

“It’s Time for Office Space: Six Tips to Ensure a Beneficial Outcome”
By Dan Gonzalez, Executive Vice President, Scheer Partners

Economic pressures are affecting all businesses, no matter what industry they find themselves in. As a result, companies (brand new, small or medium) are looking at how to use precious capital for fixed costs like real estate. The three top generators of corporate overhead are labor, equipment, and real estate holdings.

But how do you maximize real estate holdings by balancing costs against needs and other internal capital demands? Are there steps you can take to minimize costs? What resources are needed to handle your real estate requirements? Where do you even start?

Providers of commercial real estate services can help companies experience significant cost savings and efficiencies. While only 20% of C-level executives have a complete understanding of their real estate portfolios and their implicit costs, the other 80% rely on counsel from real estate professionals, either internal or external.

Here are six tips we recommend to our clients and advice you should keep in mind prior to moving forward with any real estate initiative:

- √ *Conduct an honest assessment of the company.* Start with the basics such as establishing a budget, setting realistic timelines and determining how much space you currently have, and if you have none...how much do you need? This will help in identifying what you would be willing to spend per square foot, on equipment (telephones, furniture, etc.), and for construction and design. Timeline estimates should also include leeway for the deal transaction to be negotiated and finalized, equipment installation and moving. A final helpful tip is to benchmark all of these components against your peers to ensure your investment is in line with industry standards.
- √ *Align your real estate strategy with your overall business plan.* Measure the efficiency of your real estate holdings and begin to determine what you will require in the future. Do you need to add or dispose of space based on your go-forward business strategy? Making sure your real estate supports your business plan enables you to quickly and efficiently respond to economic changes.
- √ *Organize your execution and measure your performance.* Once you have an understanding of your situation and what you want to accomplish, plot out a strategic plan of attack. Just as important, set criteria on how you will measure performance to ensure that you are taking the best course of action. Understanding how changes in your business and real estate are affecting the overall performance of the real estate portfolio provides significant opportunities for strategic savings.
- √ *Timing is everything.* Plan on beginning to evaluate your options 6-12 months before you are prepared to take space. Depending on where in the DC area you are considering moving to, real estate may be in short or overabundant supply. Seek advice on how best to position yourself to take advantage of possible incentives in either case. Also be flexible on lease terms such as the number of years or ability to expand. It all depends on the company’s place in its growth cycle. While a long term lease may have more favorable terms and be acceptable for an established firm, it may be totally inappropriate for a start-up that is hoping to grow rapidly.

- √ *Beware of the credit report.* Landlords can sometimes be choosy in renting space because they don't want to incur the expense of leasing the same space in another six months or a couple years if the tenant can't make payments. They look at the prospect's credit history to provide a measure of confidence in the ability to pay rent, regardless of whether the company is self-funded or venture capital backed. They also want companies with a solid business plan, revenue and profit; companies with poor or brief credit histories may not get a second look from the landlord.
- √ *Supplement internal resources with external help.* Work with professionals who have the experience in evaluating your situation and making the appropriate decisions. An outside consultant or real estate services firm often has the expertise to handle all the necessary real estate planning and execution as well as the local relationships to get you the best deal.

Dan Gonzalez is the Executive Vice President and Managing Director of Scheer Partners' Virginia office. Scheer Partners, Inc. is the leading provider of commercial real estate services for the Washington, DC metro region. Dan can be reached at 703-288-0970 x401 or dgonzalez@scheerpartners.com.

###