

LEASING SPACE FOR YOUR BUSINESS

Before looking for commercial property to lease or sublease for your business, it's essential to develop a checklist of all the things the property must have **inside** and **out**. This will not only save you time and effort, but will help to ensure that you find a place that truly meets your needs.

Assess exactly what you **need**, what you'd **like** to have, and what you can **afford**. Because you may not be able to satisfy *all* of your criteria, it's a good idea to prioritize checklist items so that the space you finally choose meets the most *important* ones. Key factors include:

SPACE

Determine the total amount and different kinds of space you'll need. Private offices typically range from 120-200 square feet, workstations 36-80 square feet, and conference rooms (seating 10-12 people) 200-375 square feet. File areas require 12 square feet, and reception areas (with seating) 350 square feet.

If you are leasing a store, consider the size of your inventory as well as the size of your displays and dressing rooms. No matter what business you're in, you'll probably also need storage and closet areas, a bathroom, a mail/copy/fax room, or even a kitchen. It's best to add up everything and come out with a rough square footage estimate along with a laundry list detailing the kinds of space you'll require both now and in the near future. Check local ordinances which may require public restroom facilities.

AFFORDABILITY

Prices for commercial facilities are based on cost per square foot.

The Building Owners and Managers Association (BOMA) classifies buildings with letters of the alphabet; for example, a Class A building is typically a modern, attractive secure building in a desirable location. You may be able to acquire the kind of space you can afford by compromising (e.g., leasing space in a less desirable neighborhood but in a historically appealing older building). Also, many urban areas now offer incentive programs that provide substantial discounts to businesses that lease in a certain geographic zone.

When deciding whether you can afford a particular space, determine the total amount it will cost you to move in and to maintain your lease, plus the amount it will require to renovate the space to meet your needs. Don't guess at how much it will take to renovate --get firm estimates. Is it affordable? If not, look for another place.

AMBIENCE

Sometimes, a business requires a certain kind of ambience, or atmosphere. For example, if you are a leading edge design firm, you need to be in an office space that promotes that image, or in a space you can design so that it promotes that concept.

This is where you must analyze the basic ingredients of the space you need. Think about factors such as the amount of natural light, number of corner offices with views, type and color of carpeting (unless you're willing to replace it), appearance of the building's foyer and exterior, how well the building is maintained, and whether interior walls or other architectural elements need to be torn down or put in. These variables, or lack thereof, will influence your overall cost.

SUBLETTING

Because many landlords charge a hefty security deposit (especially to young companies who haven't yet proven themselves), it may be far more cost-effective to sublet space. You can sublet in one of two ways:

1. By taking over part of an existing office (usually one or more private offices) and sharing facilities (e.g., reception area, kitchen, conference room, bathroom) with another business. Sharing office space can provide many cost-saving advantages. It can also help in terms of business referrals, **if** it is logical for the other business to refer you.
2. By subletting an entire space from a business that has moved to another floor or building. Not only will you relieve yourself of the responsibility of a security deposit, but you may see a substantial difference in your rent. If your lessor has moved but is still under contract for the space you want, they may be looking to cut the costs of paying rent for two locations. Use this to your advantage and haggle. Keep in mind, though, that subletting is rarely long term.

Finally, office furnishings and key architectural elements are often included as part of a sublease, which can be another cost saving benefit.

A cost effective alternative to renting space for a stand-alone office for new business startups is the share-an-office facility. The type of services these operators provide range from a mail drop all the way up to a full service, multiple office facility. A principal advantage is that it is a virtual office in that it is transparent to your customers or clients that many different companies of various sizes and types of business share the facilities.

There are many of these firms in the Chicago area in Class A and lower rent facilities. You'll pay the max for a downtown Chicago location in a Class A building. Understand their menu of charges for services such as word processing and other forms of office support. These variable costs can quickly add up, and it may be worth your while exploring outsourcing some or all of these services and just utilizing the shared-office facilities as a place to meet customers and to perform regular day-to-day functions of running your business.

This type of facility is particularly well suited to those types of businesses who have frequent visits by customers, where something more professional appearing than a home office is an important factor in winning and retaining new clients and/or where the business owner does not have the kind of work discipline necessary to successfully operate a home based business.

ESSENTIAL EXTERNAL ELEMENTS

Every business requires certain external elements (in terms of location) to succeed. For example, does your business depend on foot traffic? Need to be located near public transportation? Need to be able to provide ample parking? Is your clientele the type who will only be comfortable in a certain area of town? Is an alarm system or upstairs location a must-have? What about zoning and land use restrictions? Do you need a building that is already wired for computers and the Internet? (Sometimes, you can acquire elements from the exiting tenant who may want to sell existing network wiring, an alarm or phone system, furniture, or more.)

GET HELP!

Find a *commercial* real estate broker to assist you in the hunt for the ideal location and property. They can also give you the benefit of local knowledge (e.g., the quality of certain landlords and properties), share scoops on what's available, and help you navigate your way through your leasing agreement. Look for brokers who are affiliated with the Society of Industrial and Office Realtors (SIOR) and are Certified Commercial Investment Members (CCIM); these designations help to ensure that you are working with an educated and responsible professional.