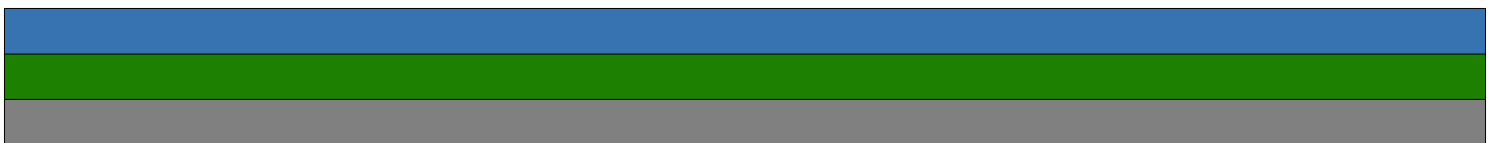




**Office Space For Entrepreneurs and Small Businesses**  
**The Evolving Guide To Leasing**



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

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# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

# The Top 10 Mistakes



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

#### Mistake #1 Neglecting To Determine Current and Long Term Priorities

As an entrepreneur or small business, the initial process of looking for office space can be exciting, inspirational and fun. Moving out of your home office or local coffee shop often is a more than symbolic sign that your business is “moving on up.” Therefore, the prospect of looking at available office spaces and designing it just the way you want it can be quite exhilarating.

Tip: Hold your horses.

Searching for an office space without first determining both your long and short term business and real estate priorities is a recipe for disaster. Below are some important business and real estate issues to consider BEFORE beginning your search for office space.

#### Business

From a business standpoint it is important to consider the following:

**Corporate Image-** Will your customers/clients visit your office on a regular basis? The quality of your office space can make a strong statement about your company’s brand.

#### Examples:

*You’re a small boutique architectural firm and expect to regularly meet with clients in person. An inviting reception area, nice furnishings and a clean bathroom will say a lot about your company’s professionalism and eye for detail.*

You’re online t-shirt company consists of yourself and two employees. Rarely if ever do your customers visit your office. A fresh coat of paint, three computers and desks might just do the trick while allowing you to preserve capital...a clean bathroom would not hurt in this case either.

*You’re a freelance web designer and occasionally meet with new and existing clients to discuss their projects. A coworking or executive suite space with a nice amenity package might serve as an inexpensive option to hold occasional meetings with clients while making a strong statement about your company and increasing your network.*

**Organization-** How quickly and/or large is your company projected to grow? Do you envision adding new employees or perhaps downsizing your current staff? Are you merging with a new company?



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #1 Continued)

#### Example:

*Three months after you move into your space, your company lands a major contract which requires you to hire an additional 4 employees. Is your space big enough to handle the additional workstations? Is there an available adjoining space in the building that would allow you to expand?*

A well-planned work environment can help improve the morale of your employees and lead to a more productive work environment.

Leasing too much or too little office space can result in a cramped environment or a desolate one. (see #7) Either way, the morale of your employees will potentially suffer.

**Technology-** Does your company require a unique technology that is only available in select locations?

**Competition-** Where is your competition located? Will it affect your company to be situated in a close proximity to them?

**Budget-** Clearly, it is a waste of everyone's time if you are looking at spaces that are beyond what you can afford. A well written business plan will help dictate the amount your company can afford to spend for an office space. It is important that you are aware of all the costs involved with securing and maintaining an office space. (See mistake #5)

#### Real Estate

An accurate projection of your current and long term business priorities will have a direct impact on your real estate needs.

From a real estate standpoint it is important to consider the following:

- Space Requirements (How much actual space does your company require? Do you know the difference between rentable and usable space? (See Mistake #7)
- Required amenities (parking, conference room, cafeteria, private entrance, security desk, video conferencing, AV equipment, mailbox, furnished, fitness center)
- Business services (secretarial, administrative)
- IT/Communications Infrastructure
- Hours of building access (are the HVAC systems accessible 24/7?)
- Conference room availability



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #1 Continued)

- When do you want/need to move into your new office space?
- Parking (How many spaces are actually allotted for your company? Is free public parking available nearby? Will you need to subsidize the parking expenses of your employees?)
- Mass transportation
- Signage
- Environmental considerations
- Local dining and coffee shops
- Daycare

[Use Our Real Estate Needs Document](#) to help organize your company's long and short term business and real estate priorities.

### Mistake #2 Selecting The Wrong Broker or Not Using One at All

In most cases, entrepreneurs and small businesses cannot afford to divert the attention required to learn all the ins and outs involved with leasing a commercial space. As such, it is always a good idea to consider involving a (tenant representative) commercial real estate broker to help with the process.

The difference between a (tenant representative) commercial real estate broker and a (listing agent) commercial real estate broker is that the former represents the interests of the building owner while the latter represents the interest of the tenant.

It is important to note that even though the tenant representative is working on behalf of the tenant, their fee is still often covered by the landlord. Many entrepreneurs shy away from involving a tenant representative as they believe it would not fit in their budget.

A good commercial real estate broker will fully understand your company's needs before showing you a location. They will provide insight into the local markets, available locations, traffic flow, rates, terms, lease incentives, laws, trends, landlords, demographics and also help with lease negotiations.

A few good questions to ask your tenant representative before you make the decision to hire them:

- Do you have experience working with companies of my size? Can you give a few examples?
- Do you have experience working with companies in my industry? Can you give a few examples?



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #2 Continued)

- Who pays your commission?
- How many tenants have you represented in the past 2-3 years? How many have resulted in successful transactions?
- Can you give me an overview of the local market conditions?
- Do you have a few references I can contact?
  - Can you briefly re-iterate my space requirements to ensure we are on the same page?
  - Are you comfortable with handling all aspects of the process including a working knowledge of the documents involved in the process? (i.e. request for proposal, letters of intent, lease agreements and work letters)

A few signs that you chose the wrong tenant representative:

- The locations you are shown clearly demonstrate the broker does not understand your company's needs
- The broker fails to demonstrate an acceptable level of local market knowledge
- The broker fails to demonstrate an acceptable working knowledge of all steps involved in the process
- The broker cannot stop talking about how successful they are without being able to provide specific examples/references
- They just don't feel right

### Mistake #3 Not Leaving Enough Time For The Process

Whether you are looking to move into your very first office space or relocating from an existing office space, not leaving yourself enough time for the process can result in the following consequences:

- a weakened negotiating position (resulting in higher rents and less favorable lease terms)
- a decreased number of options to choose from

The search for space, lease preparation, lease negotiation, property inspection, architectural planning, obtaining of building permits, construction (build-out), systems installation, etc. can take several months to a year.

Even if a tenant agrees to take a space "as-is" the process can still take up to a few months.

*Considerations: Are you required to remove the previous tenants "junk"? Can you really move into the space "as-is" or does it require a heavy duty cleaning and a fresh coat of paint? Does the "as-is" space provide all of your technological requirements? Are there any legal issues with previous tenant that might cause a delay? Does the space require a build-out?*



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #3 Continued)

The size of the space, complexity of the tenant's requirements, local bylaws, and amount of renovation needed in a particular office space will affect the length of the process. Working with an experienced professional can help keep the length of the process in check.

#### Mistake #4 Making Your Decision Based Solely on Price

As cost-conscious entrepreneurs, our business decisions are often made solely based on price. When it comes to selecting the right office space, this is a mistake that can lock your company into a bad situation for several years.

Don't be penny wise and pound foolish.

In addition to price, here are some of the other major factors that should be considered BEFORE you make a decision:

- Long and short term business and real estate priorities (See mistake #1)
- Location (travel time, accessibility via public transportation, proximity of: clients, customers, competition, suppliers, vendors, partners, hotels, etc.)
- Branding image (What does your office space say about your company? Do you care?)
- Space requirements (How much actual space your company requires)
- Amenity requirements (i.e. Conference room, business/secretarial services, parking, cafeteria, security desk, furnished, mailbox, etc.)

Before jumping into a space because the price falls within your budget, entrepreneurs and small businesses should take the time to familiarize themselves with the multitude of affordable alternative commercial real estate options that are available.

Many of these alternatives not only offer more affordable pricing than a traditional lease, but also include other amenities that could help to bolster the image of your company, save you time and attract and retain great employees

Some of these affordable alternative commercial real estate options include:

#### **A Sublease**

A sublease occurs when an individual or company rents all or a portion of a space they hold the lease for to a third party.





# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #4 Continued)

#### Executive suites

A **serviced office** also known as 'executive suite' is an office or office building that is fully equipped and managed by a facility management company, which then rents individual offices or floors to other companies.

Executive suites typically offer their tenants amenities and business services such as: a mailbox, telephone system, high-speed internet access, video, receptionist and secretarial services, faxing, photocopying, conference rooms as well as other support.

Executive suites can help you project the image of a professional operation and are generally able to offer more flexible rental terms than a conventional leased office.

#### Shared office space

When a company has unused space within their existing office, they will sometimes elect to rent this space to a smaller company looking for flexible workspace.

A shared office space can create a new revenue stream for the existing spaceholder while providing an inexpensive and flexible alternative to a smaller company, as compared to a traditional lease.

In addition to the financial benefits offered by a shared office space, these environments can often foster networking and collaborative opportunities.

#### Coworking space

Co-working as defined by Wikipedia is "an emerging trend for a new pattern for working. Typically work-at-home professionals or independent contractors or people who travel frequently end up working in an isolated way. Co-working is the social gathering of a group of people, who are still working independently, but who share values and who are interested in the synergy that can happen from working with talented people in the same space.

While a coworking space might provide or rent individuals access to basic workplace amenities, the emphasis of a coworking space is really on the people, culture, and collaboration rather than the facilities.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

#### Mistake # 5 Not Understanding All The Costs

When planning a budget for an office space, it is imperative that you are aware of all the costs that are involved with securing and maintaining your space.

Underestimating these costs can have a direct impact your bottom line. Examples of hidden costs might include:

- Maintenance and common charges (ex. snow removal, HVAC repairs)
- IT/communications charges
- Heating and cooling
- Lighting
- Furniture
- Insurance
- Build-out (construction)
- Office equipment/supplies
- Interior design furnishings
- Moving

It is also very important for you to understand the type of lease you are getting yourself into as this can significantly affect the cost of maintaining the office space. A few common lease types include:

**Full service lease** - An all inclusive payment covering rent, operating expenses, taxes and lessor's insurance, subject to escalations when these expenses increase after the first year of the lease.

**Gross lease** - A gross lease, as distinguished from a "Net Lease," includes real estate taxes, heating and building services in the base rent. Office and loft leases are nearly always of this type.

**Single Net Lease**- In a single net lease (sometimes shortened to Net or N), the lessee or tenant is responsible for paying property taxes as well as the base rent. Double- and triple-net leases are more common forms of net leases because it passes all or the majority of the expenses are passed on the tenant.

**Double net lease**- In a double net lease the lessee or tenant is responsible for real estate taxes and building insurance. The lessor or landlord is responsible for any expenses incurred for structural repairs and common area maintenance. "Roof and structure" is sometimes calculated as a reserve, the most common amount is equal to \$ .15 per square foot. Double net leases are rarely used in the industry because if two tenants are willing to cut their costs to halves, they are typically willing to cut their costs to thirds.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #5 Continued)

**Triple net lease-** A triple net lease is a lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance (the three 'Nets') on the property in addition to any normal fees that are expected under the agreement (rent, etc.). In such a lease, the tenant or lessee is responsible for all costs associated with the repair and maintenance of any common area.

Source: Wikipedia

### Mistake #6 Choosing The Wrong Location

Selecting a location for your office simply because “an area seems cool”, “the price is right” or perhaps “you love the coffee at the local coffee shop” might negatively impact your company’s image, worker productivity, bottom line, growth potential as well as your ability to hire and retain the highest quality employees.

As you consider the available options for your new office location, it is important to consider things such as building access, applicable state laws, public transportation, demographics, zoning laws, as well as your proximity to: workers, clients, customers, competition, suppliers, vendors, partners, hotels etc. (See mistake #1 and #4)

An experienced commercial real estate broker should take the time to fully understand your company’s needs and subsequently show you properties that are aligned with these needs.

The longer you plan on staying in a given location, the more important it is to weigh ALL of these options very carefully.

In addition to the total dimensions of the space, a few other considerations should also be factored into your decision. These other considerations include:

- Does the workspace provide acoustical and visual privacy?
- Can walls be moved or are they structural (cannot be moved)?
- Is there access to natural light or only artificial lighting?
- Will the layout work disrupt your natural flow of business?



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

#### Mistake #7 Not Properly Estimating Your Space Requirements

As you begin your search for office space, it is very important that you carefully assess your space requirements both from a short and long term perspective.

While a small and cozy space might cost a little less initially, if there is a strong possibility your company will need to expand its staff within your lease term, choosing this less expensive space might be problematic down the road.

Conversely, while it is nice to have a football catch across the office, taking on too much space can result in a big drain on the company's bottom line.

Estimating how much office space you will need is not an exact science. The nature of your business, corporate culture, workflow and even your individual preferences might vary significantly from other company's. These variations make it virtually impossible to standardize a specific guideline that will work for every company.

[Our space estimation calculator](#) can help you generate a basic square footage requirement for your company. These estimates can be individually adjusted upward to provide a more spacious layout or can be adjusted downward to provide a more efficient use of office space.

As you contemplate the amount of space your company actually needs, it is important that you understand the difference between rentable and usable space.

Landlords charge tenants based on the number of rentable square footage leased. The rentable square footage is calculated by adding the usable square footage (the amount of square footage to be used exclusively by you, the tenant) to a portion of the common area (areas shared by all tenants such as the lobby, restrooms, shared hallways, etc.). The distinction between the two is especially important as you estimate the amount of usable space that will best suit your company.

#### Future Growth

As many leases will lock you into your space for at least two years, it is important that you carefully consider your company's future growth before you make a final decision regarding how much space you need.

Terminating your lease early because your company outgrew its space will cost your company money, time and probably serve as a major distraction from your normal course of business.

Hiring a professional workspace designer can help you to accurately estimate the right amount of space required by your company, as well as assist in strategizing the best design to maximize the efficiency of your workplace.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

#### **Mistake #8 Signing Too Short or Too Long of a Lease**

Signing too short or too long of a lease can both have negative consequences. Some companies feel that by signing a short term lease they are buying themselves more flexibility. While this might theory might be true in some instances, this flexibility often comes at a price. This price might include a higher rent, less favorable lease terms as well as the time and disruption required to move your company

Conversely, some companies feel that by signing a long term lease they are buying themselves more stability. In today's volatile commercial real estate market this might prove to be a huge mistake as companies could be locking themselves into lease payments significantly higher than current market rates.

*Example:* Currently the market is flooded with company's that are subleasing their unused office space for pennies on the dollar as they signed a 7-year lease during 2007 expecting 2x growth.

While predicting your company's future with 100% accuracy is impossible, a careful assessment of both your long and short term business/real estate priorities can help you to more accurately assess a reasonable lease term for which to negotiate. (See mistake #1)

#### **Mistake #9 Underestimating The Condition of the Premises**

Judging the condition of a perspective office space based on a simple walkthrough is as dangerous as shopping for a car, and basing the condition on its shiny new coat of wax.

As you begin to zero in on a list of properties that might be a good fit for your company, it is imperative that you ensure all systems within these buildings are working properly and are capable of handling your company's needs.

Some of these systems include: data, power, networking, and HVAC capacity.

Even if a space looks pristine and has just been vacated by a previous tenant, the buildings infrastructure could be have problems, and this might not be apparent from a cursory glance of the space.

It is always a good idea to try and have the landlord guaranty the space is up to current building, fire, safety, zoning and ADA codes and that all electrical, plumbing, heating and air-conditioning systems are in good working condition.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The Top 10 Mistakes

(Mistake #9 Continued)

Tenants should propose a clause to the lease which automatically adjusts the start of the lease start if delays are encountered which are beyond the control of the Tenant.

It also important for language that dictates which party is responsible for any repair costs that are incurred during the lease term.

### Mistake #10 Not Asking For Enough Landlord or Outside Incentives

Landlord Incentives

Inexperienced tenants, acting on their own behalf, often settle for lease terms which do not contain as many incentives as they could have negotiated. (See mistake #2)

As the commercial real estate industry continues to suffer, landlords are more willing than ever to offer lease incentives to secure new tenants. These incentives can potentially add up to a significant savings that could directly affect your company's bottom line.

A few typical incentives include:

- Several months of free rent both before and after lease begins
- Discounted rent for various time periods
- A contribution from the landlord toward the tenant's build-out costs
- A landlords direct improvement to the space
- A limit on future rent increases

In addition to incentives which can be obtained from the landlord, when a company relocates, it is also possible that incentives can be obtained from your local government.

These incentives might include tax rebates, relocation assistance, payroll subsidies during employee training, infrastructure improvements and others.

As mentioned in Mistake #2, entrepreneurs and small businesses cannot be expected to become commercial real estate experts at the same time they are focusing on making their companies successful...this includes being aware of all the incentives they could negotiate for.

A commercial real estate professional working on your behalf can help insure that you are negotiate the most favorable lease terms with the landlord, and that you are up to speed on any outside incentives you might be entitled to.

**Note:** While our Top 10 list does include some of the most common mistakes made by company's when leasing office space, they are certainly not the only ones.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

# The 4 Steps



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps



#### Define Your Requirements

##### Create A Real Estate Needs Document

That's it! Enough is enough.

You're tired of holding business meetings at the local coffee shop or converting your dining room into a makeshift conference facility.

You've made the decision to lease your very own office.

You are ready to start hitting the streets and seeing what's available.

Not so fast!

Taking the time to prepare a real estate needs document detailing your company's long/short term business and real estate requirements will help prevent you from falling prey to one or many of the common leasing mistakes made by entrepreneurs and small businesses.

A well thought out real estate needs document can save you time, money and energy...all precious commodities for today's entrepreneur.

Suggestion: Bring your real estate needs document with you when you meet with a broker or even when you look for your space on your own. It can help ensure that you do not overlook any important requirements.

Below are some important things to consider BEFORE you begin looking for space and serve as an outline to help you create a real estate needs document for your company.

##### **Business considerations include:**

###### **Corporate Image**

- Will your customers/clients visit your office on a regular basis? The quality of your office space can make a strong statement about your company's brand.
- Describe the corporate image you want your office space to portray?

###### **Organization**

- How quickly and/or large is your company projected to grow?
- Do you envision adding new employees or perhaps downsizing your current staff?





# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Create A Real Estate Needs Document Continued )

- Do you have plans to merge with or acquire a new company?
- What type of environment will help you attract/retain new employees?

#### Technology

- Does your company require a unique technology that is only available in certain areas?
- Will your technology requirements evolve over the next 1, 3, and 5 years? If so, describe.

#### Competition

- Where are your competitors located?
- Does your proximity to your competitors have any affect on your business?

#### Culture and Workflow

- Does your business culture encourage collaboration or does it require visual and audio privacy?
- How will your workspace (lighting, space layout) affect the performance and morale of your employees?

#### Budget

- What is your budget for office space?
- How is your budget projected to change over the next 1, 3, and 5 years?

#### Real estate considerations include:

##### Location

How important is easy access to?

Mass transportation

Hotels

Dining

Area attractions

Parking

Suppliers

Vendors

Partners



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Create A Real Estate Needs Document Continued )

#### Space

- How much space do you need?
- How will your space requirements evolve over the next 1, 3, and 5 years?

Describe the type of space layout that would be suit your company. (i.e. open space vs. private offices)

#### Required Amenities

Which of these amenities do you require?

Security

24/7 access

Onsite parking

Conference room

Cafeteria/break room

Private entrance

Signage/Naming rights

Secretarial services

Administrative Services

Internet access

Video conferencing

IT infrastructure

Mailbox

Copy Machine

Fitness center

Operable windows

Day care

Loading Dock

Elevator

Reception Desk



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### Step 1 Define Your Requirements

##### Space Estimation Tool

Our space estimation calculator can help you generate a basic square footage requirement for your company. These estimates can be individually adjusted upward to provide a more spacious layout or can be adjusted downward to provide a more efficient use of office space.

As you contemplate the amount of space your company actually needs, it is important that you understand the difference between rentable and usable space. Landlords charge tenants based on the number of rentable square footage leased. The rentable square footage is calculated by adding the usable square footage (the amount of square footage to be used exclusively by you, the tenant) to a portion of the common area (areas shared by all tenants such as the lobby, restrooms, shared hallways, etc.)



**Note:** Room Sizes are only estimates and can be adjusted up or down to reflect your company's specific requirements/preferences.

# of rooms	room type	Sq. Ft. Required
_____	<b>X</b> small cubicle (5' x 5')	_____
_____	<b>X</b> large cubicle (10' x 10')	_____
_____	<b>X</b> Standard cubicle (8' x 6')	_____
_____	<b>X</b> small office (12' x 10')	_____
_____	<b>X</b> large office (15' x 14')	_____
_____	<b>X</b> standard office (14' x 10')	_____
_____	<b>X</b> executive office (20' x 14')	_____
_____	<b>X</b> small reception (20' x 15')	_____
_____	<b>X</b> large reception (25' x 20')	_____
_____	<b>X</b> sm. meeting room (15' x 14')	_____
_____	<b>X</b> conference room (10' x 10')	_____
_____	<b>X</b> board room (25' x 16')	_____
_____	<b>X</b> break room (20' x 15')	_____
_____	<b>X</b> server room (20' x 15')	_____
_____	<b>X</b> copy room (15' x 12')	_____
<u>+ Common Areas Averaged at 20% of Total</u>		_____
<b><u>Total Square Feet Required</u></b>		_____



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### **Step 2** Locate A Suitable Property

##### Types of Space

Before locking into an office space simply because the price seems right, entrepreneurs and small businesses should take the time to familiarize themselves with all of the options that are available to them.

##### Traditional Lease

A traditional lease is one that involves leasing space directly from the landlord. In a traditional lease the tenant has responsibility and control over the entire leased commercial space.

Office buildings are often referred to as being either an A, B, or C rated office property.

Class A office represents the highest quality office space locally available and is the standard by which other local properties are judged. They are typically the most spacious, aesthetically pleasing, have the most state of the art amenities, and have the highest asking rents as compared to Class B and C office space.

Class B office space typically has fewer architectural details and offers less state of the art amenities as compared to a Class A office space.

Class C space represents the lower end of office space offerings. The design of Class C buildings are generally basic and typically demand the lowest asking rents as compared to Class A and B office space.

There are many alternatives to a traditional lease that not only offer more affordable pricing, they also include other amenities that could help to bolster the image of your company, save you time and help you attract and retain quality employees.

##### **Some of these affordable alternative commercial real estate options include:**

##### **A Sublease**

A sublease occurs when an individual or company rents all or a portion of a space they hold the lease for to a third party.

Note: It is important to verify that the person you might sublease space from has the permission to do.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Types of Space Continued )

#### Executive suites

A **serviced office** also known as 'executive suite' is an office or office building that is fully equipped and managed by a facility management company, which then rents individual offices or floors to other companies.

Executive suites typically offer their tenants amenities and business services such as: a mailbox, telephone system, high-speed internet access, video, receptionist and secretarial services, faxing, photocopying, conference rooms as well as other support.

Executive suites can help you project the image of a professional operation and are generally able to offer more flexible rental terms than a conventional leased office.

#### Shared office space

When a company has unused space within their existing office, they will sometimes elect to re-rent this space to a smaller company looking for flexible workspace.

A shared office space can create a new revenue stream for the existing spaceholder while providing an inexpensive and flexible alternative to a smaller company, as compared to a traditional lease.

In addition to the financial benefits offered by a shared office space, these environments can often foster networking and collaborative opportunities.

#### Coworking space

Coworking as defined by Wikipedia is "an emerging trend for a new pattern for working. Typically work-at-home professionals or independent contractors or people who travel frequently end up working in an isolated way. Coworking is the social gathering of a group of people, who are still working independently, but who share values and who are interested in the synergy that can happen from working with talented people in the same space.

While a coworking space might provide or rent individuals access to basic workplace amenities, the emphasis of a coworking space is really on the people, culture, and collaboration rather than the facilities.



# Office Space For Entrepreneurs and Small Businesses

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### The 4 Steps

(Types of Space Continued )

#### Home Office Space

Technological improvements coupled with today's tough economic climate have made the home office option more commonplace and acceptable than ever. While working from home office definitely offers some distinct pros and cons, it should certainly not be overlooked as an option, especially for entrepreneurs or small businesses operating on a limited budget.

Caveat- You might want to check with (insert spouse's name) and (insert dog's name) before making a decision to work from home. They might have a different opinion about how great of an idea it is.

#### Business Incubators

Business incubators are environments that nurture the growth and success of entrepreneurial companies. Unlike a typical office environment where company's are left to fend for themselves, business incubators provide a host of services designed to help promising entrepreneurs move in the right direction. Some of the services offered by business incubators include: business support resources physical space, capital, coaching, common services, and networking connections.

Due to the limited space of most business incubators, being accepted often requires a detailed review of a well thought out business plan by a screening committee.

# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### Finding A Space

You've taken the time to prepare a real estate needs document detailing your company's long/short term business and real estate requirements. Now you're ready to start searching for office space that matches those needs.

Whether or not you decide to work with a commercial real estate broker, it is still a good idea to do some preliminary research. Investing some time on one or several of the available online commercial property listing sites, perusing the local classifieds or even doing a "drive-by" of select locations, will help give you a better understanding of the going local market conditions. This knowledge can help strengthen your negotiating position and help protect you from getting ripped off.

You would do it before you shop for a car! Why not before you look for office space?

Over the next few months we will be compiling a list of the top property listing services. Please visit our [resources page](#) for a list of the top property search sites.

#### Property Touring Checklist

You've narrowed down your list of possible office space locations to a manageable number and now you are ready to tour them in person.

If you have ever walked around a trade show exhibition hall, you understand how quickly exhibiting company's can start to blend together. The same phenomenon can happen when you tour multiple properties.

Arming your self with a property touring checklist (one for each property) and a camera/video camera will help you to better remember the details of each property.

The checklist on the next page provides a detailed breakdown of the items to evaluate and/or ask a broker during your property tour.

# Office Space For Entrepreneurs and Small Businesses

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(Property Touring Checklist Continued )

#### Price

- \_\_\_\_\_ Price per month/per sq. ft
- \_\_\_\_\_ What does the price include?
- \_\_\_\_\_ Are there any additional charges?

#### Property Details

- \_\_\_\_\_ Quality of building/space
- \_\_\_\_\_ Image of building
- \_\_\_\_\_ Total square footage of space (rentable vs. usable)
- \_\_\_\_\_ Does space require a build-out?
- \_\_\_\_\_ How long has the space been vacant?
- \_\_\_\_\_ Location within building
- \_\_\_\_\_ View
- \_\_\_\_\_ Number of floors
- \_\_\_\_\_ Is there room to expand?
- \_\_\_\_\_ What expenses are tenants responsible for?
- \_\_\_\_\_ Is the building for sale?
- \_\_\_\_\_ Hours of building access
- \_\_\_\_\_ Is the space furnished?
- \_\_\_\_\_ Is the property manager located on-site?
- \_\_\_\_\_ Describe the type of lease (traditional, sublease, executive suite, shared space, coworking space, business incubator)
- \_\_\_\_\_ Describe type of space (full floor, private office, cubicle, workstation)
- \_\_\_\_\_ Type of environment? (loud, quiet, collaborative)
- \_\_\_\_\_ Reputation of building management
- \_\_\_\_\_ Handicap access
- \_\_\_\_\_ Right of use (alleys, common areas, sidewalks, frontage, signage)
- \_\_\_\_\_ Garbage removal
- \_\_\_\_\_ Zoning
- \_\_\_\_\_ Tenant Mix
- \_\_\_\_\_ Type of utilities (gas, oil, electric- How old are the systems?)
- \_\_\_\_\_ If there is a build-out required, will you get reimbursed for tenant improvements? (Tenant Improvement allowance) What types of changes are permitted?
- \_\_\_\_\_ Is there an alarm system?
- \_\_\_\_\_ Is there water damage? Are ceiling tiles stained?



# Office Space For Entrepreneurs and Small Businesses

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### The 4 Steps

(Property Touring Checklist Continued )

#### Location

- Neighborhood
- Proximity to mass transportation
- Proximity to local coffee shops, restaurants, hotels, airports, bars, suppliers, vendors, partners, competition, health clubs, daycare
- Parkway access
- Local crime statistics

#### Amenities

- Security desk
- Elevators (passenger/freight)
- Conference Room
- Wired for internet/phone/data
- Business Services (print, copy, fax, secretarial)
- Cafeteria
- Break room
- Video conferencing
- His/Hers restrooms
- Daycare
- Cleaning Service
- Fitness center

#### Parking

- Is parking available? If so, is it adjacent to or inside building? Is it lit?
- How many spots are allocated for each company allotted?
- Is there public parking nearby? Free or metered?
- How long has the space been vacant?

# Office Space For Entrepreneurs and Small Businesses

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#### **Step 3** Negotiating The Lease

You have found a commercial property you are interested in and are ready to move forward with the negotiation of a lease.

The cost of leasing an office space can be one of the most expensive line items on your balance sheet. Therefore it is critical to treat the negotiation of your commercial lease as if the life of your company depends on it...this just might be the case.

As an entrepreneur, you are probably much too focused on building a successful business to learn all the “ins and outs” of negotiating a favorable lease on your own. Engaging an experienced tenant representative and/or a real estate attorney to assist you with the process can help ensure you negotiate the most favorable lease terms and that you understand all the nuances of the lease you are about to sign.

While today’s economic climate presents a challenging environment for entrepreneurs and small businesses, high vacancy rates across the country offer a unique opportunity to negotiate very favorable lease terms in many locations.

Whether or not you decide to handle the negotiation process yourself, a basic understanding of the major components of a lease will allow you to make a more educated decision. While almost every part of a lease can theoretically be negotiated, the items below represent the major terms of the lease to be scrutinized before you sign.

Note: The items below are meant to serve only as an overview and do not in any way constitute all the terms that will or should appear in a lease.

#### **Rent and Rent Increases**

As you begin lease negotiations with your landlord, one of the first items to be discussed is how much it costs to rent the space. Typically the cost of rent will be expressed as either:

##### **1) Per Square Foot Cost**

Total Square Footage x Cost Per Square Foot = Base Rent (i.e. If a 1,000 sq. ft. space costs \$10.00 per sq. ft, the basic rent cost would be \$10,000 per month)

##### **2) Monthly fee**

The base amount to be paid per month.



# Office Space For Entrepreneurs and Small Businesses

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(Negotiating The Lease Continued )

In addition to the cost of the base rent, you might also be responsible for a host of other expenses including: the maintenance of common areas, heating/air-conditioning systems, utilities, repairs, property taxes, garbage removal and insurance. It is very important to ASK about these charges up front so there are no surprises after you sign the lease.

Understanding different types of available leases (i.e. gross vs. triple net) will give you some insight into what is included in the asking price here we will link to the page that describes different type of leases (you should still ask as a precaution and make sure it is in writing)

#### Rent Increases

A lease of more than one year will typically include an annual rent increase as part of the lease. The amount of the annual increase is usually determined as a percentage of the original rent.

#### Security Deposit

Your landlord will most likely ask you to give them a security deposit to protect themselves in case you are unable to pay your rent.

A few possible negotiation points:

- request a reduction in the asking rent (especially if you willing to agree to a long term lease)
- request a reduction in additional charges
- request a few months of free or reduced rent to start the lease
- request a cap on the amount of the annual rent increase
- try and get the landlord to exclude rent increases for the first year
- request a reduction of the required security deposit as it can tie up much needed capital

#### Lease Term

The term of the lease defines the how long the lease is in effect. Some companies feel that by signing a short term lease they are buying themselves more flexibility. While this might theory might be true in some instances, this flexibility often comes at a price. This price might include a higher rent, less favorable lease terms as well as the time and disruption required to move your company

Conversely, some companies feel that by signing a long term lease they are buying themselves more stability. In today's volatile commercial real estate market this might prove to be a huge mistake as companies could be locking themselves into lease payments significantly higher than current market rates.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Negotiating The Lease Continued )

A few possible negotiation points:

- ask for an option to renew your lease at the end of your first term
- try to cap the rent increases you will be subject to if you exercise your option to renew

#### Tenant Improvement Allowance

As every company has its own unique set of requirements, there is a good probability the space will require at least some improvements to prepare it for your company. The work involved can range from a fresh coat of paint to a complicated and expensive build-out.

Who is responsible for the cost of these improvements, the type of improvements that are allowed, who does the work, and when the work will be done are all things to be discussed.

A few possible negotiation points:

- ask for an allowance to be put towards improving the space
- ask for the improvements to be made by the landlord
- ask for a rent reduction if you agree to handle improvements to the space yourself
- ask for a few months free rent as you undergo the buildout

#### Sublease/Assignment

##### Sublease

A right to sublease your space allows you to re-rent all or a portion of your space to another tenant. Whether your company needs to downsize, relocate or you simply overestimated how much space you need, the ability to sublease your unused office space is an option that can prevent you from having to break the lease.

There are 2 types of sub-leases:

- 1) A friendly sublease requires no destruction of existing walls.
- 2) A standard sublease requires walls to separate spaces. Each space needs to provide access to a fire exit.

##### Assignment

In some cases a tenant may want to get out of a lease altogether without breaking their lease and potentially affecting their credit and/or reputation. The right to assign allows you to transfer your entire lease and financial responsibilities to another tenant.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Negotiating The Lease Continued )

A few possible negotiation points:

- ask for the right to sublease your space
- ask for the right to assign your lease to another tenant

#### Some Other Items to Consider As Part of Your Lease

##### Signage

Are you allowed to put a sign in front of your space? Are there any restrictions to the design of the sign?

##### Parking

Assuming there is parking how many spots is your company allocated? Is parking included in the asking rent or is there an additional charge?

##### Insurance

What type of insurance is required to be covered by the tenant?

##### Sale of Building

If building is sold how will the lease/tenants be affected?

##### Date of Delivery and Condition of Premises

It is important that you have a clear agreement detailing exactly when and how the space will be delivered at the beginning of your lease.

##### Early Termination Penalty

What happens if your business explodes or fails and you need to terminate your lease early?

Every item that is discussed and agreed upon with your landlord should be clearly written in the lease and not just left to a conversation or handshake.

# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### **Step 4** Settling In

##### **To Do Checklist**

You've just signed a lease on your new office space...now the fun really begins.

Whether you are relocating from an existing location or moving into an office for the very first time, the amount of things that need to be accomplished before you can settle into your new space can certainly seem a little overwhelming.

The following "To Do" checklist will help you organize many of the tasks which must be accomplished to ensure a successful move into your new office.

Note: The following list is meant to be comprehensive consequently every task and/or professional service might not be required for every company.

##### **Select an Office Space**

- Negotiate and sign your new lease
- Give sufficient notice to existing landlord

##### **Evaluate space requirements**

- How many offices are required?
- Determine required office sizes
- Determine other space requirements such as: conference room, break room, restrooms, reception area, meeting rooms, server rooms, mail rooms, etc.
- Determine IT, communications, security and other technology requirements
- Determine furniture requirements

##### **Build-Out/Space Modification**

- Hire an architect and/or an interior designer
- Create working floor plan
- Create furniture plan
- Detail heating/air conditioning, electrical and cable requirements
- Get drawings approved for permit
- Obtain building permits

##### **Manage construction project**

- Hire a general contractor
- Hire a project manager
- Schedule onsite visits

# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(To Do Checklist Continued)

#### Hire vendors

- Moving Company
- Internet
- Telephone
- Computer networking specialist
- Security system
- Janitorial services
- Water Services
- Coffee/food services
- Copy/print/fax
- Plant care
- Window cleaning
- Interior Designer/Space Planner

#### Business Communication

- Change address & phone numbers on: website, business cards, social networking accounts, advertising, yellow page listings, letterhead, checks, promotional materials, equipment leases and business licenses
- Notify post office of change of address
- Send emails, memos and/or hard copy notifications to all employees, customers, vendors, suppliers and contacts

#### Office Furniture (some items might take several weeks to months for delivery)

- Desks
- Chairs
- Cubicles
- Conference room tables/chairs
- Reception desk
- Lighting
- Computers
- Servers
- Storage
- Break room
- Filing Cabinets
- Printers
- Audio Visual Equipment
- Presentation supplies (whiteboards)



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(To Do Checklist Continued)

#### Preparing To Move

- Get boxes and packing materials
- Inventory and label all items to be moved
- Make special arrangements for fragile items
- Backup computer systems
- Schedule moving date with building management or new and existing building  
(They might need to cover elevators, walls and floors)
- Leave forwarding address with building manager



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### Planning Your Space

The details of your company's real estate needs document will have a direct impact on the total amount of office space you need, how it should be organized to maximize efficiency as well as what you can actually afford to do with your space.

A well planned office space can go a long way towards improving the productivity, workflow and employee morale within your workplace. It can also help ensure that you lease the right amount of space for the right amount of time.

Depending on the complexity of your requirements it might be advisable to engage the services of an architect, interior designer or other experienced space planning professional.

Some important issues to consider as you begin to plan your office space include:

#### Space Requirements

How much space do you actually need? Our space estimation tool can help give you a head start. It is important to understand the difference between usable and rentable space as you estimate your space requirements.

What types of specialized spaces must you have in your office? (ex. conference room, reception area, storage room, server room, break room, rest rooms, break rooms, ping pong table)

What types of furniture and equipment will be required to fill the areas listed above?

How many employees will be occupying your office space now and in the future?

Will their titles affect the size of their workstations?

How many and what type of workstations will they require? (ex. Private offices, cubicles, workstations)

Will you need to expand your required space in the next 1, 3, 5 years?

#### Layout/Decor of Space

Will the space receive frequent visits from clients, customers, vendors, suppliers, or friends?  
How will they access the space?

Does the nature of your business require ergonomic furniture?



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### An Eco-Friendly Office

Regardless whether you are a company of one or one thousand, you can a positive impact on the environment by adopting a few simple but effective changes in your workplace.

The following 10 Eco-Friendly suggestions will not only make a difference in the environment, they can also save your company money and contribute to a healthier and more productive office.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(An Eco-Friendly Office Continued)

#### 1) Printing

- Eliminate unnecessary printing. (a waste of paper and ink)
- Consider printing non-important documents on both sides.
- Use recycled paper.
- Encourage a paper recycling initiative within your office.
- Recycle empty ink toner cartridges.
- Use re-filled ink toner cartridges as opposed to new ones.
- Use email for internal memos.

#### 2) Electricity

- Turn off and unplug computers, monitors, lights or any other electrical equipment that's not in use when you leave the office.

#### 3) Eco-Friendly Office Furniture

- Purchase office furniture made of recycled materials.
- Purchase office furniture that is recyclable when it is no longer of use.

#### 4) Coffee Cups, Plastic Cutlery and Other Kitchen Supplies

- Encourage employees to use coffee mugs which can be washed and reused.
- Prohibit the use of Styrofoam cups, wood and plastic stir sticks, plastic cutlery and paper plates.

#### 5) Eco-Friendly Flooring

- Consider purchasing flooring made of material that is comprised of recycled content.
- Consider purchasing flooring that is recyclable when it is no longer of use.

#### 6) Eco-Friendly Paint

- Consider using eco-friendly "Green Paints." Green paints are defined by their lack or low levels of VOC's (volatile organic compounds). VOC's are the toxic fumes emitted from most synthetic-based paints and can have negative effects to people and the environment.

#### 7) Eco-Friendly Lighting

- Use natural lighting whenever possible. Open the blinds or even add skylights in your space.
- Purchase energy efficient bulbs. They tend to use less energy, release less heat and last longer.
- Purchase lamps or lighting fixtures that are made with natural, recycled, or reused materials.

#### 8) Eco-Friendly Water Cooler

- Consider using an eco-friendly water cooler. Eco-friendly water coolers do not use plastic water bottles and eliminate the environmental impact resulting from regular water bottle deliveries.

#### 9) Eco-Friendly Janitorial Supplies

- Consider using eco-friendly janitorial supplies. These supplies offer environmentally conscious attributes such as being recyclable, using eco-responsible packaging, being made of all-natural materials, etc.
- Demand that your outside janitorial service use eco-friendly supplies

#### 10) Shading Devices for Windows.

- Keep the heat load out



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

#### Office Furniture/Supplies

The hard part is over! You found an office space, negotiated a fair lease (hopefully) and perhaps already moved into your new home away from home.

Regardless of the nature of your business, it is pretty fair to assume that you will require at least a basic level of office supplies and office furniture. Before you run to the store and pick up a box of pens, reams of paper, a Nerf hoop and the coolest lava lamp in the store, it is important you reflect on your daily operations and note the supplies and furniture which will allow your business/employees to operate most efficiently.

#### Office Furniture

Choosing the right furniture can make a significant impact on the health, productivity and morale of you and your employees. The following list highlights a few of the specific benefits that can be achieved by selecting the right furniture for your company:

- Choosing the right ergonomic office furniture can help prevent common over-use injuries and provide maximum comfort to your employees...a good way to maximize productivity in your workplace.
- The furniture you choose and the way you design your office will make a strong statement about your company image.
- The right type of office furniture can help you stay organized and more efficient. We are all familiar with hours spent looking for that “lost document.”

#### Office Supplies

As you make your list of the office supplies your company requires, it is important to consider your available storage space. While you certainly do not want to purchase new supplies on a daily basis, you also don't want to live in fear of a concussion resulting from an avalanche of replacement staplers.

Compiling and maintaining a master office supply list will help you to streamline your purchases by determining the appropriate frequency for reordering.

It is a good idea to review your office supply expenses every few months and do a little comparative shopping. Depending on your business this could result in several thousand dollars worth of savings.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### The 4 Steps

(Office Furniture/Supplies Continued)

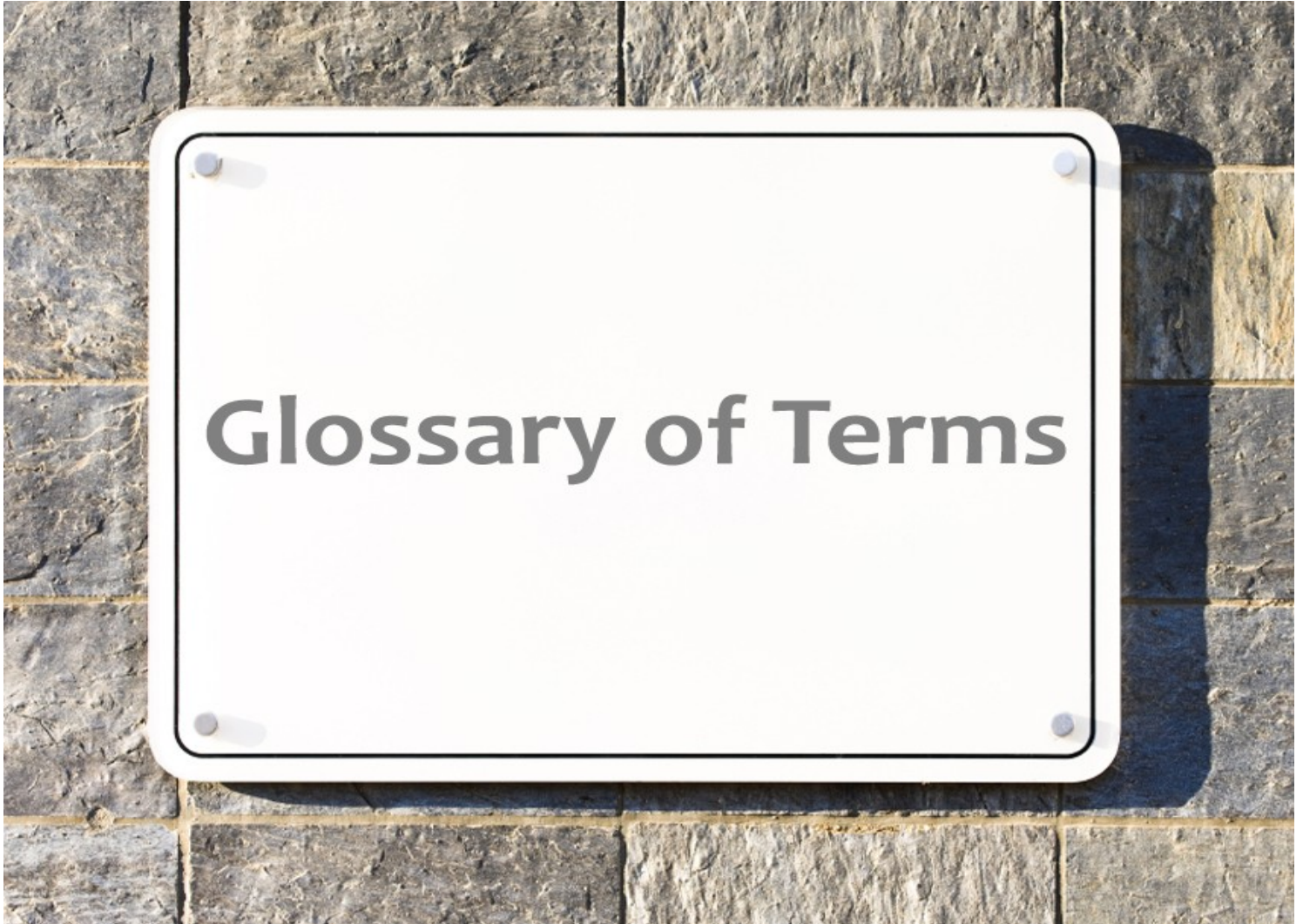
The following list includes the most common office supplies.

- Printer cartridges
- Fax paper
- Stationary
- Bathroom and cleaning supplies
- Calculators
- Calendars
- Coffeemaker and coffee
- Computer disks
- Copyholders
- Cork boards
- Custom stamps
- Digital postage scale
- Glue
- Envelopes
- Invoices
- Mailing labels
- Manila folders
- Markers
- Note and message pads
- Packing tape
- Paper clips
- Pencils
- Pens
- Rubber bands
- Scissors
- Staplers
- Telephone headsets
- Tools
- White boards



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### Glossary of Terms

**Assign (the right to)**- The right to assign allows you to transfer your entire lease and financial responsibilities to another tenant.

**Business Incubator**- Business incubators are environments that nurture the growth and success of entrepreneurial companies.

**Common Areas**- Areas of a property used by all owners or tenants. (i.e a hallway, lobby or an elevator)

**Coworking**- Coworking is the social gathering of a group of people, who are still working independently, but who share values and who are interested in the synergy that can happen from working with talented people in the same space.

**Double Net Lease**- In a double net lease the lessee or tenant is responsible for real estate taxes and building insurance.

**Eco-friendly**- An eco-friendly good or service is one that poses little or no harm to the environment.

**Energy Efficient**- A term applied to products that contain special features and equipment designed to reduce the cost of energy for heating, cooling and hot water.

**Executive Suite**- A serviced office also known as 'executive suite' is an office or office building that is fully equipped and managed by a facility management company, which then rents individual offices or floors to other companies.

**Friendly Sublease**- A friendly sublease is one that does not require any destruction of existing walls.

**Full Service Lease**- An all inclusive payment covering rent, operating expenses, taxes and lessor's insurance, subject to escalations when these expenses increase after the first year of the lease.

**Gross Lease**- A gross lease, as distinguished from a "Net Lease," includes real estate taxes, heating and building services in the base rent. Office and loft leases are nearly always of this type.

**HVAC System**– HVAC is an acronym for the heating, ventilation and air-conditioning systems.

**Landlord Incentives**– Motivational offers intended to help sweeten deals.



# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### Glossary of Terms

(Glossary of Terms Continued)

**Lease Term-** The amount of time a lease is in effect.

**Listing Agent-** A commercial real estate broker representing the interests of the building owner.

**Monthly Rent-** The base monthly rent for a property.

**Rent Increase** - A lease of more than one year will typically include an annual rent increase as part of the lease. The amount of the annual increase is usually determined as a percentage of the original rent.

**Rentable Square Footage** - The rentable square footage is calculated by adding the usable square footage (the amount of square footage to be used exclusively by you, the tenant) to a portion of the common area (areas shared by all tenants such as the lobby, restrooms, shared hallways, etc.).

**Security Deposit** – A portion of the rent paid in advance to protect the building owner in case a space holder defaults on their rent payments, or there are damages to the property during the term of the lease.

**Shared Office Space** - When a company has unused space within their existing office, they will sometimes elect to re-rent this space to a smaller company looking for flexible workspace.

**Single Net Lease** – In a single net lease the lessee or tenant is responsible for paying property taxes as well as the base rent.

**Standard Sublease** - A standard sublease requires walls to separate spaces. Each space needs to provide access to a fire exit.

**Sublease-** A right to sublease your space allows you to re-rent all or a portion of your space to another tenant.

**Tenant Improvement Allowance** – The amount the building owner is willing to contribute towards the construction of a tenant's space.

**Tenant Mix** – The cumulative makeup of companies within a specified area.





# Office Space For Entrepreneurs and Small Businesses

## The Evolving Guide To Leasing

### Glossary of Terms

(Glossary of Terms Continued)

**Tenant Representative** – A commercial real estate broker representing the interests of the tenant.

**Traditional Lease**- A traditional lease is one that involves leasing space directly from the landlord.

**Triple Net Lease**- A triple net lease is a lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance (the three 'Nets') on the property in addition to any normal fees that are expected under the agreement (rent, etc.).

**Usable Square Footage** - The usable square footage is the amount of square footage to be used exclusively by the tenant.

**VOC's**- VOC's are the toxic fumes emitted from most synthetic-based paints and can have negative effects to people and the environment.

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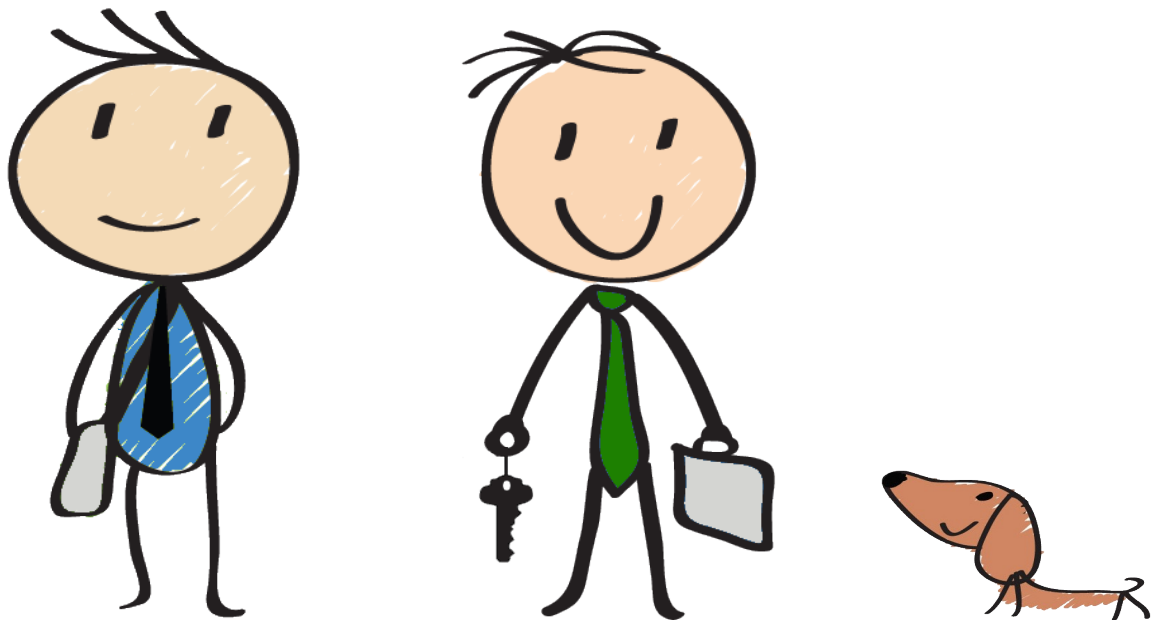
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