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## How to choose the right 'home' for your business

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By Robyn A. Friedman

In April, the execs at Global Software Services, a Jacksonville-based developer of software for the debt collection industry, started diligently looking for office space for their headquarters. The company's 6,900-square-foot lease didn't expire until Nov. 30, but they wanted to have adequate time to consider all the possible options: buying a building, doing a sale/leaseback, relocating to new leased space or extending the lease on their current location.

The company ultimately decided to stay put, extended its lease for five years, and expanded to 12,600 square feet. "We stayed for convenience, to avoid disruption and because we got favorable terms," said **Bill Breesmen**, Global's chief financial officer. "We can also do our move in a phased approach, so I don't have to shut down and uproot the whole business at once."

Breesmen and his colleagues spent over six months considering Global's space requirements. But many small business owners take a less analytical approach to the entire process. While small business owners may be good at managing and growing their businesses, they're often unfamiliar with the intricacies of the real estate business. Many have only a vague idea of what it takes to lease or buy space and little familiarity with the criteria that go into choosing the best space to house their operations. That's when they can make mistakes that have critical consequences.

"Most entrepreneurs are unaware of the benefits of a real estate strategy," said **Brad R. Chrischilles**, a principal with CNL Commercial Real Estate in Jacksonville. "Business owners need to design a real estate strategy that aligns with their business plan. Many are surprised when they realize commercial real estate not only provides a base to operate the business from, but can also help grow the company, increase efficiencies, and help attract and retain employees."

Chrischilles educates his clients on the importance of commercial real estate. "It's vital for business owners to closely pay attention to it," he said. "It's generally the second highest expense on your P&L statement."

A little knowledge can go a long way to help small business owners avoid locking into leases for too much space (which increases their overhead) or too little (which forces them to move when their operations outgrow their space). Small businesses need to find space that's just right for them.

Here's what you need to know about choosing the right location for your small business:

- **Estimate your space needs.** How much space you need for your employees to work efficiently? Chrischilles said that a good rule of thumb is to allow 150 square feet per person for open-office environments or 175 to 200 square feet per person for offices with closed spaces such as offices and conference rooms.
- **Don't forget about the future.** "The most common mistake I see is overestimating or underestimating where a business is going to be in several years," said **Michael Loftin**, a senior leasing associate with Eola Capital in Jacksonville. "No one can tell the future, but you need to spend as much time as you can to plan for future growth. Even if a company plans to double in size as far as revenue and workload, that doesn't always mean doubling the amount of personnel that would equate to doubling the amount of space."
- **Location, location, location.** Do you need to be in the best Class A building to impress your clients, or will an older, well-maintained Class B property suffice? Downtown or suburbs? Single-story or multi-story? Owned or leased? What are your parking needs and hours of operation? Just as you created a business plan to serve as a road map for your business, you should develop a real estate strategy that dovetails with it.



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- **Do your due diligence.** Conduct an extensive survey of the market (or work with a commercial broker who will do so on your behalf). Look at 20 or 30 different buildings on paper, narrow them down to six or eight to tour, and then narrow those further to three or four that you give an RFP to. Evaluate all possibilities.
- **Work your numbers.** Go through the financial models for each building in which you're interested to see if the numbers make sense. Do the rental rates fit within your budget? You may have to tweak some of your plans—even your choice of location—to make sure your space is affordable.
- **Hire a competent real estate attorney.** Often, generalists don't have the requisite knowledge and experience to be able to handle complicated lease negotiations that may include details such as operating expenses, pass-throughs, rights of first refusal, building hour rights and more.
- **Allow enough time for the process.** "People often underestimate the time that it takes to do a proper search and relocation," said **Ross Carrier**, senior leasing director in the Jacksonville office of Flagler, a firm that owns, manages, leases and develops office and industrial property. Allow enough time to find the right space, build it out to meet your particular needs, order furniture, install phone and data lines and then move. That process can take months.
- **Remember that it's a buyers' market right now.** With a Class A vacancy rate of about 22% in the greater Jacksonville market, tenants are in the driver's seat. Consider taking advantage of the economic climate and locking into a seven- or 10-year lease. Perhaps the best piece of advice for anyone seeking space for a small business is to hire a professional. Yes, it's tempting to just log onto CoStar ([www.CoStar.com](http://www.CoStar.com)) or LoopNet ([www.LoopNet.com](http://www.LoopNet.com))—two commercial real estate sites—and conduct an online search for commercial property—or to stop into any of the area buildings sporting "For Lease" signs. But remember that real estate can be complicated, and mistakes can have disastrous—and costly—consequences.

"Entrepreneurs think they can do everything themselves," said CNL's Chrischilles. "By doing so, they're missing out on potential deals."

Since a commercial broker's commission is traditionally paid by the landlord, their services come free to tenants. A good broker is not only intimately familiar with the marketplace—and up on the best deals—but can save you time.

"They know the space, they know the rents and they can negotiate points in a lease based on what they've seen with others that you may not be aware of," said Global's Breesmen. "But the big thing is that commercial brokers allow you to focus on what you know."

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