



How to invest in growth space in uncertain times

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Your company may be growing — counter to the recent trends — or you may be planning for an upcoming lease expiration. You may even be one of those curious tenants investigating how current commercial real estate conditions can benefit your company.

Thinking through such a significant real estate commitment may seem overwhelming, particularly given the economic uncertainty and unprecedented market conditions. The best approach is to go back to business basics and sound decision-making principles and filter the daily economic news that can so easily become a distraction.

Begin by answering the questions of “who, what, why, where, when, and how.” First, clearly identify and document the key criteria and drivers for wanting a new location. This exercise forces you not only to think about what you want from a new space, but also to identify your key decision makers and to build consensus among this group. This soul-searching may take some time early in the process, but it will provide the necessary framework for the real estate search.

Depending on the specific industry, maturity of the company and the company culture, why you are looking for new space and what you want out of it may vary widely.

A startup that is moving from a founder’s garage to a new space may have a relatively simple list:

Why? Current space constraint is negatively impacting our ability to hire new employees; must be perceived in the marketplace as a larger organization and a company viable in the long-term.

What? Proximity to clients and existing/potential employees — for example, major Boston universities; open space for maximum flexibility, communication and density; easily accessible loading dock and freight elevator for frequent shipping and receiving activity; adequate security for employees accessing the building throughout the day and night.

Whereas, a more mature company contemplating a new location may develop a list as follows:

Why? Lease expiring in eighteen months; opportunity to reassess how teams work together and how the space and technology can better support collaboration; design of the space

should align with the company culture and brand; reduce overall real estate costs.

What? Willingness to relocate from city to suburbs; covered parking for all employees; relatively new systems that require minimal replacement; location for new generator installation; expanded on-site amenities such as dining and fitness facilities.

These key criteria and drivers are usually developed further as additional information becomes available. However, physically documenting these ideas early provides a more formal reference point for future discussions.

With these internal discussions underway, you can supplement your internal team with a broker and architect who have experience in your geographic area and your type of business. Given the current market volatility, the partners you choose should be actively working where you are looking, so they can provide you with real-time trend and cost information. Ask potential partners about creative transactions and terms that they are seeing with landlords, contractors and other service providers. Their answers may surprise you.

As you begin your site search in earnest, additional data points will be critical. In order to understand what you are comparing, due diligence for each location can include everything from basic terms of a deal and when the space is available, to electrical and mechanical capacity, to the ease of commuting. All of these factors can then be evaluated against the criteria and drivers, which should help the team prioritize locations that best meet the company's goals. In practice, this is not straightforward because it does not layer in the human factor. For example, qualitative aspects of a particular building may be appealing to select members of the team, whether the features are an elaborate lobby space, an expansive view or a roof deck.

Next, develop a short list of sites to evaluate while understanding what compromises the team is willing to assume to meet a majority of the established criteria. With this short list of locations, an architect can produce test-fit drawings to illustrate how select buildings may better support the company's workstyle and infrastructure needs.

Ultimately, the decision comes down to weighing the financial terms of the deal with the features that the short list of buildings has to offer. By this point in the process, the pressure is on and the distractions are many. Stick to your fundamental criteria and reasons for moving and leverage the creative partners and relevant data you have collected over the past few months. And feel confident that your due diligence has pointed the company in the right real estate direction.

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