

Colliers Halifax

We are Tenant Representatives, not brokers

In considering whether to begin a business relationship with Colliers Halifax Leasing, it is important to understand that we are not brokers. Rather, we practice Tenant Representation. There are at least three important differences between Tenant Representation and brokerage.

Important Differences

1. Allegiance to tenant clients, not building owners

A broker's primary, if undeclared, allegiance is to the owner (even though a broker in Japan is usually paid by both tenants and owners at completion of a deal). They have the owner's interests closer to heart than those of the tenant because brokers do much more business with any one owner than with any one tenant and depend on owners for their flow of property information. Brokers and owners are colleagues in the same business, whereas tenants are their mutual source of revenue and "outsiders" to the business fraternity. Brokers, therefore, naturally interpret "fair value" from the viewpoint of the owner, seeking a compromise solution which is most easily achieved if tenant expectations are minimized. A fundamental conflict of interest exists where the tenant's interests are "represented" by a broker who is compensated in part by the landlord "against" which the broker negotiated.

Colliers Halifax Leasing accepts no payment from owners, and sources no business through owners. Colliers Halifax pioneered Tenant Representation in Japan: to our knowledge, we are the first practice in Japan compensated solely by tenants. This fundamental difference in allegiance and approach is reflected in the advice we provide and the deals we negotiate for our clients.

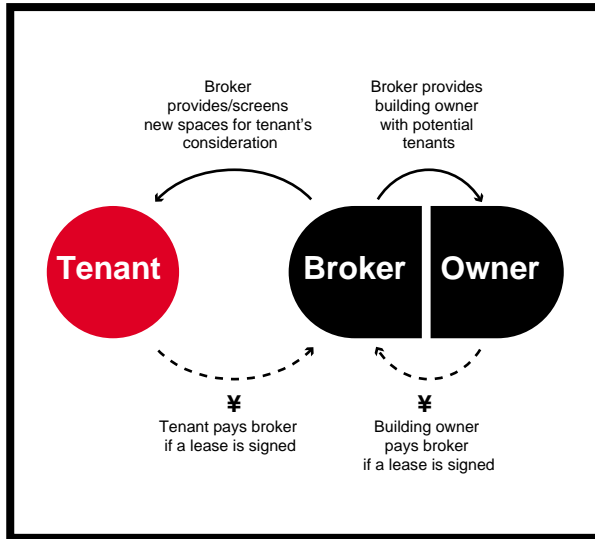
2. You receive comprehensive service

Brokers act as facilitators of agreements between owners and tenants. They show buildings they have "on their books" to tenants, and encourage tenant/owner negotiations to conclude successfully, thus earning the broker a fee from both parties. Colliers Halifax Leasing does much more. We lead our clients through the full process of achieving fair value in facilities ideally suited to our client's needs. We tap on our experience, market knowledge and strategic planning skills to ensure that the choices and judgments of our clients forge a consistent path to the optimal solution. Colliers Halifax provides a clear opinion at each critical juncture along the way. In addition, we provide introductions, as appropriate, to professionals such as lawyers, interior designers, and construction cost negotiators with proven track records. Such recommendations are based solely on merit - Colliers Halifax accepts no "finders fees".

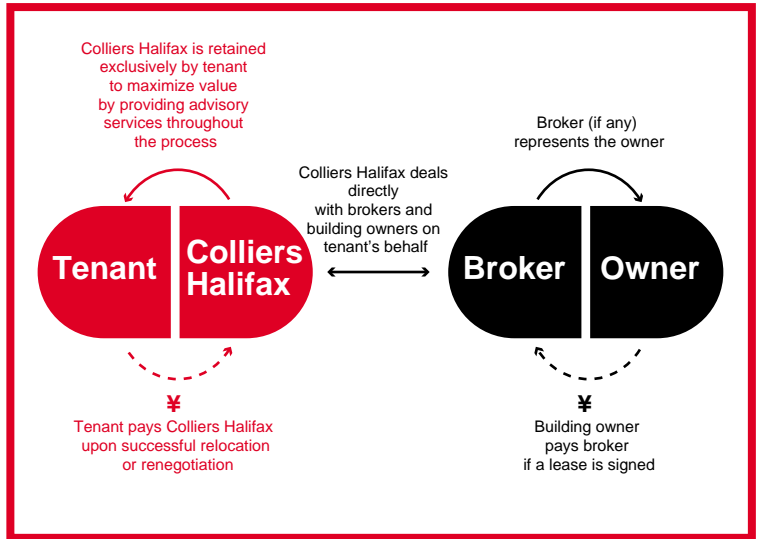
3. Colliers Halifax is retained on an exclusive basis, and compensated when either a relocation or a renegotiation is successfully completed

While the direct cost to the client of using Colliers Halifax is the same as using a broker – one month's rent on a success-fee basis when relocations are involved – our work differs in two important respects. First, brokers can be used on a non-exclusive basis whereas we can only be engaged on an exclusive basis. Second, while brokers are motivated only to achieve a relocation, we earn fees on any pre-agreed and successful outcome in which we have added value, including renegotiation of lease terms and conditions. The reasons for these differences are straightforward. We are not able to allocate the resources necessary to provide the level and degree of service required if we are working on a non-exclusive and therefore ad-hoc basis. Also, our neutrality would be compromised if we were compensated for one outcome and not for another. Compensation terms should not motivate real estate advisors to encourage a specific type of outcome, especially if that outcome is relocation, which often entails more disruption and greater one-time costs than do other options. Instead, the Tenant Representation compensation structure gives Colliers Halifax the incentive to develop a range of potential solutions to optimize the outcome for the client.

Supply-side Brokerage



Tenant Representation



The supply-side brokerage structure does not serve the client well. Brokers feel prime allegiance to building owners because of their ongoing business relationship, and have the incentive to encourage relocation to be able to earn a fee.

The Tenant Representation structure allows Colliers Halifax to have complete allegiance to its tenant clients and to provide impartial advisory services throughout the process.

Colliers Halifax Leasing pioneered Tenant Representation in Japan: to our knowledge, we are the first practice in Japan compensated solely by tenants.

The Colliers Halifax Tenant Representation Process consists of seven simple but comprehensive steps that thoroughly assess the situation and offer a range of solutions and strategies.

Step-1 - Access the Existing Situation

- Does the current situation represent good value?
- Is it a viable long-term solution to space requirements?
- What is the client's history in the space and its relationship with the landlord?
- What is the landlord's current financial position?
- Are there any hidden risks in the current lease document?
- What are the factors motivating a review?
- Who are the decision makers, and what is the timing of the project?

Step 2 - Identify the Options and Establish the Direction

- Relocate?
- Renegotiate?
- Lease more or less space from the same landlord?
- Consolidate several offices into a single location?
- Reduce credit risk exposure on deposit funds?
- Traditional or fixed term lease?
- Colliers Halifax analyzes the feasibility, risks, advantages and disadvantages of a range of options and prepares a preliminary opinion on each.

Step 3 - Create the Strategy

- Sequence the critical events and outline the schedule of key decision points.
- Understand the client's internal approval process.
- Identify advantages, disadvantages and risks for each opinion and establish consensus on client preferences for each possible outcome.

- Outline the ideal financial structure of the transaction.

Step 4 - Generate a Range of Specific Options

- Create a shortlist of properties which best meet the agreed economical and physical requirements and visit all the buildings together with the client.
- Prepare detailed financial analyses comparing best buildings to the current situation and incorporating all aspects of the transaction (one-time costs, rent and deposit levels, free rent periods etc.). Analyses include savings, multiple year net present value, payback period and internal rate of return.
- Using key decision-making criteria, narrow choices to an even shorter list of buildings ideally suited to client needs.

Step 5 - Introduce Other Professionals to the Process

- Colliers Halifax provides introductions to the following recommended professionals as appropriate:
 - Lawyers to review lease documents.
 - Design firms to review the final candidate properties for suitability and cost from a design and usage perspective.
 - Quantity surveyors to negotiate and reduce construction costs.
 - Financial research firms to check landlord credit risk.
- Colliers Halifax receives no finder's fees; introductions are based solely on merit.
- Based on input received, Colliers Halifax prepares a final rank order of preference of candidate buildings.

Step 6 - Negotiate and/or Renegotiate

- Several final alternatives are developed simultaneously to optimize negotiating leverage.
- The lawyer provides a detailed review of lease documents and together with Colliers Halifax ranks proposed revisions in order of business and legal importance.
- Final financial analyses are prepared when negotiations have achieved desired results.
- An application contingent on client formal headquarters' approval may be submitted to reserve the space during internal deliberations.
- If the client's existing building is acceptable but current terms are too expensive, a renegotiation of terms with the current landlord may be possible. Colliers Halifax will assist in strategy development, assessment of realistic fair market value of the current property, financial review of move versus stay options, identification of desired changes to lease document, and assessment of landlord credit risk.

Step 7 - Make the Final Decision

- After the best terms and conditions have been negotiated for all relocation and renegotiation options, the client makes a choice.
- Colliers Halifax assists with a final review of the options, providing our opinion on the ideal solution, and writing reports as necessary for use in the approval process both here in Japan and overseas if required.
- Colliers Halifax provides ongoing counsel and after-service.

After completing the transaction, Colliers Halifax offers ongoing counsel and after-service.

We know the market

The Tokyo real estate market has changed dramatically in the last decade. Rents, deposit levels, incentives such as free rent, and lease language have adjusted constantly in the shift between owner's and a tenant's market. In this market environment, access to current and accurate market information is vital to success. Security deposits, to take one example, once a non-negotiable twenty-four months rent, in new lease transactions now average less than half that amount. There are a number of techniques, which can be used to further reduce the security deposit amount and associated risk. This is important to tenants: security deposits are generally unsecured loans, which may evaporate if a building owner defaults.

With our strong commitment to market research, our independence from owners and our long track record, Colliers Halifax provides a clear view of fair value and a reasonable standard for all key decisions. And with our own bilingual, bicultural staff and our effective relationships with owners and the Japanese brokers who represent building owners, we deliver fair value in negotiations while minimizing conflict with owners.

Our philosophy is built around added value; we neither seek nor accept compensation unless value is created.

Experience and current market knowledge give Colliers Halifax an important advantage over our clients' internal staff who find it difficult to keep pace with the market's ever-changing definition of standards and fair value. This is particularly so given their other responsibilities and the fact that their market information is often filtered and provided by building owners and supply-side brokers. Our independence from owners eliminates the risks and costs to the firm of personnel who, while loyal to their companies, have built allegiances to building owners with whom obligations and close relationships have naturally developed over the years. Nonetheless, both internal staff and building owners often argue that by going it alone and negotiating directly with the owner an agency fee is avoided and the best deal is achieved. However any apparent short-term "savings" on agency fees are generally dwarfed by the longer term financial impact of an over-the-market deal.

Colliers Halifax provides our clients with the experience, the professional advice and the accurate, current market knowledge to optimize the decision-making process. Our philosophy is built around added value; we neither seek nor accept compensation unless value is created.



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