

In Focus: What To Consider Before Signing a Commercial Building Lease

Consider building management, amenities, employee commute times, security, and costs before signing a commercial real estate lease.

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What's the number-one selling point in commercial real estate? Location...location...location.

We've all heard it and probably believe it's true. And location is a very important consideration when searching for new office space. But there are a many more factors that should be taken into account before making this decision, and location is only the tip of the iceberg.

The owner and management team are the most important players in the mix, and having them on-site and easily accessible is key. The owner's financial stability, with low or no mortgage debt, is an important criteria that may indicate an ability to maintain and refurbish the facility using high-quality materials and current technologies.

Is It a Well-Run Property?

When calling for references, try to get the full tenant list and the freedom to call whomever you wish, contacting firms of similar size and business-type to best gauge how the particular building is operated. Well-run properties will have written emergency response plans, move-in/move-out procedures, and tenant manuals available.

Before you can even get into a new office space, however, you will need to figure out how long the process is going to take. Depending on the size of your operation, small firms should plan for 6–9 months to search for new space, negotiate the lease, and complete the fit-out. As a rule of thumb, it takes a minimum of one year, and more realistically 18 months to two years, to complete a 100,000-square-foot move.

Identify Your Requirements

When working with the construction and design team, make sure to identify up front any unusual requirements such as high-density storage or the use of heavy equipment that may require additional structural reinforcement. Take into consideration the impact that this construction and your physical move will have on your tenant neighbors. Courtesy paid to them now will be extended to you in the future.

For your employees, their biggest concerns will be traffic during the morning and evening commute, including easy access to major routes; the security and lighting of the buildings and parking lots after dark; snow removal staging; on-site amenities such as a dining facility or a fitness center, and the costs associated with them; the ease of having maintenance issues resolved quickly and painlessly; and the quality and upkeep of the building materials and landscaping. One of the biggest considerations is the quality of the indoor air and the efficiency of the HVAC systems.

And, growing in popularity is the environmental friendliness of the janitorial services and landscaping procedures, including products used and disposal techniques. A property may not be a green building, but minimizing the use of potentially hazardous materials in building operations goes a long way toward tenant satisfaction.

Finally, make sure you know what is included in your monthly rent. You don't want to find out that you get charged for routine maintenance, like changing out light bulbs. And if you are, try to make sure they're at least energy-efficient. A minimum of 20 percent of your energy costs come from lighting; so if you are paying to change the bulbs, at least make sure you're not doing it that often.