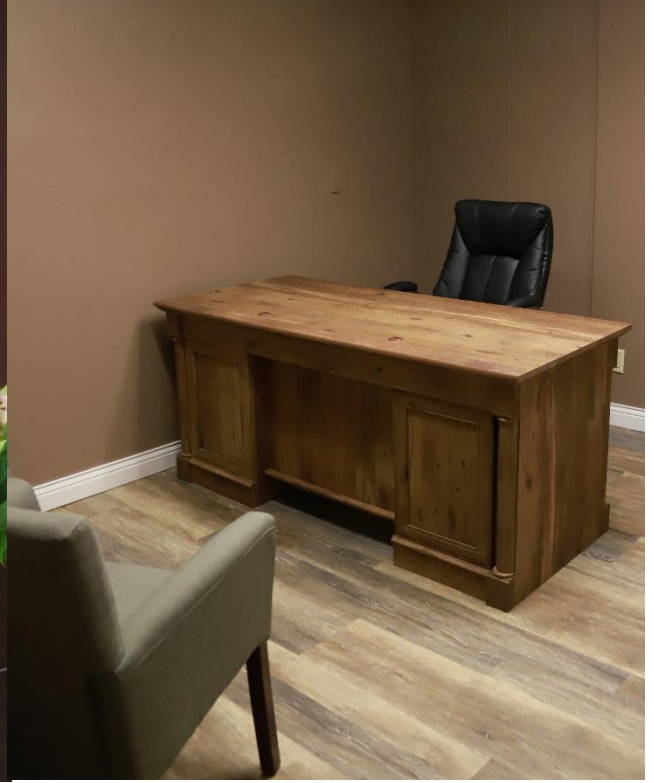


7 Steps to Finding the Perfect Office Space



Introduction

Looking for the perfect office space can be fun, but it can also be challenging, time-consuming, and lease agreements can be downright confusing. Although not all commercial property is leased through commercial real estate brokers, brokers can alleviate much of the drudgery and time-consuming aspects of the search. Yet, there are many reasons why business owners chose to search for office/building space on their own and this guide was specifically created with them in mind.

At Franklin Properties we experienced many challenges ourselves when we started looking for office space. We never set out to be a property manager, but when we could not find the ideal space, we implemented our plan B. This guide incorporates the lessons we have learned along the way with what we have discovered as a property manager speaking with tenants, and potential tenants.

This guide will help you develop clarity by defining your office needs and how your space should function. We want to put you in control of the process. Your space priorities should be based on how you operate your business. No one knows your business and its objective like you. Don't let someone else tell you how your office should be configured or how much you can budget for space unless they have gone through a business needs assessment with you.

As you complete these 7-steps, you will identify the type of space that is most appropriate for your organization. And ultimately, when it comes time to negotiate a lease agreement, you will feel confident in your position because it will be grounded in your assessment of your space needs and priorities.

Let's get started.

STEP 1

Assess your business space needs.

The first decision you have to make is to determine if you *really* need dedicated office or building space. You have several options regarding how you run your business. Select what is most cost effective for your needs. Work remote if that works for you, team members, and clients. If you need a professional setting to meet with clients, space to store product, or manufacture product; then figure out how often and how long you need space. Assess if a temporary, short-term or a long-term lease arrangement would be most beneficial to your operations. Temporary or flex office space leases can be a cost-effective solution for occasional short-term needs, or when you are launching your business.

For example, if you are working on a project with a team where you will need to work closely together, consider the size of your project team and how long you will need collaborative workspace. Don't financially strap your organization with a long-term lease arrangement when a temporary or short-term arrangement accomplishes your goal.

It is important to understand that there can be costs to cancelling leases early, so you don't want to underestimate your needs. Besides, moving is very disruptive to an organization. Its time consuming, costly, and can be a momentum killer. So, developing a space needs plan based on your operational requirements and budget can save you time and money. Try not to be overly optimistic either. Being stuck paying for unused space is expensive too!

Once you determine you need a professional or dedicated location on a regular basis, then it is important to consider HOW the space will be used. Understanding how your work must flow and how the space can impact your efficiencies. Identify which spaces are used to meet clients, store equipment (servers, printers phone systems, etc.) and supplies, to give presentations, used as quiet zones, research, etc. How many people will use each space? Does the layout of those spaces make sense? It can be disruptive to your entire operations, traipsing clients to a meeting room located at the back of your space (unless showing-off your operations is part of the sales process). Once you identify your functional space needs, workflow requirements, and the number of people using each space, then you can begin to determine your square footage needs.

Growing organizations should calculate their future expansion projections for the next one to five years (or at least for the term of any lease under consideration). Determine what new job functions will be added, what space will be needed to accommodate personnel, equipment, and other resources. Include these estimations in your space needs assessment.

Now consider what location requirements are important to your business. Is high visibility essential to your operations? Would your organization benefit from being located on a heavily traveled road to gain greater exposure and awareness? Is the cost worth the benefit? Do you need to be located near your clients or business partners? Do you require easy access to your location? Do you need to be near transportation? These are only a few important considerations that can ensure you find the ideal location and simplify your search process.

Don't forget to identify any amenities your organization "must have" versus those that are "preferable." This will include things like storage areas, handicap accessibility, kitchen area, parking, water access, etc.

Make certain you have documented your organization's needs and prioritized your requirements. You will need this for the next step - assessing what you can afford.



STEP 2

Determine how much you can afford for the space you need.

Review the information you have collected in Step 1: the number of people you need to accommodate and the functional spaces you need. Enter the space function and the number of units you need in the table below or in Appendix B. For example, if you need three (3) offices with the same space needs, write “office” under the **Space Function** column and “3” under **# of units**. Then calculate both minimum and desired space requirements. (A sample on how to complete the cost estimation table is provided in Appendix A.)

YOUR ESTIMATED OFFICE SPACE REQUIREMENTS

Space Function	# of units	Minimum SF	Total Minimum SF	Growth buffer 10-20%	Ideal SF per space	Total Ideal SF	Growth buffer 10-20%
TOTAL SF							
Average Min.		Estimated Monthly Rate					
Average Realistic Cost/SF							

To calculate your space needs, you can use the square foot (SF) information shared in the **Average Square Footage Table** on the *next page*. Of course, if you have specific space requirements identified, enter that number in the “SF” column. (Remember these are estimates to help you plan.)

When estimating your space requirement account for common areas, such as hallways or entries. Consider how the layout will impact your operational efficiencies and how you and others will be utilizing the space. Plan for growth. If you did not formally include a growth estimate in Step 1, multiply your space estimates by 10%-20%. Add that to your estimates under the growth columns on the **Table**. For example, your require a minimum of 150 SF for an office. Add 10% for a total of 165 and enter under the column, “Growth buffer 10-20%”. This percentage will be added to all your space calculations. (See Appendix A)

Over the last two decades we have seen a decline in the *average* square footage per employee. It dropped from 325 square feet (SF) in 2000 to the current average of 150 SF. How the space will be used will dictate your square footage requirements. Currently offices are running between 75 to over 300 SF, however due to concerns the pandemic brought forth, many employers are increasing their average space per employee.

Now for the moment of truth. It is time to estimate your average cost for your space requirements. Current leases in metro areas are running anywhere between \$21 to \$74 per square foot. Atlanta being on the low end and New York City at the high end. The SBA reports national averages run \$8-\$23 per square foot. To discover the current rates in your area, search Craigslist or [Loopnet](#) online. Determine the cost per square foot for the areas you are

interested in locating your business. Figure out the total lease expenses by multiplying the dollar amount by your square footage for both your low and ideal space requirements. Divide that number by 12 to estimate your monthly lease rate.

What can your organization afford?

This is an important step in the process. Determine how much your current cash flow can support. You may need to stay where you are until you increase revenues or are able to eliminate other expenses. Or maybe you just need to rethink your space requirements.

AVERAGE SQUARE FOOTAGE ESTIMATES

Average Office Size by Industry ¹		By Function	
Industry	SF	Function	SF
Call center	50-175	Common areas ²	80-100/employee
Technology	115-155	Conference rooms ²	25-30/employee
Finance	110-245	Executive offices ²	90-150/employee
Engineering	150-185	Open workstations ²	60-110/employee
Law enforcement	100-240	Quiet rooms ²	10-100/employee
Social services	175-235	Small meeting room ³	100 (2-4 people)
Biotech & Science	125-410	Large meeting room ³	150 (4-8 people)
Legal	245-525	Board room ³	220 (15-20 people)
		Training room ³	300 (20-30 people)
		Kitchenette ³	100
		Small server room ³	40 (1 server)
		Large server room ³	120 (4 servers)
		Manager office ³	100
		Senior manager ³	200
		Director's office ³	250 (with 4-person table)

As you look at your financials, it is important to keep in mind some leases require the tenant to pay for property taxes, maintenance, upgrades, utilities, etc. Your budget will dictate the **gross** amount you can spend on rent, including insurance, maintenance and/or repairs and system replacement (i.e., HVAC system). It is crucial to know what additional costs you are expected to pay.

Spend time reviewing your budget. Run your financial reports. If you have an accountant or bookkeeper, work with them to make certain you know what you can afford or should be paying for rent. Many facility managers are going to ask for your financial reports to make sure you can meet the lease obligations. They will also check your credit score, ask for references and/or may require a personal guarantee by the owner to comply with lease terms, so don't be shy to ask questions. Make certain you understand your obligations **before** signing a lease.

¹ <https://spaceiq.com/blog/average-office-space-per-employee/>

² <https://www.iofficecorp.com/blog/office-space-per-employee>

³ <https://hubblehq.com/blog/how-much-office-space-do-i-need>

Step 3

Finding the ideal location.

(If you want to save yourself some time, hiring a Broker is a good solution. See Step 5.)

In Step 1 you defined your office space needs. You have decided on how much area you need, you have an idea of what the space will cost, and what you can afford. This starting point puts you in a strong negotiating position because you know what you need, how the space will be used to support your organization, and you have identified your priorities. Now let's review other tangible and intangible factors important for your organization.

Before you start looking at a specific location, go back to Step 1 and review your priorities. This is the criteria upon which you should base your search. You only want to tour facilities that are conducive to your operations, meet your basic requirements, and possibly allow for growth. Limiting your search to these types of properties will save you lots of time and effort.

If you determined traffic exposure was important, write down the main roads you want to be located on or near. Do you want to be in an urban, suburban, or rural setting? Define your ideal areas. Decide if you want to be located in an office complex, strip mall, mall, industrial park or a mixed-use area. Do you need to be located near your clients or supply chain partners? Identify those areas. Do you have specific infrastructure needs? Are there local municipalities which would be willing to help with the cost? Call any potential community where this may be a concern to learn what their policies are and how receptive they are to your request.

Now take out a map and identify the areas that support your priorities. Focus your search in these primary areas. Obviously, you can do this with an electronic device, but it will not be as impactful in the planning stage as you try to envision your geographic requirements along with your functional needs. The smaller screens are also not as conducive to making changes or adjustments to your search. However, once a decision is made it is the best way to store and share your search criteria.



Next prioritize your amenities requirements. This includes factors such as safety, accessibility, convenience, signage, shared workspaces, kitchen area, elevators, building hours, parking, conference room, training areas, outdoor space, or proximity to shopping, public transportation, windows, entertainment, or government centers. Identify areas you want to avoid. Now look all the factors you defined as important and are location specific. Look at your map again and identify these areas. Where most of your priorities overlap will be your targeted search area.

Once you have determined the areas you will start your search, a good place to begin checking for availability is to go online to [LoopNet](#) or Craigslist. Your local Chamber of Commerce or business association may also maintain a list of available properties. However, you may simply choose to drive around the areas to search for "FOR LEASE" signs. This way you can check out the neighborhood and condition of the building at the same time. Maybe even snoop around unannounced.

Understand that office space pricing will be influenced by the class of building. For example, there are three classes of office space. Class A is the most expensive and are usually newer buildings with the most amenities. Class B are older former Class A facilities and older facilities that have been well maintained. Class C are the least expensive offices, and their amenities, construction, and maintenance are at a lower level than A & B. The right space for you will be determined by your requirements and budget.

Now you are ready to tour some facilities. In Step 4 you will learn what to be looking for during your walk through.

Step 4

Don't overlook important aspects of the facility's infrastructure & ambiance.

Start your tours at facilities only within your targeted areas. Use your priority list as your evaluation guide and bring a notepad to take notes. Consider how you feel when you walk into the building. Imagine your business in that location and the specific space you are considering. Will the space accommodate your organization? Is the facility noisy? Is it clean? Are there other tenants? Are they friendly or standoffish?

Determine if the space layout fits the needs of your operations. Does it meet **all** your "must have" priorities? If the space is ready for build-out or needs reconfiguration, ask who pays for the improvements. Pay attention to structural details. Is the building structural sound? Note how old the building is, the age of mechanical systems, and the involvement of the landlord (or property manager) with the building's upkeep and tenant's needs. Are the bathrooms and common areas well maintained? Is the exterior in good condition? Are there signs of water damage on the ceiling or along baseboards? Do not overlook obvious problems or neglect. They could become your problem.

When you see a concern, ask what action is being taken. You may want to return after the problem has been resolved. This will give you an idea of how responsive the landlord or representative is.

Make certain the facility's environment and the existing tenants match your business purposes. For example, if there is a gym next door will the noise be disruptive to your operations? Is there adequate parking, handicap access, and do the amenities meet your needs? Consider having a conversation with current tenants about their experience and ask them what they like most about the location.

After you have assessed the specific space and the overall building integrity, turn your attention to the area surrounding the facility. What is the neighborhood like? If the facility meets all your priorities, then do additional research on the surrounding area to learn if there are any other underlying concerns or issues. Discovering an issue after you move in is often too late!!!

After you complete your tours, is there one location that stands out from the rest? If they are all fairly similar, it is time to look at your notes and compare the facilities. Only negotiate leasing options on properties that meet your minimum "must have" requirements. Hopefully several locations also met your "would like to have" amenities. If none of the facilities match your needs or are priced outside your budget, you will need to expand your search area, however, continue to focus on your top priorities.

Don't get discouraged and only modify your space requirements if you did not calculate the space requirements prudently. It is okay to rework Steps 1 through 3 as long as it does not reduce your operation's efficiency.

Step 5

Determine if you will negotiate the terms of your lease or hire a broker.

Okay, you have identified several offices spaces that meet your requirements, and during your tours you confirmed these locations fit your organization's needs. You have narrowed your list, and now it is time to review the terms of the leases.

In general, you will run into three types of leases, but there are other hybrid leases.

- **Full-service (Gross Lease):** A full-service lease is one of the simplest and most predictable leases for tenants. The landlord pays expenses associated with the property such as taxes, building insurance, repairs, maintenance, utilities, and janitorial services.
- **Net lease:** The tenant will pay a lower base rent but will take on the responsibility for other building operating expenses. These leases can come in three forms.
 - **Single Net Lease:** These leases are not common. The tenant pays a base rent and are responsible for paying the property taxes.
 - **Double Net (NN) Lease:** The tenant pays a base rent plus the property tax and building insurance.
 - **Triple Net (NNN) Lease:** This is one of the more common lease structures. The tenant will pay a base rent plus their prorated share of property taxes, insurance, and operating expenses. As these expenses increase, so will the amount passed onto the tenant. A tenant with this type of lease may also be responsible for utilities, the HVAC system and other maintenance. You will have a lower base rent rate, but you will take on more financial risk for expenses to maintain the facility.
- **Modified gross lease:** – A Modified gross lease requires the tenant to pay a base rent plus a prorated portion of a few other expenses such as property taxes, insurance & common area maintenance (CAM) fees as lump sum with rent. The amount paid each month is a set fee making this a more predictable expense for the tenant.

You will need to determine if you are comfortable and knowledgeable enough to negotiate the terms of your lease on your own. Many business owners seek help from a broker or an attorney at this point. If you decide to work with a broker, understand that there are two types of commercial real estate brokers. A Listing Agent who represents the landlords and Tenant Brokers who help buyers find the right location.

The commercial real estate broker you chose to work with should be knowledgeable not only about commercial real estate, but the local area and the tax and zoning laws. Select someone who is a good communicator, responsive to your questions, and they demonstrate they understand your space needs. One attractive quality to consider when working with a broker is how well-connected they are, and their access to pocket listings. These are listing which have not been listed but are about to come to the market. This information can be an invaluable resource to you.

Whether you move forward on your own or with a broker, ask questions and make certain the responses directly address your concerns. Determine if the cost per square foot in the base rent includes a portion of the common areas. Identify if there are any other fees you are responsible for. Carefully consider what options you have regarding the length of the lease. Avoid contracts where the landlord can terminate the lease without cause and watch out for rent escalation clauses where rent can be increased during the term of the lease. A common escalation increase is 3%. Also, find out if you would be entitled to a tenant credited for making improvements to your leased area.

When you negotiate your lease with or without a broker, your business requirements and budget are the foundation of your negotiations. If you cannot secure terms that make sense for your business, you must be willing to walk away and consider other properties.

Step 6

When a good Contingency plan can protect your bottom line.

Even if you walk through all these steps or work with a Broker, unexpected things will happen. Having a good contingency plan can ensure your business stays operating without too much disruption.

Typically, contingency plans include procedures for dealing with natural disasters like fires, floods, earthquakes, and tornados/hurricanes. Today's contingency plans should also address future business shutdowns caused by supply chain issues or government edict. Contingency plans guide the organization and its personnel on how to proceed through difficult situations. They can even include protocols to address common issues like losing power or internet connection and cybersecurity issues.

In Step 6 we want to focus the discussion on contingency planning based on your business location and leases. All the above concerns impact your business no matter where you are located, so every business should have a basic contingency plan. Specific lease contingencies should cover the risks your business assumes in the terms of your lease contract. If the terms of your contract say you are responsible for all the maintenance costs of the facility and the HVAC system fails two months after you move in, be ready to pay for that expense. If that expense is prorated, you will at least share the expense with others. This may be an informal plan, but it is important to budget for these potential risks.

Have a contingency plan to address specific risks you assume as a result of your lease agreement and other outside events that can impact the lease. For example: water damage to the building that makes your unit unusable for several months while repairs are made, the city declares eminent domain and the building is going down in a few months, or the landlord goes bankrupt. No one likes these types of inconveniences, but having a plan can reduce loss of revenue and stress.

Also, consider how limited road access to your building due to road construction would impact your operations. Have a plan to manage or work around it. Be creative! Create special marketing activities to reduce the impact on sales or shuttle service for employees. What if your business grows faster than anticipated? Is there available space for your operations to grow or is there additional space nearby? Does your contract allow early cancellation or is there an early termination fee? Find out if there is a special allowance for moving to a bigger space in your current location? Know your options and plan for the most beneficial outcomes.

These are just a few factors to include in your contingency plans. You may have several others to add.

Step 7

Avoid of common mistakes!

The key to finding the perfect office space for your operations is to complete steps one and two. By completing these two steps you will avoid the most common tenant mistakes. Knowing your budget's limitations and understanding the terms of the lease will help you **avoid spending too much** or being hit with unexpected expenses.

Make certain you **plan for growth**. Moving your organization is expensive and time-consuming. However, working in an overcrowded office environment can be unproductive. If you are fortunate to grow more rapidly than anticipated, don't overlook cost-effective temporary measures that will get you through the interim challenges. Go back to your priorities and let them guide your next steps.

To avoid **poor site selection**, spend time assessing your client and operational needs before signing a lease. Research the immediate and surrounding area. Finding an inexpensive location with room to grow that is located in an undesirable area may deter clients from working with you, lower staff morale, and negatively affect your business brand. Being on a busy street to gain visibility may seem like a great idea, but if that is not how you attract new clients, it could merely be an expense that reduces your bottom-line.

Lastly, make certain you **understand the terms of your lease**. Avoid contracts with "Use Clauses" which would prevent you from operating your business in an efficient manner. If you have a net lease agreement, know exactly what additional costs you are responsible for and budget for them. If you need to move out, make certain you know what the consequences are, or see if you can sublet the space. Negotiate for the lease terms that are most beneficial to your business.

Franklin Properties, LLC hopes these tips aid you in your search.

If you have suggestions to improve this guide, we welcome your feedback. Share your thoughts with us at office@Franklinproperties.biz or on our Facebook page at www.facebook.com/franklinpropertiesllc

Appendix A

This is an example of how to complete the cost estimation table.

YOUR ESTIMATED OFFICE SPACE REQUIREMENTS

Space Function	# of units	Minimum SF/space	Total Minimum SF	Growth buffer 10-20%	Ideal SF per space	Total Ideal SF	Growth buffer 10-20%
Server, backup	1	25	25	30	25	25	30
Printer & office	1	100	100	120	100	100	120
Reception area-admin desk & chair, client sitting area, coat rack	1	182	182	213	200	200	240
Exec office, desk, chair, table w/ chairs, client files storage, monitor, bookcase, printers	3	154	462	555	250	750	900
Staff office: desk, chair, extra chair, file storage	2	100	200	240	150	300	360
<i>Function description here</i>	<i># of units</i>	<i>Define minimum square footage (SF) needed</i>	<i>Multiply units by Min. SF/space</i>	<i>Multiply percentage by Total Min. SF</i>	<i>Define ideal space wants</i>	<i>Multiple units by ideal SF/space</i>	<i>Multiply percentage by Total Ideal SF</i>
Total SF			969	1158		1375	1650
Average Min. Cost/sf	\$10	Estimated Monthly Rate	<i>(969x10)/12</i> \$808	<i>(1158x10)/12</i> \$965		<i>(1375x10)/12</i> \$1145	<i>(1650x10)/12</i> \$1375
Average Realistic Cost/sf	\$15		<i>(969x15)/12</i> \$1211	<i>(1158x15)/12</i> \$1448		<i>(1375x15)/12</i> \$1719	<i>(1650x15)/12</i> \$2063

Appendix B - COST ESTIMATION TABLE

YOUR ESTIMATED OFFICE SPACE REQUIREMENTS

Space Function	# of units	Minimum SF	Total Minimum SF	Growth buffer 10-20%	Ideal SF per space	Total Ideal SF	Growth buffer 10-20%
TOTAL SF							
Average Min. Cost/SF		Estimated Monthly Rate					
Average Realistic Cost/SF							

ABOUT FRANKLIN PROPERTIES

Franklin Properties, LLC is the holding company of the multi-tenant office building located at 500 W Franklin Street in Appleton, WI. Our mission is to provide small businesses with exceptional professional space that is welcoming to them and their clients. We strive to maintain a clean, safe, and attractive facility that provides an atmosphere that stimulates innovation, communication, and business growth. We also support tenants by helping them increase online visibility.

We value quality, strong relationships, communication and community engagement. We take pride in our facility encouraging an atmosphere of innovation, collaboration and hominess. To build our relationship with our tenants we work to communicate with them on a regular basis, response to their needs, and be a supportive business partner. We use our website to help grow their visibility and hold several tenant appreciation activities each year.

As a community partner, we look to give back to the community. By conducting food and essential needs drives to support local charities and we offer free conference meeting space to local non-profits on a quarterly basis. We also participate in the local business organization to stay informed about the needs and activities of our area.

Our 6,992 square foot facility was built in 1975 and is located on .31 acres. The attractive brick exterior and landscaping blend well with the surrounding residential area. The building interior was renovated in 2020 & 2021 and space is evenly divided between two levels. We offer many amenities including a shared kitchen with an eating area.

Our prime location is two blocks from the Performing Art Center and within walking distance to many of the City's downtown amenities including Lawrence University, museums, shopping, the Fox River, and both City and County government services. To learn more go to our website at www.franklinproperties.biz or contact us at office@franklinproperties.biz or (920) 944-6004.