were brokers or asset managers so they know how it works. And now, as a client, as a corporate they ask for another kind of compensation. They say "I cannot pay you 1,5 months or so. We pay with a cap of 200 000€ or something, or I pay 1000€ per day and you tell me how many days, but I will not pay you that. It is ridiculous". Especially for big properties, because if you want to rent a 2000 sq meter property or 20 000 square meter property it is almost the same work so why should the compensation be ten times bigger? It is not rational.

• It seems to be as important to be working in order to provide the client with the best possible deal and it seems hard when, like in the US, being paid by the landlord.

You can work for the tenant and get paid by the landlord as long as the market is transparent. That is not an issue for me. I am comfortable with that. You can be paid by anyone, but you have to tell the client who is getting paid and how much.

• If you get paid as a share of the savings, the lower the rent the less you get paid. Why would you try to achieve a better deal if you get paid less for that?

Then you have to be paid in percentage of cost savings not on square meters, on the contrary proportion. The corporate has to ask to change the compensation model to part of the savings instead from the decrease. It is not common in the US. It is like the mafia over there, nobody is telling anything. You have rates per city, so in NYC you get 4% of the complete lease. In Miami 3%, in Chicago 5%. It is per city. What I heard is that the competitors will not compete on the rate, nobody will destroy the rates. They only compete on the quality of the people and projects. But the rates, nobody will challenge it. And if the client is asking for 3,5% nobody will answer. They will not make an offer because they don’t want to kill the market. It is like an Omerta, mafia. They are clever enough to save it, clever enough or dishonest.
6.2.4. Interview with Hugh Stallard, Head of UK Department at AOS Studley, Paris, France

We had a position where virtually every single firm of agents and AOS Studley would have been no different, primarily advised landlords. No one advised the tenant market.

- How far back are we?

Really, to me, it is since the early mid 1990’s so 20 years. What has actually happened is that the market has polarized, the landlord market is probably now more than 50% controlled by 5 big players and they are: JLL, CBRE, Cushman Wakefield, DTZ and sometimes Colliers CRE. But it’s the big five and sometimes the big four. Now, the reason that it happened; it became reasonable noticeable in the 1991 after the late 80’s boom and then the bust and the first gulf war. What actually happened was that you’ve got a very sharp depression and certainly in London. So you had a position where there was a concern and you could never be fired for appointing the biggest in the country so you got a lot of Japanese real estate companies and overseas real estate companies, they all knew CBRE and JLL so the big letting instructions, the big leasing instructions started to move towards those firms because if the Japanese guy was talking to his board in Tokyo and he said “Let’s appoint AOS Studley” they would say “who the f* are they?” but if they would say “let’s appoint JLL or CBRE” they would say “ah yeah, we’ve all heard of them” and they are all happy. Now I didn’t mean to say that they didn’t do a good job, but they are all happy. That position hasn’t changed so if you take the London market now probably those four big players control 60% of the market, but then you have got some additional players depending on localities. If you went national in the UK you got Savills, you got Knight Frank, you got Lambert Smith Hampton and then right there you got the little niche players who specialize in this particular geographical zone or that particular geographical zone. So you can see how from the landlord side you ended up with the CBRE as one agent and the other agent will be a local specialist. That is the landlord side.

On the occupier side they started to get more sophisticated and they started to get more aware. They got an absolute focus on reducing costs and you have heard of procurement departments and that is what drives all these big businesses. It is all about procurement of services. So what they are trying to do is to commoditize every single service they buy and boil it down to the very cheapest offering. So you see in the procurement of legal services; big multinational companies will go out and procure all legal services as if they were a commodity, it is no different to them then to buy toilet cleaners. Whereas up until what you might have had with an multinational company 25 years ago you would have had an international property director and you would probably have a series of local property directors and then you had a position where they had significant autonomy and the local guys could choose...
who they would use and everything else and the global property
directors tried to keep an eye on them. Then suddenly, let us procure
everything together. Much more efficient and we will have a global
outsourcing contract so one party deals with all our business. Then we
are going to get the cheapest rate and we perceive that we will get the
 commoditized service, which is what we want, that is fine. There are
only five firms globally who you could go to and they are, guess now,
JLL, CBRE, Cushman Wakefield and DTZ (possibly the Colliers). So it
comes as no surprise that whenever you read about this huge global
procurement contracts they are getting pretty much all of them. It goes
down to a national level you will find some national specialists so in the
UK if it was a national portfolio they could use in addition Lambert
Smith Hampton, Capital Simons, BNP Paribas probably as more local
companies in the UK or Europe rather than globally. The problem with
that is that when you commoditize it, you are commoditizing the entire
service. So you can see that it is very easy to commoditize an
administrative function, you receive 25 written demands, I have to
check them and then I have to pay them. You can see how you can
automate that, when it is very simple. That is what is called low risk so
you get low pay. What they have done now is that they have put the
high risk also in there so they have put what is strategically important
to them. Let us say that is bringing eight buildings into one. Involving
5000 people and the country’s core activities. You would say to me that
is rather more important than processing fee. And that is a very
different function to procure then the FM services. It takes a different
level of skill for cleaning the buildings than negotiating rating which can
be a commoditized service as well, but that is seriously high value. And
when it goes wrong, it goes wrong BIG time. What is happening is that
because these contracts are being procured for the lowest rates they go
wrong very quickly. Because to make money they have to put a very
junior manager and staff on the project who can’t deal with the complex
issues. You also have got a problem because they are very heavily
departmentalized, the big firms, bringing the different sets of skills
together to deliver a problem, they can’t do it. Or they are very very
slow at doing it. There is a worse problem; because as I said the big four
controls 60% of the landlord market the big four do most of the major
global procurements because they are the only firms that are big
enough to service them. What is going to happen on all sorts of
occasions: conflict of interest. You can’t act for the landlord and the
tenant.

- What is the result of that?

Up until very recently, nobody cares. They say “that is alright, we have
put up a Chinese wall” and there is no problem. But of course all
Chinese walls have jinx in them or cracks. So they are transparent. No
one cared and there is each major scandals happened, particularly
banking scandals. Suddenly people are more aware of a conflict of
interest and that is in the greatest of opportunities for firms like ours.
• The Chinese wall. Third party solution. From what I understand the third party is still related to the second party company.

The difficulty is that it goes further, yes, it is about the management of conflicts. And I have a very simple composition that you cannot manage a conflict. If the conflict is there you have to get around it. If there is a conflict that is all there is to. The way they try to handle it is to give it to a tame third party to do it for them. Because they run the risk that the tame third party can take the client away. So they are very very sensitive to that and they are trying to get a tame party who is not going to give them too hard of a time. But it goes further than that because the conflicts of interest run far far deeper. I am going to give you an example: JLL acts for THIS company, on THAT particular property they do not act for that landlord. But they act for that landlord on a variety of other properties. How can they not be swiped by that relationship? When that landlord picks up the phone and says “guys, don’t ever negotiate with the hand we give you half a million worth of business every year”. They cannot manage that conflict. They all pretend it doesn’t exist but it does. So there you have a conflict of interest where apparently on the surface there is no conflict of interest. There is another piece: company is HERE, its agent is JLL (let us say) who talks to lots of lots of different landlords. What the managing director says to JLL is that “we are not going to move or we are not going to break clauses. We are only going to renew it because I just bought a flat around the corner. And I run this case and we are going to stay where we are”. If that got tickle tackled which it does, to the landlord, the landlord’s negotiation position is going to be completely different. It is going to be, when the tenant comes around and says “look, I am thinking of moving. How much can you pay me to stay?”, it might be 2 years rent in that market. But if the landlord knows that there is no way then what is he going to do? “Piss off! Try me”. Or another landlord might say “I know that if I can buy the building next door to him I can keep their managing director happy and move to my property because I can offer the same deal on brand new spaces.” He is a happy bunny. He has had that information leaked to him by a conflict of interest. So it goes much much deeper but still an awful lot of the market do not care. We just picked up one which was actually a JLL client, global client, it started to go wrong after three or four years. They weren’t delivering the high value transactions that were critical to the business; they were fine doing the basic things, paying rents and things. When we sat down to have our interview because they were dissatisfied with what was happening. I explained that I could not understand how they could use JLL on three of the eight buildings that they wanted to discuss with us. And they didn’t understand that. “Of course we can do that”. Now don’t get me wrong, they had disclosed it in the very fine print. It was so small you had to read it ten times before you spotted it, but there was a little section about how they managed conflicts of interest. So the client had actually been told, not directly, but the client had no idea that they have those conflicts of interest and JLL said “don’t worry we are going to manage that, we have our Chinese wall and all that”
• Do you think they are trying to hide it?

Of course they are trying to hide it. They are all trying to hide it. It is the same conflict of interest as why as a landlord would you want the same agent letting your 400 000 ft. building as the building just down the street. How can that help you? So what do the big firms say behind the scenes? "Well you know we act for 60% of the tenant market. If you don't give us this instruction, you might find that tenants aren't interested in getting into your building”. They use their market share hugely.

• The market is getting a bit more transparent right?

The market is only getting transparent when something goes wrong or there is another scandal. Normally the scandal comes in the banking sector. The investment bank has to be in separate buildings or else they will be peeing in the same toilets. All that sort of stuff.

• Are the clients aware themselves?

A lot of them, frankly, are not interested. Where they get really exited is when they end up not getting the deal they wanted. They have set their hearts on a building.

• Wouldn’t it be interesting to see whom else the service provider is working for in order to make sure you will get the best possible deal?

You are JLL and we have both set our hearts on this building. Two different clients. How are you going to deal with that? Imagine how you are going to feel if you are the client ending up not getting it.

• How do they do?

Sometimes, they will find out afterwards and I can tell you, they are furious.

• Keeping the relationship, maintaining the relationship with the client. Do they just assume that they are getting the best deal out there?

The deal, most clients forget the deal 10 seconds after. They are all told they get a great deal however good or bad deal they get, they will not remember it afterwards. If you buy a car you don’t remember if you get a good deal or a bad deal, you got your car.

• If I am not happy with the car I would by another one.

Yeah, but that has more to do with if it is reliable. You don’t remember the price you first paid for it.

At the end of the day if the customer wants something he doesn’t really care. Any deal is going to be a good deal to him. If I got a vision that I want to buy a chair, I want to buy THAT chair. I wouldn’t care if it is 100€ or 2000€.
• But if you want to make the best deal you have to hunt your pennies?

Of course they do. But come on, if you are a big corporate and the property is what 10% of the total costs, normally less. Staff is about 75%. If that is the building you want you are going to get it either way.

• What are the arguments for caring about the loyalty?

That is the issue. They probably don’t care about the conflict of interest. Provided it isn’t rubbed into them, either they are overpaying or they are being conned. They are actually happy. We as a firm do only handle tenants. So our task is very simple, there is no such thing as managing a conflict of interest. If you are happy to run you business and get screwed over by conflict of interest that is up to you. You never get fired for appointing the biggest, but you are appointing people where there is conflict of interest. “I am glad you are comfortable with that”. People are getting more worried these days. Where does it look for transparency terms? It is an awareness thing.

• Making the clients aware, wouldn’t that be better?

It says right here: (reading of a presentation) “Occupiers want to procure outsourcing usually under three to five. They are not fully exclusive. Occupiers regard it as a commodity and they buy the cheapest. The big five are the only real estate that has the footprint to serve a major client. We have got 20 people in London while the Microsoft project requires 80 people on the ground on day one. To make money, they use junior staff to make it pay. The big five struggle to bring their services together. Usually they have major conflict of interest. Historically the occupiers don’t seem to have cared, they now avoid clear conflicts of interest”.

• There is a change going on?

Yeah. And every time there is another scandal they get more aware.

• Is this something that is applicable to the bigger clients or the larger companies?

It is bound to be immediately applicable to anyone who procure a major outsourcing project because if they got 50 properties, they could almost guarantee that 10% of them is going to be one of the big four, the same one of the big four managing it. So we know that there is a conflict of interest.

• Still people don’t care?

They don’t care until something goes wrong or until it is pointed out. So our position is; the opportunity. Because the landlord and occupier both dominated by the big five there are inevitably conflicts of interest. On any significant portfolio, any of the big five are bound to have situations where they serve both landlord and occupier on the same building KOM IHÅG ATT DET ALLTID HÄNDER VID STORA KUNDER corporates are
aware that leakage of confidential information is prejudice. Most global procurement contracts run into difficulties after 12-18 months due to poor quality staff who cannot interpret the client needs and deliver the solutions. There you are, that is the opportunity. I said it there.

• How do you react?

We react, because what we do, our whole basis we are tracking. Exploit the soft underbelly of LA procurement contracts to get high value business particularly where there is conflict of interest. What we do is that we say “we’ve read in the press, 18 months ago this party appointed CBRE to do their global procurement contract. So what do they have in the UK of events coming up in the next two or three years. Let us get those events, we use research teams to do this. Now, just work out which ones CBRE are already involved in cause they act for the landlord. That one, that one and that one. Make sure we have got the evidence right, no let us go and see them.

• What is the typical reaction?

Astonishment. That they never knew that they got that conflict of interest and “my god we need to do something about this”. And normally, you are pushing in an empty door because they are already beginning to be dissatisfied with the service that they are getting. So, you bought a new car and it brakes down a lot. You bumb into someone who specializes in servicing these cars. I assume yours is breaking down he says. Yes it does you answer. I will service it for the same price. I will do it for free the first time so that you will see that it works. What are you going to do?

• Take it.

No different from this. The more the awareness of the harm that a conflict of interest does the more people start to question allowing conflict of interest to be managed. Any of the big four or five are going to explain to you in pain staking detail how there is never a conflict of interest because it is carefully managed. What they are saying is that our clients don’t mind because we know we have a process in place, we put up a Chinese wall and if they are not with happy with the Chinese wall we bring in a third party to deal with it so it is completely independent. People are getting more aware as bad things happen.

So go back to your car that breaks down every time. And your boss says to you: “why on earth did you buy this car? Did they not tell you it was not faulty?” and you say “I didn’t read the contract”.

• The word has to get out.

One of the problems if you are not careful is that you will end up with another company that has got the same conflict of interest.

• You would think you would be more careful the second time around.
Now don’t get me wrong, the big firms manage it extremely well. They even got manuals on it. “We got a complete process, don’t worry it is all very upfront”. Bullocks it is.

• How do you defend yourself in a situation where a conflict of interest might be obvious?

If people don’t care, why worry? At the end of the day I would have probably paid the same so why worry? I got what I wanted.

• So you are saying it is not as big of an issue?

It has not been up until now. As every year goes by it is a bigger and bigger issue. We think that one of our great areas is from big clients unable to manage conflicts of interest. It is also coming down to the bigger clients becoming more risk averse. More risk averse can mean bringing in a real specialist to do high value tasks because you want to be certain that you are getting the best.

• Aligning incentives and the incentive allowance model.

The lot of the work we do is based on results. So if you get sued for a million pounds I get x% of the savings if we get away for less. So you get quite a lot of that.

• What is the most common allowance model in the UK for the tenant rep services?

It is anything from a flat rate per square foot to a straight percentage of the rent to a savings based model that is based on a variety of different things but it the bottom line is a share of the savings.

• Not like the American or German model?

Completely different but there is different bits you see there maybe the landlord give you a ten year lease and two years free up front. So incentives are two years rent-free. Maybe, the landlord will give you a rolling break - the option to break the lease at any time after a year. If you were running a business where you had no transparency for how long you wanted the premises for you had a rolling contract with a client. What is the most important thing to you? It is not price, it is flexibility because it would kill you if you had ten years. So it makes it more difficult, how do you value the incentives? And the stuff we do have third party external benchmarking so they tell you before you start what they expect you to deliver. If you deliver better than that you get a bonus and if you deliver worse you get punished. Becoming more popular.

• Do you think it is because where the world is at with the economy?

I think the world is at where everyone is trying to score a cheaper and cheaper deal. That is why procurement has become such a major issue, the cheapest price.
Q1 Is your company taking a distinguished position by representing the tenant exclusively?

Answered: 14  Skipped: 1

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Q2 Does your company offer any other services than Tenant Representation?

Answered: 11  Skipped: 4

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<td>We are a full service company in the field of Real Estate</td>
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<td>Except from out tenant representation business area, there is three other business areas in Sweden. Building management, Environment &amp; sustainability and NIRAS international consultants, who work with SIDA-projects etc.</td>
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Q3 Do you believe that your company's clients value your loyalty?

Answered: 11  Skipped: 4

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Q4 How well aware do you think your clients are of a possible conflict of interest in loyalty?

Answered: 10  Skipped: 5

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<td>Conflicts of interest are managed when they arise and the Client, especially when they are 'contracted' understand how we manage such conflicts so they trust us as an advisor</td>
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<td>This is never a problem, since we work very different in our projects. If, unlikely, a situation that could be a problem should occur, we would make our clients well aware.</td>
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**Q5** Do you believe that your client is willing to pay more for ensuring the exclusivity in your representation?

Answered: 10  Skipped: 5

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**Total** 10

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<td>Usually not as by giving exclusivity we are benefitting from more revenue which allows them to command discounts on fees under a contract or MSA, indeed we are happy to give discount to secure regional or global exclusivity and provide wider services</td>
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<td>I think it's important to ensure the exclusivity, but since we deliver exclusivity in our representation one can say that the clients already is paying for it.</td>
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Q6 How well aware do you think your clients are of the possibility that a conflict of interest in loyalty might be present?

Answered: 3  Skipped: 12

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<td>0%</td>
<td>3</td>
</tr>
</tbody>
</table>
Q7 How do you confront a client who questions your loyalty?

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I de fall vi ser en risk tar vi upp det med kunden direkt innan de naikas oss. Om de undrar mer generellt tar vi en dialog, med syftet att samtliga parter ska vara trygga med konsultens lojalitet för det aktuella uppdraget.</td>
<td>4/15/2013 7:30 PM</td>
</tr>
<tr>
<td>2</td>
<td>It seldom is a conflict of interest because we represent different departments with separate systems and handles the information very confidential.</td>
<td>4/11/2013 4:38 AM</td>
</tr>
<tr>
<td>3</td>
<td>It has not arisen</td>
<td>4/8/2013 7:40 AM</td>
</tr>
</tbody>
</table>
Q8 How much would you expect to increase your allowance in order to work exclusively with the tenant or exclusively with the landlord/property owner?

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>jag ser varken en upp eller nersida för vår ersättning/omsättning</td>
<td>4/15/2013 7:30 PM</td>
</tr>
<tr>
<td>2</td>
<td>Our department works exclusive with tenants only never a project from the landlord. But the company has other departments that work for the landlord.</td>
<td>4/11/2013 4:38 AM</td>
</tr>
<tr>
<td>3</td>
<td>We would not propose to do this</td>
<td>4/8/2013 7:40 AM</td>
</tr>
</tbody>
</table>
Q9 Do you personally see a trending change in clients’ demand of loyalty?

Answered: 11  Skipped: 4

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36.36%</td>
</tr>
<tr>
<td>No</td>
<td>63.64%</td>
</tr>
</tbody>
</table>

If Yes, please specify (3)

<table>
<thead>
<tr>
<th>#</th>
<th>If Yes, please specify</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increasing awareness on consequences of disloyalty</td>
<td>4/9/2013 6:03 AM</td>
</tr>
<tr>
<td>2</td>
<td>Yes they are bundling around services looking for value in return for discount - they will give exclusivity though only when they are certain they can secure best in class service</td>
<td>4/4/2013 5:05 AM</td>
</tr>
<tr>
<td>3</td>
<td>I think mature clienst has taken this for granted for a long time and ususly ask that you outline how potential conflict of intrest would be handled before they engage you.</td>
<td>4/4/2013 2:20 AM</td>
</tr>
</tbody>
</table>
Q10 What is your allowance model for Tenant Representation services?

Answered: 10  Skipped: 5

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Running rate combined with an incentive</td>
<td>4/17/2013 3:02 PM</td>
</tr>
<tr>
<td>2</td>
<td>Vi har flera modeller, löpande räkning, incitement, fastpris</td>
<td>4/15/2013 7:34 PM</td>
</tr>
<tr>
<td>3</td>
<td>Different, depending on project and tenant.</td>
<td>4/11/2013 4:39 AM</td>
</tr>
<tr>
<td>4</td>
<td>?</td>
<td>4/9/2013 6:03 AM</td>
</tr>
<tr>
<td>5</td>
<td>Don’t understand the question, which probably means it is not relevant to our business.</td>
<td>4/8/2013 7:42 AM</td>
</tr>
<tr>
<td>6</td>
<td>We have a sliding discount model we apply for tenant rep transactions under a MSA or Transaction Management contract where a client wants to buy regional support</td>
<td>4/4/2013 5:05 AM</td>
</tr>
<tr>
<td>7</td>
<td>I do not understand the meaning of “allowance”</td>
<td>4/4/2013 2:20 AM</td>
</tr>
<tr>
<td>8</td>
<td>Succés fee</td>
<td>4/3/2013 1:48 PM</td>
</tr>
<tr>
<td>9</td>
<td>varies between customers preferences, type of project and length of project</td>
<td>4/3/2013 4:05 AM</td>
</tr>
<tr>
<td>10</td>
<td>Mostly hourly rate or incentives.</td>
<td>4/3/2013 2:33 AM</td>
</tr>
</tbody>
</table>
Q11 What is your personal opinion regarding a possible decision to more exclusively represent the tenant?

Answered: 10  Skipped: 5

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A natural trend in a maturing market</td>
<td>4/17/2013 3:02 PM</td>
</tr>
<tr>
<td>2</td>
<td>Crucial</td>
<td>4/17/2013 4:49 AM</td>
</tr>
<tr>
<td>3</td>
<td>Jag känner att vi och våra kunder har en fördel av att vi t.ex har byggtekniska kompetens inhouse, för ev frågor som kan uppkomma i uppdragen. Jag är nöjd som det är.</td>
<td>4/15/2013 7:34 PM</td>
</tr>
<tr>
<td>4</td>
<td>?</td>
<td>4/9/2013 6:03 AM</td>
</tr>
<tr>
<td>5</td>
<td>We are not contemplating this</td>
<td>4/8/2013 7:42 AM</td>
</tr>
<tr>
<td>6</td>
<td>It is a logical move - CRE is getting more centralised and corporates want to work with an advisor who understands their business. They don't want to have to educate a new advisor every time they want support so this is all about driving efficiency and savings - there is a choice of advisors who are able to provide Regional or Global support so there is a choice out there for Clients looking to give exclusivity. This is driving better service as suppliers are looking to pick up exclusive contracts.</td>
<td>4/4/2013 5:05 AM</td>
</tr>
<tr>
<td>7</td>
<td>It is a necessity</td>
<td>4/4/2013 2:20 AM</td>
</tr>
<tr>
<td>8</td>
<td>You get to do more which is interesting, but more cash if you can handle more transactions. Working by hour gets you less money.</td>
<td>4/3/2013 1:48 PM</td>
</tr>
<tr>
<td>9</td>
<td>Good</td>
<td>4/3/2013 4:05 AM</td>
</tr>
<tr>
<td>10</td>
<td>Since we do that, the decision is already made.</td>
<td>4/3/2013 2:33 AM</td>
</tr>
</tbody>
</table>
Q12 Does your company perform customer satisfaction surveys?

Answered: 11  Skipped: 4

Yes  No

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>100%</td>
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<tr>
<td>No</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
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</tbody>
</table>
Q13 How does your company evaluate customer satisfaction?

Answered: 9  Skipped: 6

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>See 9</td>
<td>4/17/2013 3:02 PM</td>
</tr>
<tr>
<td>2</td>
<td>genom kundenrätor och uppföljning med kund</td>
<td>4/15/2013 7:34 PM</td>
</tr>
<tr>
<td>3</td>
<td>?</td>
<td>4/9/2013 6:03 AM</td>
</tr>
<tr>
<td>4</td>
<td>Standard set of questions in the form of an email questionnaire</td>
<td>4/8/2013 7:42 AM</td>
</tr>
<tr>
<td>5</td>
<td>We do individual project feedback as well as quarterly customer surveys - we also have a Client Team for projects buying wider services to review performance and other relevant issues</td>
<td>4/4/2013 5:05 AM</td>
</tr>
<tr>
<td>6</td>
<td>Highly</td>
<td>4/4/2013 2:20 AM</td>
</tr>
<tr>
<td>7</td>
<td>High Your reputation is everything</td>
<td>4/3/2013 1:48 PM</td>
</tr>
<tr>
<td>8</td>
<td>Yes</td>
<td>4/3/2013 4:05 AM</td>
</tr>
<tr>
<td>9</td>
<td>Surveys, reconciliations etc. It can vary based on the projects and the clients. We often have a long-term relation with many of our clients and represent them in many and different kinds of projects and it effects how we evaluate.</td>
<td>4/3/2013 2:33 AM</td>
</tr>
</tbody>
</table>
Q14 Is the results collected from the surveys used to enhance your operations?

Answered: 11  Skipped: 4

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
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</tr>
</tbody>
</table>
Q15 **What is your name?**

Answered: 11  Skipped: 4

<table>
<thead>
<tr>
<th>#</th>
<th>Responses</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Torbjörn Eriksson</td>
<td>4/17/2013 3:02 PM</td>
</tr>
<tr>
<td>2</td>
<td>John Cannier</td>
<td>4/17/2013 4:49 AM</td>
</tr>
<tr>
<td>3</td>
<td>Ingela Johansson</td>
<td>4/15/2013 7:34 PM</td>
</tr>
<tr>
<td>4</td>
<td>Anna Nordin</td>
<td>4/11/2013 4:39 AM</td>
</tr>
<tr>
<td>5</td>
<td>Erik Dellner</td>
<td>4/9/2013 6:03 AM</td>
</tr>
<tr>
<td>6</td>
<td>Tim Norman</td>
<td>4/8/2013 7:42 AM</td>
</tr>
<tr>
<td>7</td>
<td>Paul Foreman Head of EMEA Transaction Management</td>
<td>4/4/2013 5:05 AM</td>
</tr>
<tr>
<td>8</td>
<td>Peder Engberg</td>
<td>4/4/2013 2:20 AM</td>
</tr>
<tr>
<td>9</td>
<td>Tomas Pendén CBRE</td>
<td>4/3/2013 1:48 PM</td>
</tr>
<tr>
<td>10</td>
<td>Mats Brage</td>
<td>4/3/2013 4:05 AM</td>
</tr>
<tr>
<td>11</td>
<td>Hanna Mossfeldt</td>
<td>4/3/2013 2:33 AM</td>
</tr>
</tbody>
</table>