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Here's What Not To Do When Looking For New Office Space

11 mistakes that could lock you into a lease from hell—and how to avoid them

When an office relocation clicks, it's like a song of the summer that never gets old. But space that turns out to be the wrong size or in a dicey neighborhood or is plagued by temperamental elevators is a headache that won't stop pounding. And even if the space itself provides a productive workplace, your company could be stuck in a bad deal with surprise rent increases and endless inconveniences.

How does a "disaster" like that happen? If we're being honest, there are a lot more ways for a leasing decision to go wrong than right—but they generally fall into three categories:

1. You're not clear about your needs and don't give yourself enough time to meet them
2. You don't have all the relevant information about your offices, building and landlord
3. You don't fully understand the perils and opportunities in your lease agreement

That's the bad news. The good news is that by learning from the mistakes of others, you can be prepared to find a new office that will let your company grow, not keep it locked up.

Mistake No. 1

You don't give yourself enough time

A lot of companies think that renting an office these days is like shopping on Amazon. It isn't. One click with two-day delivery is great for a pair of jeans, but it doesn't work when you're shopping for a headquarters that will be the home of your company for the next several years. There are too many details to work out and too much at stake.

So how long will your office search take?

Count on at least nine months if you have simple needs and a year for larger or more complex offices. If that seems excessive, remember that everything takes longer than you expect, and many steps are out of your control. Example: You're about to sign a lease and discover you can't write a check for your security deposit because in some areas landlords insist on a letter of credit. That takes two or three weeks to get from your bank.

Remember also that a landlord will know if you don't have enough time to find a different space and will take advantage of it when negotiating terms.

Renting Fast and Slow

FASTER	SLOWER
Sublet or coworking	Long-term lease
Pre-configured space	Custom build-out
Above-market rent	Below-market rent
Peripheral locations	Neighborhoods where your employees and customers want to be
YOU TAKE WHAT YOU GET	YOU GET WHAT YOU NEED

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Relo Countdown

MONTHS BEFORE OLD LEASE EXPIRES	DO THIS
12	Get team together
INCLUDE AN INTERNAL LEAD AND AN OUTSIDE TENANT BROKER	Define your needs
	Assess the market
	Search properties
LEAVE ENOUGH TIME SO YOU CAN WALK AWAY	Send letter of intent /negotiate lease
	Get internal feedback and approvals
	Due diligence / inspections
6	Sign lease
	Design build-out
	Get permits
	Construction ALWAYS TAKES LONGER THAN YOU EXPECT
	Plan move
2-4 weeks	Moving & transition
	Relinquish old office. Enjoy your new space.

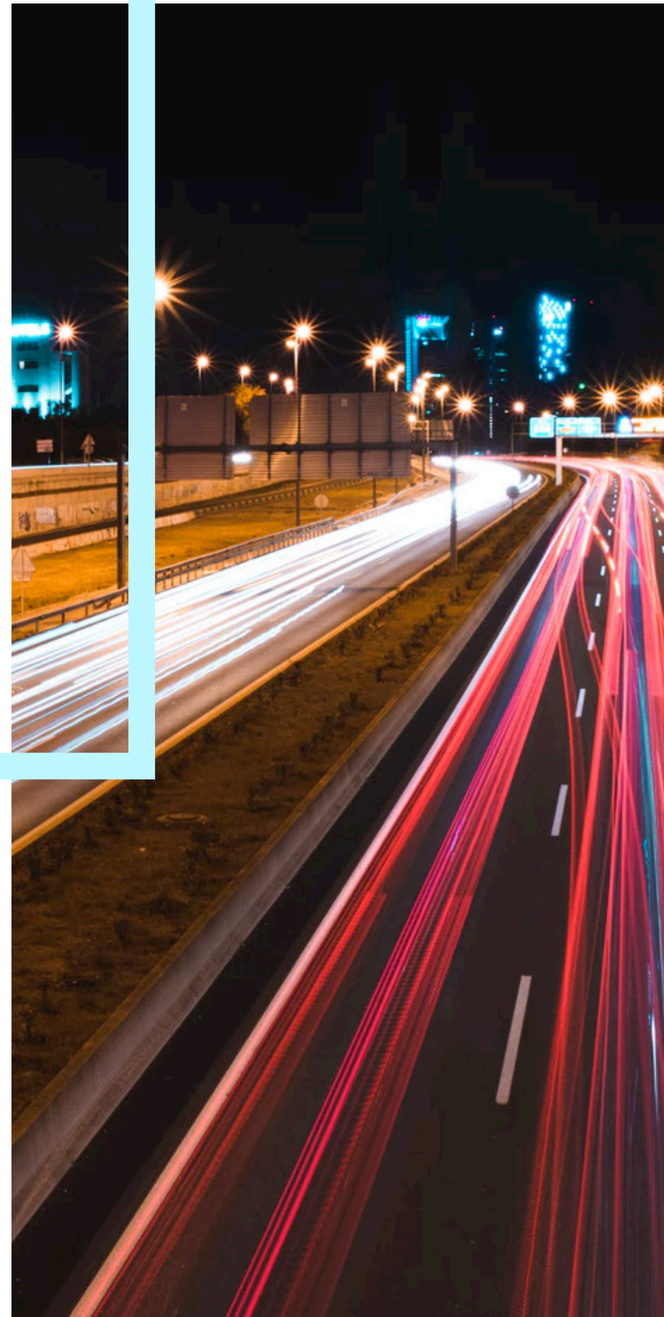
Mistake No. 2

You haven't considered the whole picture

As you start your search, it's important to factor in the needs of all the people who will spend time in your space. In particular:

- Talk to your employees to learn their concerns about commuting and neighborhood amenities.
- Think about the image you want to project to clients, not to mention their experience when visiting, e.g., waiting areas, access to restrooms, etc.
- Consider the work your team does every day. How can you arrange the physical space to make everyone more productive and more comfortable?

All this will help you understand your budget and make your search much more efficient.



Mistake No. 3

You underestimate your space needs

Yes, you can cut costs with an open plan, but there's more to an office than rows of tables with computers on them. Remember that you're creating a place where (hopefully) people want to come and do good work (and not a high-tech sweatshop). Remember that people need privacy sometimes. Remember that at most companies staffers usually make jokes about never having enough conference rooms. Remember, in other words, to plan for all possible ways your team will use and need space.

Add It Up

OFFICE FEATURE	SQUARE FEET REQUIRED	
Private office	150	
Open office workspace	100 / workstation	
Wet pantry or kitchen	200	CONSIDER A BIGGER KITCHEN WITH WORKING AND COLLABORATION SPACE
Reception area		
Conference rooms	250	
Lounge and shared work space	Varies	
Private phone call booths		
Company meeting area	Varies	ARRANGE SPACE THAT CAN BE RECONFIGURED QUICKLY TO HOLD AN ALL-HANDS MEETING.
Utility Room	300	

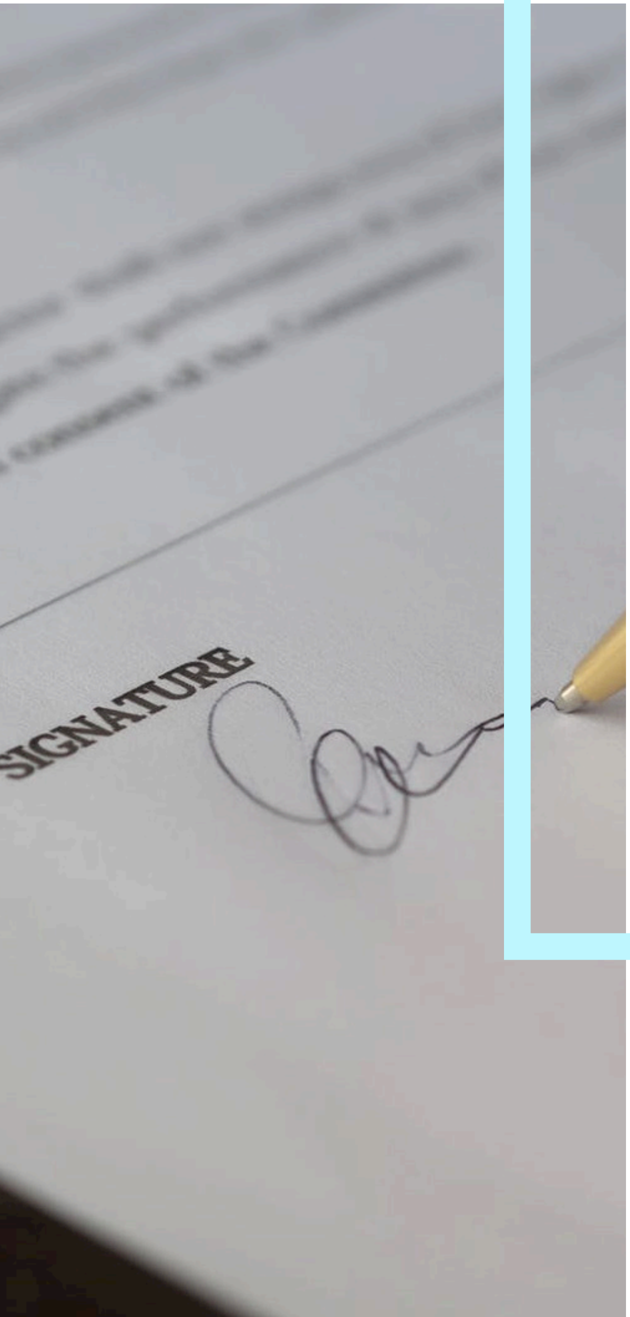
Mistake No. 4

You sacrifice flexibility for affordability

Sure, you need to preserve cash, but you also need flexibility. Are you able to predict how many employees you'll have and how much space you'll need over a five-year lease? Get a deal that gives you options, even if you have to pay extra for it. If you grow quickly, you want the option to take additional space in the building. If you need fewer people, you want to be able to sublet some or all of your office. You may even be able to negotiate an early termination provision.

Even a flexible office lease may be too restrictive if your company expects a lot of changes in the number of employees over the next year or two. You may be an ideal candidate for coworking spaces like WeWork, where you can adjust the number of workstations you rent from month to month.

And for a little more privacy, there may be good deals available subletting an office. These can often be 15%-40% below market and are already built out. You are making a commitment to a set amount of space, but only for a short time. After that, you may need to move again.



Mistake No. 5

You're a little too DIY

Too many companies think they can find space on their own. If yours is one of them, ask yourself two questions:

When was the last time you negotiated an office lease?

How often do you think your prospective landlord does it?

Yeah, we thought so. You need to know the dynamics of the rental market today, not how it was a few years ago. And every piece of information you have about the landlord and the building could give you an edge in negotiation.

By far the best way to restore the balance of power is to work with an experienced tenant broker. They have the most knowledge about the rents and terms that are being agreed to now. And they often have access to listings before they appear online. Just make sure you're working with a firm that doesn't also represent landlords, so there's no potential for conflict of interest.

A Broker Knows

- What have been occupancy trends in the area? Is there more supply or demand for space?
- What are typical rents and how are they changing?
- What is the vacancy rate in the building? More or less than the neighborhood?
- What is the landlord likely to worry about? A big lease that will expire soon? Problems at other properties in the portfolio?

HOW MUCH DOES THE LANDLORD NEED YOU?

- What concessions does this landlord typically make in lease deals and what is non-negotiable?

Mistake No. 6

You focus too much on one option

Too many companies find the space of their dreams ... then focus on it to their detriment. How so? Because not having options makes you a less effective negotiating partner, e.g., you may not talk tough enough about the rent or be demanding enough about the lease provisions. And you'll be amazed at how accommodating landlords can be when they are in competition. That's just as true for providers of coworking spaces and executive suites.

Mistake No. 7

You don't spend enough time worrying

Too many tenants rely too heavily on first (or second impressions), but experience shows that there are often problems—with a space, a building or a landlord—that may not be visible to the naked eye. The best time to discover them is before you sign a lease. You may need to hire an engineer to check out the building's major systems. A title company or lawyer can help see if the landlord has conveniently forgotten to mention pending lawsuits or code violations. Other questions are more about inconvenience and preferences. Would you and your employees feel comfortable if there was no lobby security after hours?

Troubling Signs Before You Sign

WHAT TO CHECK	WHAT TO LOOK FOR
Elevators	Have they been reliable? Is major maintenance needed? Could the building handle an elevator out of service for several days?
HVAC and other building systems	Are they in need of repair? What is the space like on the hottest and coldest days?
Security	Are visitors reviewed by security before entering? What happens on nights and weekends? Have any problems in the building been reported to police?
Building and safety codes	Has the building had any violations? Does any renovation you plan for your space require any permits? Does any part of the building or your space need to be brought up to compliance with disability access laws?
Neighborhood	Is there any construction planned that could be disruptive? Are changes in the works for the roads or mass transit?
Building title	Are there any mortgages or tax liens on the building?
Landlord	Is the landlord involved in significant legal disputes or experiencing significant financial problems?

Mistake No. 8

You think too much in your lease is "boilerplate"

In a lease, most everything is negotiable. And any paragraph could be important in the years you will be in the building. Take the time to understand every term. And push to change those that could cause problems.

After the rent, the next most important term is what the landlord will do to help renovate, or build-out, the space for your needs. The landlord might pay for and manage the construction. Or it might help cover your costs through a tenant improvement allowance, essentially a discount on the initial rent. Either way, pay attention to the details. If the landlord is handling the renovation, make sure to specify the timing and quality you expect as you would with any contractor. If you are managing the work, check what expenses the landlord will pay for. Typically, improvement allowances cover construction, design and permits but not furniture or moving costs.

A Close Read of the Fine Print

LEASE PROVISION	WHAT MATTERS
Start date	Do you pay rent from the day you sign the lease or starting when you move in?
Security deposit	How much? In what form? When do you get it back?
Costs in addition to rent	Various types of net leases require the tenant to pay a share of the building's expenses, possibly including insurance, taxes and maintenance. Review the details and if there are any caps to future increases.

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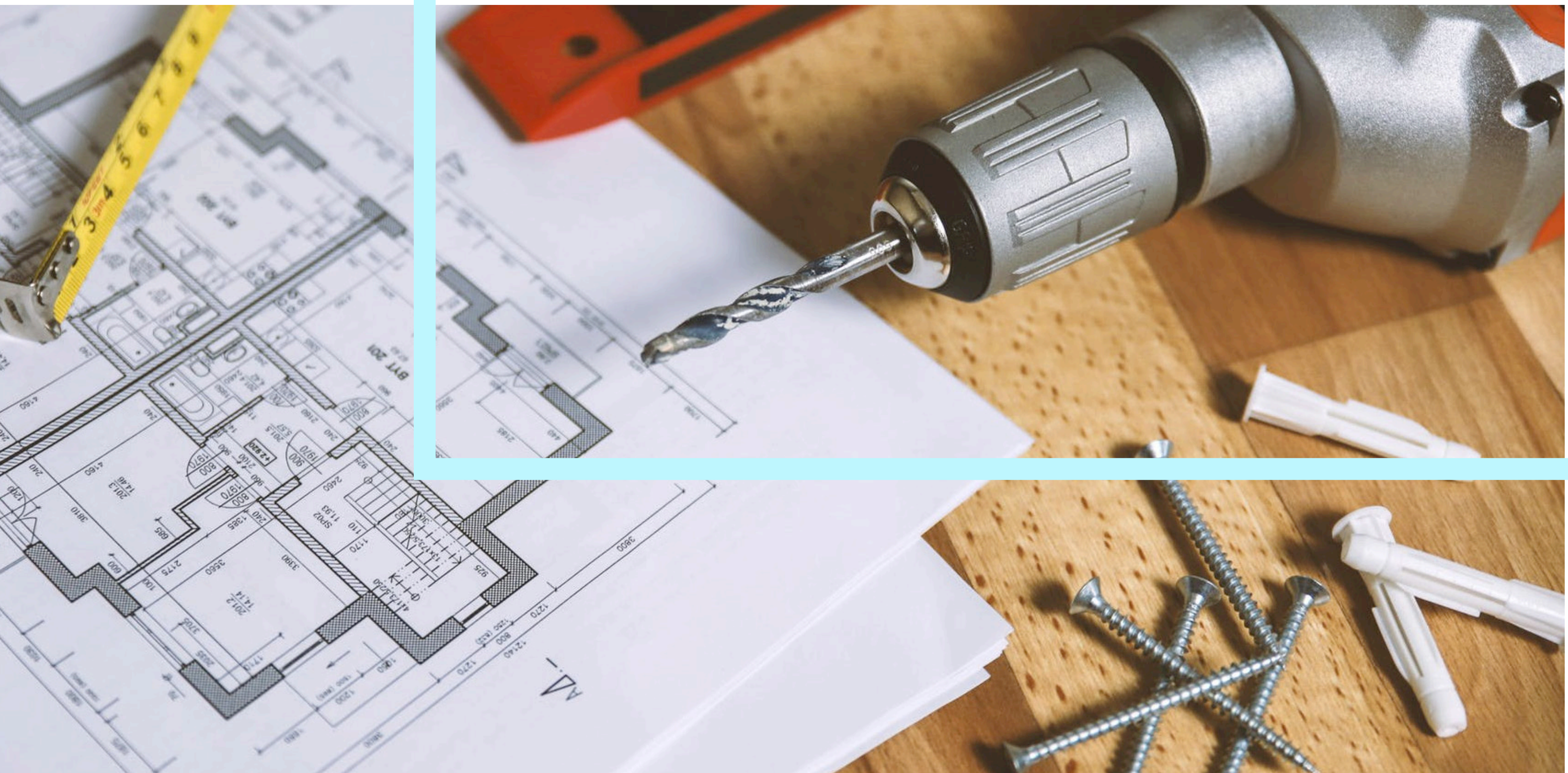
A Close Read of the Fine Print

LEASE PROVISION	WHAT MATTERS
Rent increases	Does the rent increase automatically or in response to certain events?
Renewal	Do you have the right to renew? On what terms? When the lease expires, can you stay on a month-to-month basis?
Parking	If there is a building parking lot, what rights do your employees and clients have to use it?
Move out	Do you have to return the space to the original condition?
Cancelation by landlord	Can the landlord evict you to redevelop the building? Is there compensation?
Cancelation by tenant	Are there any circumstances in which you can be released from the lease? Your company is acquired? It files for bankruptcy?
Subletting	What rights do you have to assign or sublet the space?
Expansion	Are there options that allow you to expand into adjacent space in the building? On what terms?
Forced relocation	Does the landlord have the right to move you to another part of the building? With what notice?
Measurement	How is the square footage that you are paying rent on determined? Does it include stairwells, elevator shafts and other area you can't use? Can the landlord recalculate the area and raise the rent?
Disputes	How are disagreements handled? Is there mandatory arbitration?

Mistake No. 9

You don't think you need an architect

You do, if you're doing anything besides repainting and hanging plants. They have training in design, engineering and managing construction projects, which is what you need when you're moving walls or doing anything else that involves structural changes. Don't skimp.



Mistake No. 10

You lowball moving costs

A lot of companies underestimate the cost of fitting out their new digs, beyond the landlord's build-out allowance. Moving is usually a good time to get rid of your junk and upgrade aging furniture and office machines. That old chair isn't going to get more comfortable in your new office. And why pay to move a printer at the end of its useful life?

As a rule of thumb, you can spend as little as $40 per square foot on building out your new space if all you want is a coat of paint and a new water cooler. But figure $175 per square foot for all-new furniture in modern private offices.

The Price of Progress

OFFICE BUILD-OUT EXPENSES

THE BUILD-OUT ALLOWANCE FROM THE LANDLORD WILL PAY FOR SOME STRUCTURAL EXPENSES. FOR THE REST, INCLUDING FURNITURE, YOU'RE ON THE HOOK.

Demolition	Telecom, Networking, WiFi
Reinforced flooring	Office equipment
Paint	Architecture, design, engineering
Plumbing	
Walls, doors, partitions	FIGURE 20% OF YOUR TOTAL COSTS FOR PROFESSIONAL SERVICES
Furniture, fixtures	Project management
Lighting	Permits
Carpet or flooring	
Upgraded electrical, HVAC	

DON'T SKIMP. GOOD LIGHTING IMPROVES PRODUCTIVITY

Mistake No. 11

You think you don't need a broker when renewing a lease

A friendly negotiation is still a negotiation. You'll come out best if you have the most information about the market and some options in your pocket. A broker knows the latest deal terms and can show you other space that might even be better for you. That way, you'll bargain from strength, with an experienced dealmaker at your side. And even with renewals, the landlord pays the tenant broker commission.

SquareFoot serves companies that are looking for their next (and next) office space and care deeply about finding the right next home. Growing companies require flexible lease options, a stress-free process, and transparency throughout the leasing journey. SquareFoot provides a seamless experience supported by easy-to-use technology and a highly responsive team of real estate professionals working to match specific client needs with a strong knowledge of what the market has to offer at any given moment.