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▼ COMMERCIAL REAL ESTATE

Five points to consider before leasing office space

BY PAUL SUZMAN

Lease versus own: a question most business people pose to themselves at one time or another. If you've decided that your company should lease and not own its facilities, you've got a lot to consider before you make your best deal. Here are the top five factors to evaluate before getting into the commercial space leasing game.

Space: How much space do you need? Over the last seven or so years, the oversized corner office has become outdated. Organizations are flatter, and the executive suite has in many cases been abandoned in favor of a management-by-walking-around philosophy in which team leaders are housed closer to their people. Spaces are being designed more for their functionality and less for their visual impact on visitors.

Space planning helps translate your business plan into a schematic that illustrates how each department relates to others within the work environment. The working drawings tell the final story. Be sure to hire an architect who communicates well and who is willing to push back when your enthusiasm starts to compromise budget.

Economics: How much can you pay? The classic tug of war between needs and wants rages on. Nobody needs a high-rise view of Lake Washington or Puget Sound, yet few would disagree about the desirability of this amenity. Not all firms need to be in a downtown core or close to clubs, hotels and restaurants. You need to decide where your firm's want dollars are best invested.

A forced ranking process can be very

helpful in sorting through wants versus needs. This isn't rocket science. Rather, it is identifying each factor that makes for a sound decision and evaluating each against others, one by one. Industrial users tend to be able to weigh options more objectively than office users.

Geography: Where is the best location? Certain law firms must be near the federal courthouse. Retailers always try to determine their demographic sweet spots. And manufacturers or distributors consider truck access, power supply, and land for expansion.

Once again, we circle back to economic considerations which make this process dynamic. Generally speaking, the farther you are willing to travel, the less you will pay for rent. With our Puget Sound region traffic problems, consider carefully how location will impact employee and customer access.

Operations: What do you want the space to do for your business? Do you consider facilities as a place to keep employees reasonably warm and dry or as a corporate asset on which one intends to reap some sort of financial return? Are your offices a recruiting tool? Are they intended to make a statement about your firm's stability, credibility or creativity? Understand what messages are being transmitted by your choice of location or building.

In the process of debating these questions, larger non-real estate issues can tend to surface, and differences in corporate priorities can become divisive unless skillfully managed. An example would be a professional firm some of whose partners believe their practice warrants high-rise view space with a \$70-per-foot build out, while others would prefer low-rise space and would put the \$8,500/annum/partner differential in their pocket (or their kids' annual school capital campaign.)

Timing: What is the best timing for the

company as a business and from the real estate market perspective? Ovid, the Roman poet-philosopher, referred to time as "the devourer of all things." He also observed, "At times it is folly to hasten, at other times, to delay. The wise do everything in its proper time." I would offer Ovid a job today, as he clearly grasps the essence of corporate real estate decision making.

The earlier you start the process of facility planning, the greater the chance of positive outcome. Commercial real estate goes through cycles, and vacancy rates and leasing concessions and rates fluctuate year to year. Real estate developers prefer long-term relationships with predictable, stable tenants.

When contemplating lease negotiations — whether in a new space or your existing space — come to the table well prepared. Understand with what and whom you are dealing. Ensure, as you hire a tenant representative, that he or she clearly understands your corporate objectives and values and is equipped to represent your best interests in their dealings with landlords and their leasing agents. This means negotiating thoughtfully, aggressively, but always fairly.

Remember, as the vacancy rates and markets change from tenants to landlords, people remember how they were treated.

For the best outcome, combine an understanding of your corporate priorities and objectives with a familiarity of your target real estate market and its best practices. And, to paraphrase that well-known admonition, "Do not attempt this at home. Best done by trained professionals."

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OFFICE SPACE



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