

**THE
CORPORATE
REAL ESTATE
GUIDE**

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INTRODUCTION

Here is a perfect example of how to spend a little money to save a lot. The *Corporate Real Estate Guide* and *Corporate Real Estate Planner* are designed to walk you through the entire process of corporate relocation. By following the suggestions we offer, you can save a lot of money by making wise choices in your move and by avoiding surprise financial obligations when you are settled in your new space.

Moving seems like an overwhelming job. That's because it is an overwhelming job. However, there are many ways to make a corporate move manageable, even exciting, rather than overwhelming. The *Guide* and the *Planner* offer a plan for a smooth, orderly, well-organized corporate relocation. Before beginning your relocation, read the *Guide*, an informational reference book, and review the *Planner*, a practical workbook, so you have the entire process in mind.

You will be amazed at the number of details to remember and the number of steps involved. Moving your office isn't a simple matter of calling a mover and arranging a moving date. A corporate relocation begins the moment you decide you need space and does not end until you have moved into your new space.

Relocation involves a number of steps: planning the entire relocation, presenting yourself and your company in the best possible light, deciding whether to lease or buy space, evaluating your space needs, evaluating your location needs, finding professionals to help you, inspecting and evaluating spaces, negotiating a lease, choosing communications technology, planning and building the interior space to fit your needs, planning for emergencies, moving and managing the post-move details.

The three components that make a relocation an exciting challenge rather than an overwhelming task are information, organization and time. This book is designed to help build all three into your relocation.

The *Guide* is packed with information about how to plan and manage a corporate relocation. Following the process we outline in these chapters increases your chances of turning a move into a positive step in your business development.

Throughout the process, look to professionals for the information you need. They will be consultants and experts who will become your partners in this process. The professionals you will want to consult in your relocation include architects, attorneys, communications experts, developers, engineers, general contractors, interior designers, movers, real estate consultants, space planners, and tenant brokers. Working with professionals increases your chances of getting the most for your money.

Finally, the more time you give yourself for a relocation, the more flexibility and leverage you will have in finding the best place for you. When you find yourself negotiating for space, you don't want to be desperate because you've run out of time in your present space. You need time to educate yourself in the process so you avoid costly mistakes. You need time to educate yourself in the terms inherent to different aspects of relocation. You need time to evaluate your needs, to plan a space, to find and negotiate for a space.

You will be dealing with experts throughout this entire process. The best way to make sure you do not find yourself overwhelmed, outmaneuvered, or out-of-luck and in a space that does not fit your needs, is to educate yourself and get all of the professional help you can afford.

If you use this *Guide* and the accompanying *Planner*, the road to your new business home can be smoother and less complicated than you ever imagined. A relocation need not be a terrible disruption to your business. The more prepared you are, the smoother the path between your spaces can be.

This is the place to start!

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Chapter 1:

Careful planning takes the pain out of relocating

Following the process we outline here increases your chances of turning a move into a positive step in your business development.

Relocating is never an easy process, but it need not be a painful one. With a guide, the road to your new business home can be smooth. The more informed you are, the smoother that road will be.

Seeing the opportunity

Your public relations firm has grown so quickly your employees are tripping over one another. You realize that you need a new space with large conference rooms.

You have just received financing for a retail shop you've been wanting to open for years. You need to find the best possible space for your market.

An international company has just placed a huge order for the product your research and development company has been refining for the past five years. You have to find a manufacturing facility immediately.

You and an associate are leaving a large law firm to start your own practice. You need a reasonably priced and centrally located office within walking distance of the courthouse.

You and several other artists and graphic designers you know have decided to work outside your homes. You need a large loft space that can be subdivided

so you can share space, but work alone.

In each case, the good news and bad news are the same. Your business is growing - or beginning - and you need new space. In the broad meaning of the word, such a moment is a crisis, that is, a decisive moment for your business. The realization that you need new space, while exciting in its possibilities, can look like an overwhelming disruption to your business.

In the thousands of characters in the Chinese alphabet there is no single

character for the word crisis. Instead the Chinese use two characters, the character for danger and the character for opportunity. The choice, the Chinese language seems to suggest, is up to us.

We can perceive the decisive moment of relocation as a danger or as an opportunity. We suggest there are methods by which you can turn a relocation into an opportunity for your business. Following the process we outline in these chapters increases your chances of turning a move into a positive step in your business development.



"IMAGINE THE PROCESS..."

Your memory bank probably holds your own version of "what's wrong with this picture?". We offer here another vision for you, a model for imagining why a relocation can be an opportunity in your business growth.

Let us imagine the smoothest possible transition from one space to another. It would look something like this....

You can see that in several months you will have outgrown your present space. You are edging in that direction now, but you are months away from it being a problem. It is May. Your present lease is up next April 30. You have a year in which to move.

You appoint an internal group to manage the relocation process. The group is comprised of responsible, creative and task-oriented individuals. You ask them to report to you weekly, tracking their progress in a written memorandum.

The group draws up a list of professionals from which to choose the consultants and experts who will become partners in this process. The list includes architects, attorneys, communications experts, developers, engineers, general contractors, interior designers, movers, real estate consultants, space planners and tenant brokers.

It is still May. The group interviews the professionals and chooses those most suitable to the company's needs and style.

The group works with professionals and with other employees of your company to analyze your space needs and dream about how a new space design could look. They analyze your location needs and identify a prime location in which to look for space. The shopping begins. The tour guide is the real estate consultant or tenant broker they've chosen.

Meanwhile the group begins to analyze the company's communications needs and works with a professional communications provider to choose the system and equipment most suited to those needs. Communication equipment is ordered. As the group inspects spaces, it keeps in mind the mechanical and communications capabilities in the buildings. The move is still months away.

The group narrows its space choices to three. The group has all the materials and information they need to put themselves in the best possible bargaining position. Negotiations with the building owners or property managers begin. The group uses a real estate consultant or broker and attorney versed in real estate transactions as its negotiator.

Based on these negotiations one space emerges as the top candidate for your business. A lease (or purchase agreement) is analyzed, negotiated, understood and signed. The group calls the moving company it has chosen and schedules the actual date of move. The equipment and furniture needed for the new space has been ordered and the delivery date and new address is confirmed.

It is autumn. The process is running so smoothly, you take a month long vacation in Europe. You have the weekly reports

faxed to your hotels. You read them over coffee at outdoor cafes, now emptied of noisy summer tourists.

The group works with architects and engineers to adapt their dream design to fit the space. Bids are requested for building out the interior of the space. A contractor is chosen. The contractor submits a final plan and proposal for the space. The group reviews and approves it. The building owner or property manager also approves it, without a change.

The contractor begins construction. Carpet is ordered. Communications and utilities services are ordered. Your space begins to take shape. The group begins to notify your customers, associates and suppliers of your plans. Employees are assigned the tasks of packing and cleaning out files in readiness for the move.

The group continues to track the progress of the interior space construction and schedules pre-move inspections. The group has a punchlist to note any changes or incomplete work, but this process is going so smoothly everything in the space has been done exactly as you requested.

Packing materials and instructions arrive from the moving company and employees begin packing items that are not essential to your everyday operations.

The communications system is installed. Computers are set up. Phones are checked. They are working. Computers are checked. They are working even better than in your previous space.

If the group had noted any problems on the punchlist they would be checking the progress on the additional work needed. However, since there were no problems they all take the afternoon off and go to a movie together. Meanwhile, back at the office, other employees are packing during spare moments and scheduled hours. Change of address cards are mailed.

It is the end of April. The movers arrive and congratulate you on how well prepared you are. Your packed cartons meet their criteria completely. You have arranged for full liability coverage, but everything arrives at your new location in perfect condition. You had considered another vacation, since the move seems to be progressing without you. But for employee relations reasons, you think better of it. You hate to push your luck.

Your employees settle into their new space with nothing but gratitude.

They do not complain about extra work or disorganization.

They are content.

You are relieved.

"Your business prospers..."

PLANNING

It is now time to wake up. This, of course, has only been a dream - in the extreme. However, this dream can at least approach reality if you build into your relocation plenty of time and organization.

The following pages guide you through the process in which you are bound to meet a few interesting challenges not noted in the above scenario.

Planning ahead

The more time you give yourself to complete a relocation, the more flexibility you will have in planning your space and the more leverage you will have in negotiating for space. Begin the process as soon as you know you need space.

Start counting backwards when scheduling a move. Begin by deciding the date on which you have to be out of your present space. In the case of a start-up company, determine the date

you want to begin your business operations.

Then, schedule specific dates for completing all the necessary tasks, which will include: hiring professionals; ana-

**TURN A RELOCATION
INTO AN EXCITING
OPPORTUNITY FOR
YOUR BUSINESS.**

lyzing space, location and equipment needs; ordering furniture and equipment; choosing a geographic area; searching for space and narrowing your

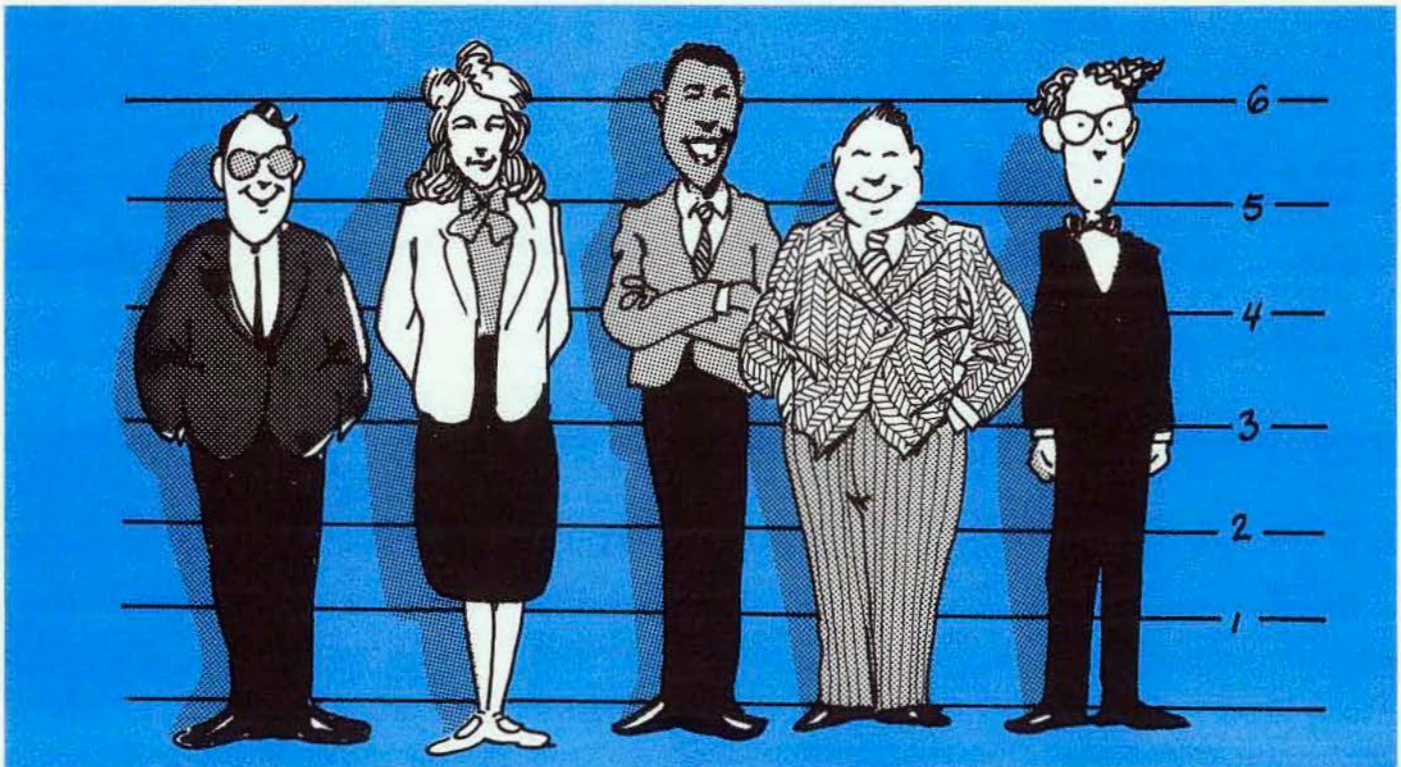
choices; negotiating; requesting bids for leasehold improvements and construction; completing leasehold improvements and construction; and finally, moving in.

About 80 percent of the people who move into new business space today lease rather than buy. Therefore, this guide is slanted toward that majority. Since much of the process is the same whether you lease or buy, this book is a valuable resource for both audiences. Specific suggestions for those people who choose to buy are found in Chapter 3.

When you decide you need new space, you may be tempted to begin by immediately looking at available spaces. Don't! That is actually the middle of the process.

Working with professionals

One constant piece of advice is to take advantage of expert help. Remember



PLANNING

the words of Will Rogers: "Everybody is ignorant, only on different subjects." You will be dealing with experts when it comes to looking at space. You are an expert, too, but in your own business.

It is not your job to be an expert in the areas of real estate, law, engineering and communications. However, it is your job to get as much expert help as you can afford, because you will probably live in the space for a long time. By accepting the fact that you are not an expert in most of the areas to be considered when relocating, you open the door to having the expertise you need by hiring the right professionals. Otherwise you will most likely find yourself overwhelmed, outmaneuvered or out of luck if you end up in a space that does not fit your needs.

Working with professionals increases your chances of getting the most for your money. The time to hire and consult with professionals is as soon as you decide to move. Choose these

partners carefully. Find experts by asking business associates and friends whose judgments you trust. Then, interview a few from each professional group. Review their qualifications. Look for people who are knowledgeable in their areas of expertise. Check their licensing, education and training. Ask about their professional associations and organizations. Check their references. Finally, choose people who are knowledgeable, professional and trustworthy, and people who know that you are the client.

When you shop for space, it's just as important for you to sell yourself to prospective landlords as it is for them to sell themselves to you. You will get the best deal if you look like a good risk for a building owner or property manager. In other words, your professionalism counts, too!

Using the *Guide* and *Planner*

Before beginning the process of relocating, read the *Guide* and review the *Planner* so you have the entire process in mind. Unless you make a habit of moving, you will be amazed at the number of details to remember and the number of steps involved.

The *Guide* and *Planner* are designed as companion pieces. The *Guide* is a narrative description of the process involved in relocating. The *Planner* is a workbook that contains worksheets, checklists and calendars. Together, they suggest methods you can use to choose and occupy a space that fits your business needs. Use the *Guide* as a master reference. Use the *Planner* to help you work through the decisions.

Read on for other useful tips to follow during your relocation process. If you plan ahead, you should be able to pick up the vacation sequence from the dream!

EVERYBODY IS IGNORANT, ONLY ON DIFFERENT SUBJECTS.

-WILL ROGERS

Chapter 2:

Credibility is money in the bank

Building owners and property managers are shopping for the right tenants just as you are shopping for the right space.

You are shopping for a new office space. You walk into a building in a sweat shirt and jeans. After all - you're the customer. You wonder why a building owner doesn't take you seriously. The moment you stepped in the door, you diminished your negotiating advantage.

Selling yourself

You just arranged financing for a new company and are beginning to look at possible spaces. When you walked into banks looking for the financing you kept in mind that - right or wrong - you would be judged on your appearance. You were asking them to take a risk on you. You dressed accordingly.

As you look for space, remember that you're also asking building owners and property managers to take a risk on you. Do yourself a favor. Present the face of a professional. Present the face of a serious business person. Present the face of a good financial risk. Present the face of a responsible and respectful tenant.

The best way to do this, of course, is to be such a person. Walk into a building, look professional, offer proof of your financial stability and ask informed questions. Be realistic about what you know and what you don't know. When you do, you put money in your pocket when it comes time to negotiate a lease or purchase.

Measuring risks

You are probably too busy weighing the pluses and minuses of the spaces you are considering to ask yourself whether you would sign a lease with yourself. You may not wonder how you look to the building owner or property manager.

Remember that it's a two-way relationship: your concern is whether a space meets your needs, the owner's concern is whether you will make a good tenant. Building owners and property managers are shopping for the right tenants just as you are shopping for the right space.

It's a matter of marketing. You need to

sell yourself as a credible business owner and a good tenant risk. The more credible and responsible you look, the less insurance the building owner or property manager has to build into a lease for protection against default.

Building owners have too much to lose to pick their tenants carelessly. They need tenants who will pay their rents and pay them on time. An owner wants a tenant who will sign a multi-year lease and has a good credit rating.

Selling yourself as a good financial risk translates into savings and incentives. If they identify you as a good potential tenant they will offer you incentives

IN THE PLANNER...

If you are a new business and you are looking for space, you probably can't live without a business plan. It is the single most effective tool for presenting yourself as a credible risk.

The *Planner* guides you through the information you need to write and present a business plan:

- company
- ownership
- product or service
- management
- finances
- marketing
- technology
- production/operations

that make it worth your while to lease from them.

Proving it

You are a self-employed manufacturer's representative. You own a small consulting business. You are starting a new print shop. You are part of a small medical practice. There are many cases in which it is in your best interest to put a building owner or property manager's mind at ease.

Validate yourself as a good tenant risk



with such documents as a business plan, financial statement, incorporation papers, partnership agreement, portfolio and client or customer lists. Offer this proof of your credibility when you are narrowing your choices, not when you first look at spaces.

If you are a relatively new business, a building owner or property manager will want some assurance that your business is viable for the term of the lease. If you have already been in business for a while, an owner will check your credit, wanting a company with a AAA credit rating.

Only you can decide how much of this information you want to provide to building owners and property managers. It is well worth your efforts to provide as much information as necessary to establish your credibility.

In exchange, you will be offered incentives and lease terms that add up to real financial savings for you. If, for any reason, you are concerned about keeping your documents confidential, ask the building owner or property manager to sign a letter of confidentiality.

Writing a business plan

If you are starting a new business or are self-employed and this is your first commercial space lease, you would be wise to prepare a business plan. You will need to develop one if you need financing for your business. A business plan is the single most effective tool for arranging financing and presenting yourself as a credible risk to financial institutions, building owners and property managers. It also becomes both an operational plan and a guide for future planning.

The type of business you are in and the extent of your needs will determine the final form of your business plan.

However, in general, a business plan should include information about your business organization, ownership, products, services, employees, market position, financial status and financial projections.

Be realistic about your financial projections. Dream of future success and plan for steady growth. Don't confuse long-term goals with short-term possibilities. Be honest with yourself about the market you are entering and the competition you will meet.

Don't be afraid to expose the problems you perceive as challenges to your success. If you raise them, you will not find yourself unprepared to respond when a building owner or property manager asks them.

Begin your business plan with a one-page or two-page summary that includes: the name of your business; business address and telephone number; brief descriptions of your company's products, services and market; a description of your corporate organization and ownership; identification and qualifications of your key managers and staff members; financial position and projections; and business goals.

Following that summary is a more detailed description of those elements and other items. The outline in this chapter can be used as a model for writing a business plan that fits your particular business.

Signing a lease is a long-term financial commitment. Building owners need to know that you will meet that financial obligation over the term of a lease. It is in your best interest to assure them with a professional image and concrete proof. Once again, you have to sell someone on your credibility. Your reward is tangible, in savings and incentives when you negotiate a lease or a purchase agreement.

Chapter 3:

There is no magic, only a process for deciding to own or lease

Too many factors vary to make a general statement about which is the better financial choice for your company.

You have purchased a small free-standing building for your growing company. You realize after several months that you are short of cash for equipment you need in order to keep an account. Have you made a mistake?

Factoring in an emotional response

There's no magic formula for deciding whether to buy or lease. That's true no matter what you're considering - space, cars, equipment, furniture, art. Too many factors vary, both within a business and within an industry, to make a general statement about which is the better financial choice for your company.

Sometimes, the decision of whether to own or lease is clear, a matter of economic sense. You are a small marketing company and need an investment for tax purposes. Buying an office condominium or townhouse could be a wise choice.

Sometimes the reasons are less measurable. Just as in owning or renting a home, emotional factors also enter into the decision. Admitting that fact can save you from forcing emotional needs into intellectual arguments.

You don't feel secure unless you own a structure. You are excited by the prospect of buying - even building - a space for your company.

You feel limited if anything stronger than a lease holds you to a space. You

are terrified at the thought of owning a building. For you, a commitment is signing up for a 12-week continuing education course.

Pay attention to these responses, too. They are both legitimate emotional responses to the matter of buying versus leasing real estate. However, if you allow yourself to be ruled entirely by your emotional response to real estate, you may find yourself making an unwise financial decision.

Considering the factors

While there's no magic formula, there are a number of factors to consider

**WHILE THERE IS NO
MAGIC FORMULA, AN
EFFECTIVE WAY TO
DETERMINE
WHETHER TO LEASE
OR BUY IS TO
ANALYZE
MEASURABLE
FACTORS BY WAY OF
A 10-YEAR PLAN.**

when deciding to buy or lease a space. Leading that list of factors is a compa-

ny's future plans, the need for space security, the need for space flexibility, cash flow, tax consequences and corporate image.

You are starting a company and you don't know enough about your future - even your near future - to know how large a space you will need in the coming years. Leasing your first space will give you the most flexibility. Even if you have been in business for a number of years, you may decide you need the flexibility that leasing offers.

Your company is a construction and development company. Building your own space is one way to have your office space symbolize your work. Your space becomes a structural advertisement for what you offer your clients.

An effective way to analyze the measurable factors is to draw up a 10-year plan for your company. If projecting 10 years into the future seems too difficult, start with a five-year projection. As you develop the plan, keep in mind what your space requirements will be as you grow.

Once you have determined what your company will look like in 10 years, look at what you hope your space will look like to accommodate that growth (See Chapter 4).

While optimism can be a productive quality, encouraging growth, being overly optimistic can bring you to financial ruin. Just as you needed to be



realistic when charting the future for your business plan, you need to be realistic when planning your space plans.

Don't confuse short-term and long-term goals. Don't get into space now that you won't be able to utilize for years, unless you are willing to lease out the additional space. But even then, remember that you are responsible for the entire financial obligation of the full lease. And don't forget to factor in the tax considerations if you sublet part of the space.

It's easier to get out of a lease because you want to lease a larger space in the building than to get out of a lease because you can't meet your initial obligation.

Comparing the choices

Now you are ready to look at the financial picture. As in every other step in the relocation process, ask experts for help in making this decision. Accountants and tax preparers can advise you once you have provided them with relevant information. When considering a purchase, don't forget to estimate what the rate of appreciation might be.

Work with a broker to compare the purchase price and leasing rate for a space that would fit your needs. Project out both costs five or 10 years. Use this as a guide to begin comparing the two choices. Don't just look at the bottom

line at the end of five or 10 years. Study the comparison as it relates to your financial picture every year of that time. No matter how good an investment a purchase might be over the long term, if it puts you in a short term bind, you may never reach the long term.

When looking at the option of purchasing a space, consider the following items: cash requirements for acquisition, opportunity cost of cash investment, depreciation tax benefits, interest payment tax benefits, annual operating costs versus leasing, investment value of annual operating cost savings, impact of debt on financial statements, future refinancing options, future value in a sale-leaseback, future value if sold unoccupied, future value if sold with a new tenant and the cost of leasing in preparation for sale.

When looking at the option of leasing a space, consider the following items: investment value of initial cash savings, tax benefits of the lease expense write-off, potential value of sublease options, cost of new rental when lease expires and depreciation tax benefits of tenant improvements.

Accountants, attorneys, estate planners and real estate brokers are important partners at this point of the relocation process. However, each of those professionals may have a vested financial

interest in encouraging you one way or the other. Consider their input, but factor in what they have to gain, and be ready to step back and use your own judgment.

Looking at the big picture

Figuring these financial items does not give you the whole picture. There are other questions to ask yourself that are not factored into the above equation. Ask yourself what other short-term and long-term financial obligations your company has. Are there any estate planning issues to be considered? Are there other capital expenditures involved in either scenario? What administrative work is involved in a lease and in a purchase?

No matter what the numbers look like, you may be restricted in your choice by any one of the crucial factors you must consider. After a thorough analysis of the financial picture of buying and leasing space, step back from the numbers and ask yourself if the best financial choice will also fit your needs in the less measurable factors.

Will your image needs be met? Will your emotional needs for feeling secure be met? Will your emotional needs for feeling flexible be met? These are important questions, too.

You are a relatively new company. You can see from the financial projec-

LEASE

- flexibility
- cash flow
- uncertain growth

BUY

- security
- investment
- image

tions that you will come out ahead financially in the long run if you purchase your own building. However, you are uncertain enough about the future to worry about straining your company's cash flow by buying a building.

You don't want to jeopardize the security of your company. You don't want to limit your company's growth by tying up your cash in any one area. You know you will lose sleep if you buy at this stage of your company's development. You lose sleep just thinking about making the cash downpayment involved in a purchase.

These are all reasons to decide not to buy. Listen to them. Don't dismiss the importance of flexibility. It leads the list of advantages in leasing.

Choosing a sale-leaseback

One financial structure to consider when you're in the market for a large space is a sale-leaseback. A sale-leaseback allows you to have your own structure built without assuming the responsibilities involved in owning a facility.

In a sale-leaseback, you, as the tenant, arrange financing for the building. You have the structure built and sell it to an investor, who in turn leases it back to you.

You sign a long-term lease for the space at a marketable lease rate. The lease may specify no rent increases for a certain number of years. Ask your broker for help negotiating this item.

You profit financially from the sale of the building, without having the headaches of building and selling the facility yourself. You also profit by moving into a space that's been custom built to fit your exact needs.

Deciding to buy

You are a steadily growing company and you need at least 50,000 square feet of commercial space for your corporate headquarters. You are in a strong financial position, with excess



capital and available borrowing power due to a recent sale of a subsidiary. You want to have control over your space for a long period of time. You have been in business for years and see owning your own building as a way to enhance your corporate image. You are a good candidate for purchasing a building.

While the vast majority of companies moving into new space each year decide to lease space, moving into new space is an opportunity for some businesses to own their own space. If that's the case for you, many of the same guidelines for leasing space should be followed when buying space. However, there are other factors to keep in mind when you purchase.

Follow the basic process of searching for and choosing a site as outlined in this book. When deciding to buy, you have the option of buying a free-standing building, or a commercial condominium or townhouse.

Choose a space that fits your current needs but also has plenty of space for you to grow into as your business expands. If your future needs call for additional space, one option is to lease out extra space until you grow into it. Have a real estate broker with knowledge of the market help you find the best space for you. Have an attorney help you negotiate in the purchasing process. Never forget that ultimately, you are responsible for the terms on which you agree.

After looking at several buildings, make an offer on the one that most closely fits your needs. An offer should always be conditional upon a title search on the property. It can also be made conditional on other factors. For instance, an offer can be conditional upon your checking such factors as the building's power capabilities, security and communications options.

You are buying a building for \$1.5 million. You decide not to have the building inspected. A year later you find yourself the proud owner of a building you cannot afford to make habitable

Professionals may have a vested financial interest in encouraging you one way or the other. Consider their input, but factor in what they have to gain, and be ready to step back and use your own judgment.

because it will cost you over \$2 million to clean up the asbestos in the building.

Today you have a great deal to lose by buying land or a building, without performing a thorough check on the soil and building. The main problems you could encounter in buying real estate today are asbestos and hazardous waste. Have professionals inspect your property - buildings and land - and suggest options if asbestos or hazardous waste is found.

Once you own property - buildings and land - you may be responsible for cleaning up hazardous waste. If you do not investigate before you buy you may find yourself liable under recent environmental legislation.

If you wait to check out all these details before making an offer, the building could be sold. If you put in an offer, with conditions, it will take the property off the market while you investigate.

If a seller isn't willing to negotiate a purchase agreement with conditions, consider it a warning. You may not want to deal with that owner.

Normally a purchase requires some construction so an existing space will fit your particular needs. You must decide whether you are going to supervise the construction or hire a project manager. Choose these experts with the same care that you choose all the professionals in this process. In addition to general contractors there are contractors who specialize in making improvements to tenant space.

Choose wisely

If your main reason for wanting to buy or build is having your name on a building think again. That in itself is not a good reason.

Choose wisely. Depending on your situation, the same factors - security, taxes, return or investment, image - may lead you to buy or to lease.

Only thorough analysis of relevant factors will result in a decision that accommodates your business needs in the best possible ways.

Chapter 4:

Visualize yourself in a perfect space

Providing an attractive and healthy workspace is good for your employees and good for your company.

You are sitting on an outdoor deck at a riverside cafe. You are looking into the sky trying to imagine what your business home would look like if you were not limited by cost, style or space considerations. You are being paid to do this.

Dreaming up a space

When you plan a new space, you may start by visualizing the space you're in now with minor adjustments. Don't! Moving is an opportunity to create an entirely new space for your business and to eliminate the problems of your present space. It is an opportunity to consider the physical, aesthetic and psychological elements that will enhance your working space.

You can't have it all when it comes to space. But you can have what you need. As you go through this process, distinguish between your needs and your wants. You can ultimately choose what you want, but do not delude yourself about which is which. Start with your needs and then enhance your space by adding those features that are not essential, but will make your workspace more livable.

Whatever image you choose to project, begin the process by visualizing an empty space. Then, using a diagram, fill it up in the most creative, effective way you can. As you analyze your space needs, identify both your present and your future needs. You don't want to go through all the work involved in a relocation only to discover a few years later that you have outgrown your care-

fully chosen and designed space. Spend time visualizing your new space before you actually look at available spaces. Otherwise, you might unwittingly limit your vision by trying to make your needs fit the particular spaces you visit. Don't worry about fine tuning your design at this stage. You will do that when you actually decide on a space.

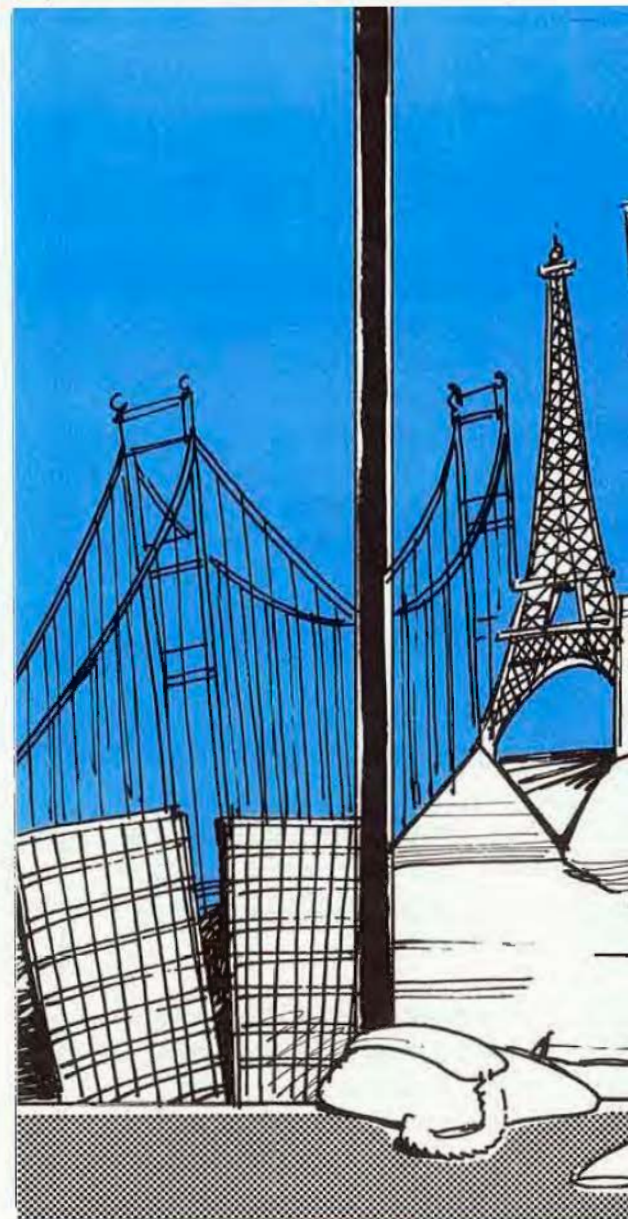
Creating an image

You are an architectural firm and you want your talents apparent to visitors the moment they enter your space. Your present space does not reflect your company's strengths. It does not say creative. It does not say flexible. It should.

Often the first impression a client or prospective client has of your company is your office space. Therefore, your space should project an accurate image of your company's individual character. That first look includes colors, floor and wall coverings, furnishings, art, office layout, lighting. Many companies prefer as much natural light as possible, both from windows and skylights. You don't want your employees spending a lot of time each day searching for daylight because you put them in windowless offices.

Your company is in a high-technology industry. A clean, unclut-

tered contemporary design will reflect your state-of-the-industry products. Your business is a decades-old financial consulting firm. A traditional



SPACE

design fitted with wood and brass will reflect your conservative values.

Don't just repeat the image you currently have without evaluating whether or not that is the image that will bring you into the future. Consider the whole picture. Balance the aesthetic with the functional aspects of design. Your design should address the aesthetic, physical, productive and psychological needs of your employees.

Have office systems experts, space planners, interior designers and architects help you identify your needs and plan your space.

Include staff members in the space planning process. They are your in-house experts when it comes to space needs. They know what works and what doesn't work about their present space. They've probably imagined space features that would make their work easier.

Ask yourself if the space you visualize will allow employees to work effectively in a clean, safe, pleasant and easy-to-maintain environment. Providing an attractive and healthy workspace is good for your employees and good for your company.

Choosing an office plan

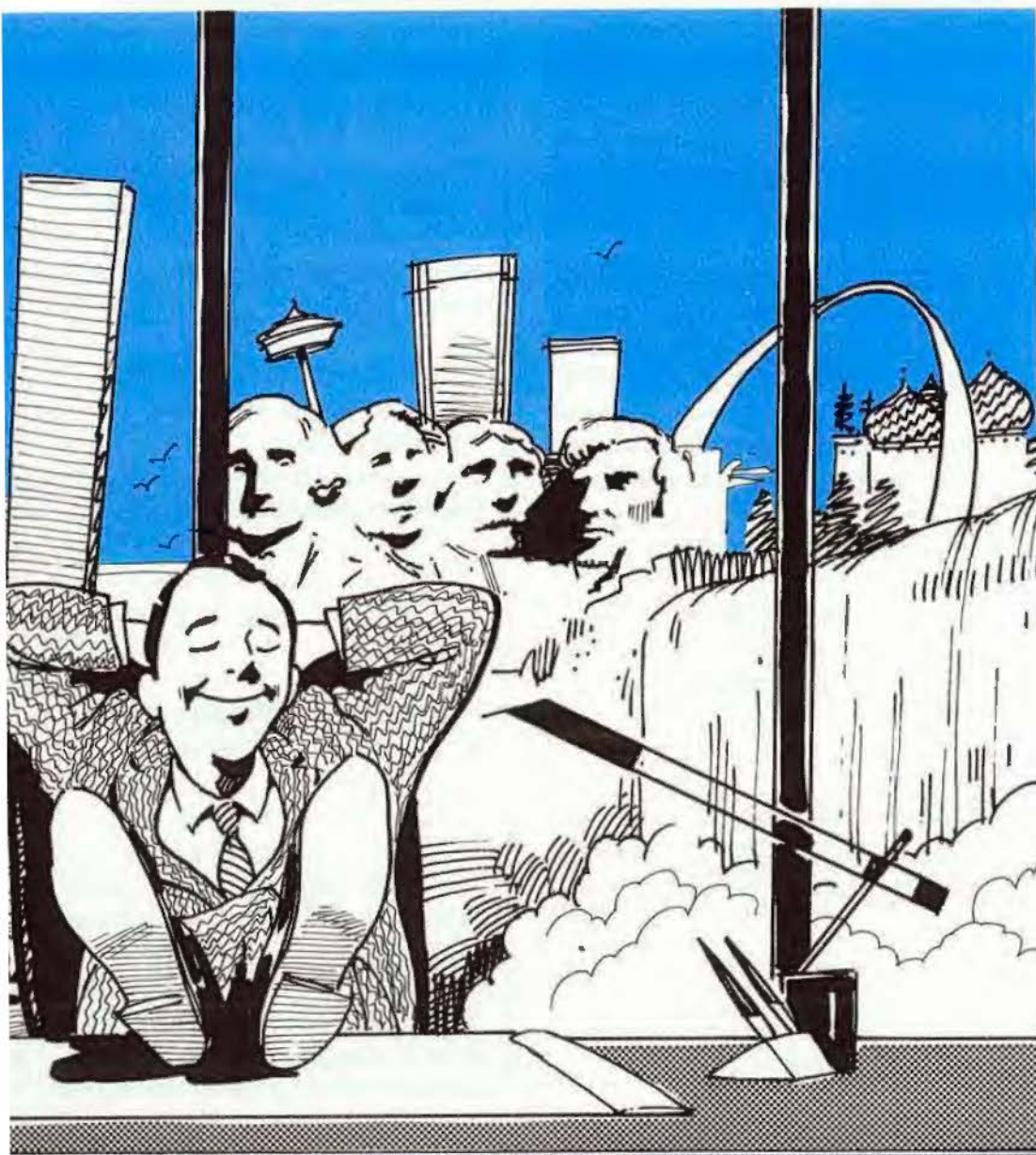
Your company is an insurance agency. Your agents need space to make calls, but you don't want them to feel so comfortable that they'll hate to leave the office. You need an open office plan for them. Modular wall dividers around desks will give them all the privacy they need.

You own an interior design firm. Your staff needs equal access to materials. Most of their work is done out of the office. You design an open office plan with several work stations arranged around a central resource area.

Your business is an accounting firm. Your accountants, enrolled agents and tax preparers need privacy when they meet their clients. A closed office plan with a number of small offices will best suit your needs.

Your company publishes several small magazines and trade newspapers. Your writers and editors need private offices so they can work undisturbed by noise and visual distractions. Your advertising and production staffs need large open work spaces. You need a combination of open and closed office plans.

A common open office plan separates space with movable panels or partitions. An open plan is flexible, can be easily changed with a minimum of expense, is easy to supervise, and offers easy access to equipment and files. It



is also easy to maintain and clean. For a number of reasons, a closed plan, with stationary walls, could be the most appropriate plan for your company. Closed offices offer privacy (both in terms of noise and vision), confidentiality. To some, it says, "I am impor-

**MOVING IS AN
OPPORTUNITY TO
CREATE AN
ENTIRELY NEW
SPACE FOR YOUR
BUSINESS.**

tant enough to this company to have a private office."

Most companies today combine both plans in their space. Space planning is especially challenging if you try to fit new technology and systems into old spaces. A building's obsolete capabilities may keep you from growing the way you want.

If you are opening a franchise, you may have to follow a standard floor plan. You may even have to conform to standardized fixtures, furniture, wall coverings, floor coverings, equipment and signs.

Individual work spaces

At this point it is important to visualize a dream space in general terms and figure your space requirements in specific terms. Determine individual work space by figuring the number of people in your company and the space each person needs. Include room for actual work space, equipment, files, desks, chairs, storage space, and entrance/exit space.

When determining individual workspace look at your staff needs. How many need private offices? How many of those private offices need to have conference or work stations aside from desks? How many of your staff need cubicles rather than closed offices? How many need to be stationed at open desk areas?

When configuring workspaces, measure the dimensions of equipment and furniture, and the necessary storage space at each work station (including files, book cases, credenzas). Include room for open drawers when measuring stationary objects. Account for entrance/exit spaces and travel spaces necessary between objects (approximately 30 inches between stationary objects, 36 inches between operating equipment and stationary objects, and 42 inches between operating equipment).

Department/division space

You may not have gone through as thorough a process when you moved

into your present space, so don't start by duplicating your current layout. Look at an organizational chart of your company's departments. Ignore where they are now and place them where the best flow of people and paper will occur. Determine the importance of physical proximity in terms of personnel, judging them on a range of essential to undesirable. With today's advanced communications and technology, paper doesn't have to flow down corridors.

Determine the amount of department or division space your company needs. Consider the sum of all work stations (including common entrance/exit spaces), the traffic within and between departments, and the location of departments. Include general office support staff space. This space is usually not enclosed to insure easy access to staff and files.

Decide where your managers and supervisors should be located. Do you want your managers near the top executives or near the departments and divisions they manage? Decide what departments should be near the reception area, entrances, conference rooms, duplicating equipment, computer rooms.

Planning common area and amenities

When you visualize your space, remember to include a main reception area, closets, departmental or divisional lobby areas, conference rooms, computer rooms, duplication areas, storage areas, rest rooms, libraries, laboratories, supply rooms, mail rooms, filing areas, maintenance closets, shipping and receiving areas, product display areas, rest rooms, food service and eating areas.

Perhaps your company needs its own conference center and training rooms. If you occasionally need such facilities, but cannot justify having your own, lease space where you can share such facilities and have access to the latest audio/visual and teleconferencing equipment without owning them yourself.

Consider state-of-the-art space components. Is your company large enough to consider having a child-care facility in your space? Does your company value health enough to have a fitness center in your building? Amenities such as these add to corporate success by raising employee productivity and job satisfaction, and, in turn, employee morale.

Your manufacturing plant operates 24 hours a day, seven days a week. You are located in an area with few restaurants. You will need to have some kind of in-house food service. Food service can range from a lunch room with dispensers to a cafeteria to a formal dining room. An eating area can increase employee communication and camaraderie.

In many instances a first aid kit in a drawer is all the first aid you have to worry about. However, state and federal codes for your industry may require you to be a certain distance from a hospital or trauma center.

Don't stop at the inner walls when envisioning your space. In some cases

you have control over landscaped and park areas, even walking paths if you are developing an entire corporate campus. At the very least, determine outside and/or underground space needs. This includes parking areas, driveways and loading areas.

When you have completed this space analysis, step back and decide what pieces of furniture and equipment you already have that will move into your new space with you. Take an inventory. Then decide what furniture and equipment you need to purchase or lease for your new space. Make the most of this opportunity. Create a space that will bring you into the future of your dreams.

Standard room sizes

The amount of space needed by different staff positions varies. The following square footages are only suggestions:

chair/chief executive officer:	.....375-600 square feet
vice chair:	.....300-375 square feet
executive vice president:	.....225-375 square feet
senior vice president:	.....225-300 square feet
manager:	.....150-225 square feet
assistant manager:	.....100-150 square feet
analyst/auditor:	.....80-125 square feet
computer programmer/ engineer:	.....80-125 square feet
executive secretary:	.....100 square feet
drafter:	.....85 square feet
accountant/bookkeeper:	.....75 square feet
secretary/computer operator:	.....75 square feet
clerk/typist:	.....65 square feet

Chapter 5:

Location is *not* all there is!

Finding a good location for your business involves two simultaneous processes, defining your location needs and finding a real estate broker.

You're sitting in your new office in the middle of downtown. You were drawn to the charm of this renovated building. Your clients complain about how difficult it is to park when they meet at your office. You are not as charmed by the arched doorways and wainscoting as you were last month.

Being in the right place

As old as the real estate profession itself is the joke about the three most important factors when looking for a new space. "Location, location, location." In the age-old response is a kernel of truth. Certainly one of the most important factors to consider when relocating is where your new business will be located.

Many people ask themselves one question when looking for a new business location. What location will be the most convenient for me? That is a legitimate question, but only one. You are also wise to consider convenience for your employees, your customers, your clients, your suppliers and other business associates.

Finding a good location for your business involves two simultaneous processes, defining your location needs and finding a real estate broker.

Defining your location needs

One of the most beautiful new buildings in town is at the crossroads of two major freeways west of downtown, "just 10 minutes from the heart of

downtown." You were wooed by the offer of six months of free rent. You moved into your new office just as the highway construction season was kicking off.

The 10 minutes must have been timed on a Sunday afternoon, you decide. You spend hours everyday traveling between your new office and your accounts downtown. It occurs to you that they should be paying you to lease this space.

If you start looking at spaces before you've identified your location needs, you may be tempted by a beautiful space before it occurs to you that the beauty of a new space, when it turns out to be in the wrong place, is no beauty at all.

Start examining your location needs with the basics. Ask yourself whether your business should be located in the central business district. Generally that is the most expensive location in a city. However, it will ultimately be the most cost-effective location if most of your business associates and clients are located there.

Rates in the suburbs may be lower, but if you and your employees have to frequently drive downtown for meetings, you will waste valuable work time each day to save a little money each month.

Your office is a regional sales headquarters for a major corporation. Your staff frequently flies in and out of town to service accounts. An office close to the airport will probably be most convenient for you.

Sometimes the outer rings of a city is the place to be. If your business requires a great deal of travel both for your employees and for visiting clients, you may want to be located near an airport or an outlying freeway system. If

**THE NEXT BEST
THING TO
KNOWING
SOMETHING IS
KNOWING WHERE
TO FIND IT.**

- SAMUEL JOHNSON

you have a large number of out-of-town visitors, you will also want to consider a location close to hotels, restaurants and shops.

You are a medical technology company. Being located in an area populated with smoke stacks will tarnish your

LOCATION

image. You are a food supply company. You do not want to be in an area thick with chemical odors. Image is an important consideration when choosing a location.

No matter how successful your company is, you can't afford to hide its talents in a neighborhood incompatible with its products or services. Ask yourself whether it's most appropriate for your business to be located in an urban, suburban or rural setting.

Fine tune your answer by further defining the type of neighborhood you want to be in. Each market has a number of appropriate areas for different types of space - office, high technology, service, manufacturing, warehouse, distribution.

Look at a map of your area and locate your employee base, your market area and your market center. Consider the importance of being located near customers, suppliers, restaurants, hotels, airports, retail areas, free-ways, mass transit stops, rail lines, waterways, health care facilities, schools and day care facilities.

Look at areas in terms of whether they will be safe and have adequate parking for your employees and visitors. Determine whether the area is limited in terms of meeting your communications, shipping, utilities and waste needs. If your business requires extraordinary power supplies, keep that in mind when identifying an area for your location.

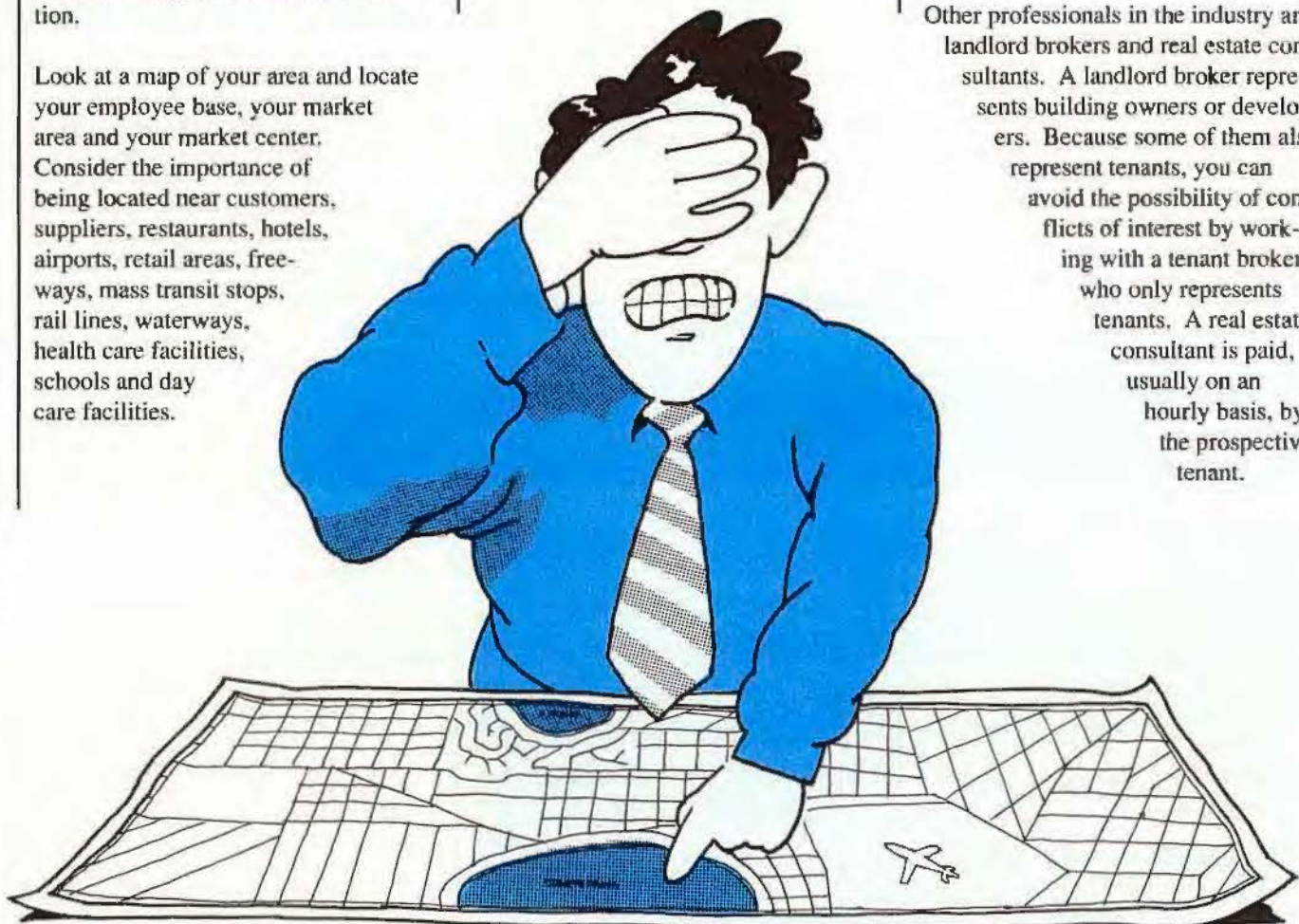
Choosing real estate professionals

Now that you know where your company should be located, it's time to start working with a tenant broker. "The next best thing to knowing something," said British author Samuel Johnson, "is knowing where to find it."

A broker can help you find just the right place in the location you've identified. Most real estate brokers specialize in certain geographic areas. Therefore, they can help most by finding specific spaces in an area, not by identifying the best area for you.

Real estate brokers (sometimes called tenant brokers) have overall expertise in real estate and are experienced negotiators in real estate transactions. A tenant broker represents the person who acquires property through a lease or a purchase. Even though a broker represents a potential tenant, the property owner pays the broker's fee. (This practice is common and legal in many states.)

Other professionals in the industry are landlord brokers and real estate consultants. A landlord broker represents building owners or developers. Because some of them also represent tenants, you can avoid the possibility of conflicts of interest by working with a tenant broker, who only represents tenants. A real estate consultant is paid, usually on an hourly basis, by the prospective tenant.



LOCATION

In most cases, tenants' interests are best represented by tenant brokers.

However, when considering the possible professionals, keep in mind the risks in all cases. A tenant broker might rush you into making a decision, to collect a fee faster. A landlord broker will only show those properties owned or managed by one developer or investor. A consultant might draw out the process to collect a higher fee.

The key is choosing a real estate professional you trust. Just as in choosing any professional, ask friends and associates for suggestions. When interviewing them, always ask for references, and about their experience, professional affiliations and state licensing.

Choose a broker not limited to one real estate developer or investor. You need a broker who is free to show you all available properties. Working with one who has access to a computer database of available properties increases your chances of finding the best space for you.

Choose a broker who can help you analyze and interpret blueprints; architectural, electrical, engineering, and mechanical designs; construction estimates; lease options; and financial options.

There is not a general rule about whether to work with a large or a small firm. While the training and work styles might be consistent in a large firm, the small firms are often started by top brokers who have left those large firms.

There is only one rule that does not change: Choose a reliable and trustworthy professional.

Benefiting from expertise

Working with an experienced and knowledgeable broker can mean the difference between finding yourself in a location that's a good fit and finding yourself stuck with a bad bargain. Once you've identified your basic location needs, put your broker to work finding the possible spaces within the location you've chosen.

**NO MATTER HOW
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INCOMPATIBLE WITH
ITS PRODUCTS
OR SERVICES.**

Your search for a location will be limited by the zoning of areas. Brokers are valuable sources of information about how areas are zoned (commercial, industrial, etc). Tenant brokers have information about the cost of both real estate and real estate taxes in different areas. A broker can provide insight about future development in areas you identify as possibilities.

You were eager to begin looking at spaces. However, you deferred that step until you and your staff thoroughly analyzed your location needs. You shopped carefully for a professional and experienced tenant broker. Now you know the best neighborhood for your company. You are now ready to shop for a particular space.

LOCATION! LOCATION! LOCATION!

HOW TO DECIDE?

The **PLANNER** will help you identify the prime location for your new space. Worksheets will help you decide what type area is most important to you, and how important it is for your company to be near airports, mass transit, major freeways, hotels, commercial areas, health care facilities, etc...

Chapter 6:

Know how to inspect a space

Check spaces against those items you've identified in your space and locations needs. Have in mind the needs you consider essential and the amenities you consider beneficial.

You are standing in the middle of an empty office space. The property manager is pointing out the window, so you'll be sure to see the view. You are trying to focus on the inside. You stand there empty handed, trying to remember what you're supposed to be looking for.

Starting the search

You are sitting at your desk trying to reconstruct the day you spent last week with your broker. You wanted to be efficient, to look at several spaces in one day.

Now you can't remember if the building with the fitness center in the lower level was the building difficult to find, or if the building difficult to find was the one with the great conference center, or if the building with the great conference center was the one with the fast-talking, gum-cracking property manager, or if that was the one with the poor lighting.... You are totally confused.

You may be tempted to schedule several inspections in a short period of time. Don't do it! That generally makes it more difficult to keep the spaces clear in your mind. As you inspect the spaces, keep notes on the forms provided in the *Planner* so you can later make comparisons and narrow the search. Use a separate sheet for each space when there is more than one space in a building.

Ask your broker to find a number of spaces to fit your space and location

needs. Take that list and determine which of the spaces you want to inspect. Your broker can then schedule appointments with building owners and managers for your inspection.

It's not wise to shop for groceries when your stomach is growling. Neither is it smart to shop for space when you're pinched - for time or for space. You tend to overbuy. Do the process justice. Give yourself plenty of time and look at several spaces before you make up your mind.

Note the advantages and disadvantages of a particular space, the building and the area. When you visit a building, take along a camera. It's a good way to record the specific images you want to remember about a particular space. Check the spaces against those items you've identified in your space and location needs as essentials. Have in mind the needs

you consider basic and the amenities you consider beneficial.

Before you look, decide how important certain amenities are to you. If you decide what amenities you want while you're looking at spaces, you might be unduly swayed by an amenity while you ignore your basic needs. Review them with an eye to their financial price because you pay for what you get. However, certain amenities more than pay for themselves if they contribute to a pleasant and safe working environment for you and your employees.

You are sitting with a blank check before you. You have to fill it out to pay your rent. You can not move your hand. You are thinking about the fit-



ness center that your employees aren't using. You are thinking about the conference center you used once in the last 12 months. No wonder the space seems expensive.

When you lease space you get what you pay for - and you pay for what you get! If you pay rock-bottom prices, you usually get rock-bottom space and service. If a building has every imaginable amenity, then you will pay for each one of them, one way or another. Appreciate good quality but don't be swayed by glitz or by an image you cannot afford to maintain.

Stepping back

Step back and look at a building from the points of view of employees, clients and customers. Does the building have handicapped entrances, exits, restrooms and other facilities? Even if no one in your

company needs them, don't preclude safe and easy access to clients, customers and associates who do.

Drive around the neighborhoods of the buildings you are inspecting. It is important that you are comfortable with your surroundings and with the image projected by the building you choose. Look at the space from the viewpoint of your external needs. Is it close to an airport? Is it close to mass transit, rail lines?

As you look at different spaces, ask yourself if you want to be in a single-tenant or a multi-tenant building. Consider the advantages of being in a single-story or a multi-story building. Does it matter what floor you are on? Does it have the facilities you need for shipping and receiving?

You're attracted to a building with a nearly empty parking lot. Your visitors won't

have any trouble parking, unlike your present space. Three months after you move in, you learn that most of the parking lot will soon hold an eight-story twin building.

Ask what changes will be made to a property. Don't assume, for instance, that a parking lot will always be a parking lot. But even if it does remain a parking lot, it could be empty because you're one of the first tenants in the building. Once you are joined by other tenants, the lot will quickly fill up.

Adjusting the space

As you look at a space ask yourself how usable the space is for your needs. If a large number of square feet will be lost to you because of layout, the cost of adjusting the space to fit your needs may be prohibitive. Decide how much you're interested in adjusting a space to



fit your needs. You may, for a number of reasons, not be interested in anything but minor adjustments.

On the other hand, you may want to custom build a space to fit your specifications. You will start with an empty space and build it out according to your specific space needs. Ask to see other space in the building that has already been customized to meet a tenant's needs.

One of the advantages of newly constructed space is that you are able to finish off the space according to your specific needs. However, you must be prepared for the complex process and the longer lease term often involved in custom building. Not all tenants want to undertake such responsibility.

The first question to ask yourself is: Will my company's needs be best filled with custom-designed space? The second question is: Can I afford it? If your answer to both questions is yes, then start your space search with buildings that offer build-to-suit space. It is safest to work with developers with proven track records. When you talk to them, get cost estimates and time schedules.

Narrowing your options

At this stage it is especially important to check the credentials of a building owner and property manager. Talk to tenants in the buildings and tenants in other buildings owned and managed by the same people. If you are looking at single-tenant buildings, ask the owner or manager for references. Ask other tenants how well the building owner and manager treat them, how responsive the building management is to tenant problems and concerns.

Narrow the choices to three, four or five possibilities. Visit those sites again. That is often the easiest way to narrow your options. A broker should

be able to provide a financial and physical comparison of the spaces you're considering. See *Planner* for worksheet.

Once you've chosen three spaces, start the negotiation process for all three sites. See Chapter 8 for tips on negotiating. It is a broker's job to provide service to the client while you're making a deal. That includes preparation, presentation and follow through. Insist on good service.

Now is the time to ask for blueprints and floorplans. Show them to the experts you bring into the process - architects, engineers. Have them help you decide how appropriate the space is for your needs. Once you understand them, blueprints are valuable tools for evaluating space.

Reading blueprints

There are a number of blueprints with which you will need to be familiar: architectural drawings, shop drawings, structural plans, civil plans and legal plans.

Architectural drawings are drawings of a space and include details about the building's exterior and interior construction. When looking at blueprints, note the location of support columns, doors and corridors to see if they accommodate your layout plan and equipment needs. Check ceiling heights and ceiling materials. Check door materials, door frame materials, hardware, floor coverings and wall coverings.

Shop drawings give more detail than architectural plans. Construction workers need such detail to build out a space to tenant or owner specifications.

Structural plans show the details of materials - steel and cement, for example - used to construct the building. You need to know what material was

used in a building's construction to know how it affects any changes you want to make to a space.

Civil plans are site plans that show an area's topography. They also may include details about landscaping, curbs, crosswalks, parking, concrete areas and lights.

Legal plans are plat maps. They indicate legal titles, zoning codes and other regulatory details that affect the legal

**DON'T BE UNDULY
SWAYED BY AN
AMENITY, WHILE YOU
IGNORE YOUR BASIC
SPACE AND
LOCATION NEEDS.**

standing of a property.

Analyzing the spaces you're considering for your business is a matter of common sense - informed common sense. Knowing what to look for when you visit buildings can save you time, money and unpleasant surprises.

You do your homework and call in the experts. When property managers or building owners start explaining some of the technical features of the building, your brain vacates your body and takes a short trip to Mars. It doesn't matter. Your broker is listening and translates the details over lunch.

Chapter 7:

You want a building that works!

Tell the building manager what your requirements will be and ask for specifics on the building's capabilities.

Every few weeks the power in your publishing company's new space fades just long enough for your staff to lose the stories they're writing and editing. You haven't missed a publication date yet, but you - and your staff - are tired of living even closer to the edge than is normal for your industry. If you'd only checked out the power supply in relation to your needs before you signed the lease....

Checking when it counts

There are two reasons to pay attention to the mechanical, electrical and communications systems in a building. The first and most obvious is that you want to have the capabilities you need to run your business. Whether that means having an uninterrupted power supply (UPS) or an electrical outlet where you need it, the mechanics of a building are important considerations.

The second reason to pay attention is that you are responsible for the operating costs of these systems when you sign a lease. If the energy system isn't efficient, you'll be paying for the luxury of that inefficiency. If you sign a lease in a building with a mechanical system that needs major repairs or replacement, the

amount you projected as your monthly space expense could become a dream of the past.

You are shopping for a space. When you visit buildings, you are so busy being "pitched" that you for-

to work. You want buildings to work. And you take them for granted until they don't work. You assume that whoever owns and manages a building will keep it working for you. The fact is that you are responsible for whether or not the mechanics in a building suit your needs.

Using expert help

Hire an expert to help you evaluate whether a space has the mechanical and electrical capabilities you need. After you've narrowed your space



get to look at the space critically. Two hours after you walk out of a building you remember the 13 technical questions you forgot to ask.

You want cars to work. You want telephones to work. You want computers

options and before you negotiate for any space, have a mechanical engineer familiar with building systems inspect the spaces.

Spending a little money, to pay for the mechanical engineer's time, could save

WHY PICK AN INTELLIGENT BUILDING?

It helps you to stay more competitive! It helps you run your business and manage your space more efficiently. Look for these cost-effective features:

- computerized systems for disaster recovery
- energy management for individual comfort
- uninterruptable power supply
- enhanced communications systems
- security systems that prevent sabotage

a lot of money later, to pay for a new mechanical system in a building, for example. Ask for the building's mechanical plans so an engineer can study them. Also ask for equipment information, for example the model and manufacturing information of mechanical and electrical equipment.

Consider the structural design, basement design, roof space and roof structure of a building. Examine the following building features in terms of both the capabilities and the costs of maintaining them: heat, ventilation, air conditioning (commonly referred to as HVAC), electrical distribution system, communications, lighting, water system, sewer system, security and fire safety.

Finding an intelligent building

You are leasing office and manufacturing space for your new research and development company. You are developing a new process for which you are applying for a patent. Tight security, an uninterrupted power source and state-of-the-art communications facilities are essential.

The "smart" or "intelligent" building today is the building designed to minimize the cost and maximize the benefits for owner and tenants alike. Such buildings are designed with efficient building management systems, office automation services and enhanced communications systems. This involves efficiently managing all the systems of a building - heating, cooling, ventilating, lighting, communications, security, life safety, fire safety, elevators.

The newest systems have in-house computers controlling all electrical, mechanical and communications features. Every tenant has different levels of need for an "intelligent" building. For one tenant, it means having an energy management system that is interfaced with a digital PBX system. For another tenant, it means having general office support services available in the building - conference room/conference call equipment, high-speed printers or graphics equipment, for instance.

Perhaps no feature of an "intelligent building" is more basic than energy

management. For decades we took unlimited supplies of energy for granted. As energy prices rise we recognize that our traditional sources of energy are limited and that both building owners and tenants have a responsibility to conserve energy whenever possible. The result is seen in advances in energy-conservation techniques and building materials. Today when a building goes up, energy conservation and new sources of energy have been taken into account.

No matter how small your business, you're almost surely dependent on technology, which translates into ener-

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gy needs to stay solvent and the technological capability to stay competitive. Never has it been so important for businesses to be located in buildings that are run intelligently, managed well in every way.

HVAC

You take breathing for granted, at least until you're in a smoggy city or industrial area. You don't worry about working in a building with a sick air system. You should.

Look for a building that is energy-efficient and a space that allows you to plan your space with energy conservation in mind. Ask if the air conditioning is turned off (or the heat down) at a certain time each day. This will be a problem if your staff works long hours. Ask the building manager if fresh air is circulated in the building or if air is recirculated to save money.

As construction, mechanical and electrical technologies become more sophisticated, we find more energy-efficient and sophisticated methods of heating and cooling our work environments.

Modern construction often incorporates solar-energy conductors into buildings. As work spaces become more computer-dependent, we focus on the amount of heat generated by office equipment, and the amount of cooling and ventilation it requires. Systems and spaces are designed so energy discharged from computers and manufacturing processes is captured and transferred to heat other work spaces and water. By designing work spaces and placing ducts with this in mind, you can manage the energy needs of your work space.

Many office buildings today have variable-air-volume (VAV) systems in which air is dispersed through thin ceiling slots rather than large ducts. This sends varying amounts of air to each room in a building, allowing tenants to control room temperatures more precisely than before.

For a time in the 1970s, all-electric buildings were marketed in some parts of the country. It soon became apparent that tenants should be wary of all-electric buildings. This is especially true in hot and cold climates, where unpredictable energy costs can result in high costs for tenants.

Many industrial buildings today have infrared radiation heaters, which warm the floor and walls, and subsequently heat the surrounding air. Such heaters often replace the traditional heating system found in industrial buildings, ceiling-suspended gas-fired units that distributed air directly into work spaces.

Electrical

You manage a securities firm. Your equipment requires heavy power consumption. Make sure the building's equipment and service will accommodate your equipment and service. You may need an electrical system with as many as eight to 10 watts per square foot, more than the current norm of six watts.

Tell the building owner or manager what your requirements will be and ask for specifics on the building's capabilities. It's not your job to be an expert on electrical matters. It is your job to ask the right questions.

If a space has an insufficient electrical capacity, it will not be a good space for you, no matter what other features seem perfect. Some companies need interference-free (or clean) power available for their computer operations. This requires an uninterrupted power supply (UPS), which some companies need 24 hours a day, seven days a week.

Check out the utility charges for the building. Compare the level of electri-



cal use you expect against the level of use by other tenants in the building. If you expect to have low utility bills and have neighbors with high bills, you might pay a disproportionate share of a building's energy costs. Industrial buildings usually have a separate meter for each tenant.

Paying attention to electrical features can be as complex as finding out what service is available (110, 220, 440, 227/480) and as simple as noticing where electrical outlets are. (On blueprints, circles with parallel lines running through them represent outlets. Two lines symbolize a standard duplex outlet, four lines symbolize a four-plex outlet.)

Lighting

Your corner office has two windows, which gives you plenty of natural light. The majority of your company's space relies on artificial light. You notice a heavy traffic flow past your office even though it's at the end of the hall.

Natural lighting, through windows, skylights and clerestory windows, serves two purposes. It provides a pleasant work space and reduces lighting costs. Heavy artificial lighting can also require more energy for cooling.

Studies prove that deprivation from sunlight can cause depression. Some people get headaches from fluorescent lights. Reflected ambient light reduces the glare on computer terminal screens. Lighting can either enhance or interfere with employee well-being and productivity.

Determine whether the lighting system in a building is adequate for your needs. Determine whether it is efficiently placed and controlled. If lights

are efficient, they'll decrease your operating costs. If lighting isn't adequate, determine what is involved - in terms of work and cost - in having new lights or additional lighting fixtures installed.

Communications

You have signed a lease. You are choosing a communications system and equipment. Your communications provider explains that the cost of installing your system and equipment

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will be high because the building's current facilities will not accommodate your choice. You are not willing to sacrifice the level of communications you need. All of a sudden, your space costs destroy your budget.

Many processes in a relocation must be performed simultaneously in order for you to avoid such a scenario. In order to take advantage of today's communications technology, you must find a space that accommodates your communications needs. That may mean planning months in advance.

Ask what communications facilities - wiring and telephone switching equipment - are already in place. Determine

whether the facilities will accommodate your equipment and system. If they do not, find out what it will cost to have facilities put in place. Consider whether it has adequate wiring for voice and data communications. Check the placement and type of wiring (coax, twisted pair or fiber optics). Ask to see the communications closet. Some older spaces have cable that no longer meets code and has to be replaced.

Some new buildings have full raised-access floors that provide quick access to wiring and electronic equipment and offer the latest technology. What looks like a floor is actually a riser, or a lifted floor. Between the riser and the floor below is a space that holds such hidden essentials as cables, ducts, heating, air conditioning and ventilation systems.

Most new buildings have hollow walls that permit easy wiring installation. However, some older buildings have solid block walls, which will increase the work and money involved in wiring your space for a communications system, including both telephone and data transmissions.

Consider the time it will take to install facilities if they are not already in place. You must factor in time if the process is delayed by frozen ground if you live in the northern part of the country. Don't forget the basics. Look at blueprints. The small triangle-shaped symbols indicate telephone jacks.

Keep in mind cable entrances, external network access and horizontal wire distribution. Find out how a building is connected with regional, national and international telecommunications net-

works. Make sure there are no obstacles that will interfere with clear microwave and satellite signals. This is essential if you rely on high-speed, high-quality data transmissions.

Your chances of having a state-of-the-art communications system increases when you look at new or renovated buildings that incorporate the newest construction and communications technology.

Security

You notice that a number of your employees hesitate working late when you have a project that needs last-minute revisions. This has happened several times since you moved into your new space. You ask them why. They don't feel safe working in the building or walking to their cars after dark. When you thought of security, you ordered an electronic service to protect your equipment. You forgot to order security to protect your staff.

Look for a building, with well lit doorways at both interior and exterior entrances. Look for well lit and well patrolled parking areas. Are the first floor windows high off the ground?

You might want a building with 24-hour surveillance. If a building has a parking ramp, ask if it has two-way speakers in the ramp. Are there burglar alarms connected to the local police station and/or a security company? Consider installing an electronic locking system. This can be done in conjunction with an energy-management system.

PLANNER HIGHLIGHTS

Even if you use experts in analyzing a building's mechanical, electrical and communications capabilities, you need to know a little about these systems yourself. The *Planner* is designed to keep this information from overwhelming you.

This chapter's worksheet helps you analyze whether a building is right for you in terms of heating, ventilation, air conditioning, humidity, insulation, lighting, electrical, water and communications.

Fire

Checking your fire protection means more than finding out where the nearest fire station is located. In some communities, it's finding out whether there is a fire protection service for your area. Check the local codes. Make sure there is an automatic sprinkling system. When you look at a space ask about the wall construction and its fire protection level. Find out if there are fire walls in the building. Buildings billed unburnable have burned to the ground.

Water

Checking the water for a space can be as easy as paying attention to where the floor drains are located, and as simple as making sure the water volume and the sewer service to the building are adequate for your needs. Floor drains seem unimportant until they are not where you want them and you realize how expensive they are to install.

If you have unusual water needs, ask about the city and state regulations governing water. Ask about city ordinances and local regulations regarding waste disposal.

Narrow your choices

As you examine the mechanical, electrical and communications systems in the different buildings, you narrow your choices. What you discover helps you eliminate the spaces that do not accommodate your business needs. It saves you from spending time negotiating for a space that will limit your growth. You are now ready for serious negotiations.

Chapter 8:

Know how to negotiate, then hire a professional to do it for you

You need someone negotiating for you who is well versed in the business of negotiating for space as developers, building owners and property managers.

You have not identified your space needs. You have not developed short-term and long-term goals for your company. You are acting as your own negotiator for a ten-year lease for a space. You are making a number of serious mistakes.

Dealing with experts

You're dealing with experts when you lease or buy commercial real estate. You're dealing with people who do nothing but negotiate for space - every day, all day. It's their job to know how to do it to their advantage. If you heed no other piece of advice in this *Guide*, heed this one: have a professional negotiate a lease or purchase for you.

You need someone negotiating for you who is as well versed in the business of negotiating for space as developers, building owners and property managers. A good real estate consultant and real estate attorney are invaluable at this stage of the process. Nowhere is it more costly in the relocation process than when you negotiate for a space by yourself.

What owners and managers are willing to give away in lease negotiations depends upon the local real estate market at the time you're negotiating, the vacancy rate in the area and the vacancy rate in the building. Real estate consultants know these factors. It's their job to keep

informed of this market every day. Real estate brokers deal with the owners and managers of buildings in other transactions. They are familiar with the market and with particular buildings. They know which concessions an owner can give, where the middle ground is and where certain owners or managers are likely to move in a negotiation.

After looking at the spaces your broker proposes, choose three spaces. Start your negotiation process by negotiating for these three. Compare the spaces you are considering by doing a month-by-month financial analysis covering the term of the lease.

Have a broker or an accountant prepare this summary, which should include monthly rent, operating and maintenance costs, annual per square foot costs, per-square-foot leasehold improvement costs amortized over the term of the lease, inflation on expenses, plus any other economic factors that affect your business.



Knowing your bottom line

You have found your dream space. It has windows overlooking a lake. It's close to your home. It has a list of prestigious tenants. It has a common state-of-the-arts conference and training facility you don't need. It is not convenient for your clients or your suppliers. You really can't afford it. You don't even notice because you fell in love with the space the minute you walked in the door.

You do not make an employment decision solely on the basis of salary. You consider working conditions, associates, corporate values, benefits, and money. Approach space the same way. Look at all the relevant factors.

Even if the negotiation is done through a tenant broker or an attorney, a building owner will know if you are really fixed on having a space. The owner's first clue will be that your negotiator isn't readily making concessions.

Whatever you do, do not fall in love with a space. People in love make vulnerable negotiators. And it shows. Even if you are not there, the owner will sense your eagerness and have no incentive to make concessions. Always be willing to walk away from a deal.

The person who negotiates for you, has to negotiate your terms. Therefore, you must know what you need and what you can live without. Identifying your space needs and location needs gives you a good foundation for negotiating.

Know your bottom line, but not just in terms of a square-foot rate. Keep in mind all the factors that contribute to your financial obligation. Prepare for a negotiation by having a clear idea of the terms on which you are not willing to negotiate and those items you would

like to have, but can live without. Ask for more than you need so when you compromise you are not sacrificing your essential terms. Give something you do not need to get something you need.

In the midst of negotiations, do not lose sight of your bottom line, your needs and your options. And do not let yourself be swayed into giving away terms you consider vital in exchange for an incentive or an amenity you don't really need. Don't let incentives - no matter how attractive - keep you from making a good business decision in terms of space and location.

Know what you are paying for. If a building has every imaginable amenity, you will pay for it, one way or another. If a deal you are being offered seems too good to be true, it probably is. Know what you're getting and what you're paying for it. Always be willing to step back and check the value of the whole package you are being offered.

You are a 20-year old travel agency with a good credit rating. You want to sign a five-year lease for a ground floor space. The building owner wants to sign only a two-year lease to make space available for a major tenant after that time.

Sometimes, no matter how good a tenant you may appear, if you don't fit into the tenant mix an owner needs for a particular building, you won't be an attractive tenant for that particular space.

On the other hand, if you do fit into the tenant mix an owner seeks, it can be a bargaining advantage for you in a negotiation.

Considering the building owner's bottom line

Try to determine the bottom line of the building owner or property manager.

Put yourself in an owner's mind. Many prospective tenants don't appreciate what a financial risk it is to build a rental building. In order to develop a project a developer generally has to borrow money to finance the construction and initial operation of a building. Most buildings end up highly leveraged by the time they open to tenants.

A basic tenet of real estate negotiations is: almost everything is negotiable. The one exception is the per-square-foot rate. That figure is not negotiable because it is tied to the building value established for lending purposes. A building owner who reduces the square-foot price would do so at the risk of lowering the asset value of the

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building. Building owners and property managers will generally give away free rent (referred to as rental abatement) before directly lowering the square-foot rate. However, today some will offer lower "effective rates" rather than offer free rent.

A developer can only get a percentage of what a building is worth from a lending institution. Lenders generally multiply your square-foot rate by the total rentable square footage to deter-

mine how much a rental building is worth.

A square-foot rate is merely the price of leasing each square foot of space for one year. That seems simple enough until you factor in whether that figure is a net, net-net, net-net-net or gross figure and whether that figure is multiplied by the number of usable square feet or by the number of rentable square feet. The term rentable square footage refers to all the floor space in the building - your private working space and all the common areas, such as halls, stairs, elevators, restrooms, utility space and the lobby area.

A building owner must make enough from tenants to repay the loan on the building, and to manage and operate the building. Only then does any profit come into the equation. Therefore, in order to meet the financial commitments on their buildings, owners need tenants as much as tenants need space. However, they need reliable tenants who will pay their rents, pay them on time, and who will be good neighbors to other tenants.

Gaining the ground between

Once you've established an idea of the two points of negotiation - yours and the building owner's - start negotiating on the ground in between. As in any negotiation, you have to be willing to compromise. Keep in mind that the word negotiate means "to carry on business."

Negotiation is not, contrary to popular misconception, about winning and losing. Picture a negotiation as two people moving toward the middle from different points. Keep in mind the Scottish proverb, "Better bend than break." Going into a negotiation with this attitude can serve you well.

Your negotiator makes it clear to the owner or manager that you are looking at more than one space. The negotiator is clear and straightforward about your needs and requirements. This increases your chances of having an owner or manager concede a term you want instead of terms you don't care about.

You have decided on one space. Now the owner or manager will present you with the best offer. Know when to stop negotiating. If you do not know when to stop, you can lose concessions you gained just a few minutes before. You can also lose a space entirely.

Knowing negotiable terms

Save yourself time by going into a negotiation knowing what is negotiable and what is not. Do not lose sight of the fact that negotiating a lease is much more than merely negotiating a dollar figure for your space. Negotiating a lease is really about agreeing to a package deal. In this case, the package consists of the space, services, escalations

of operating expense, permitted uses for space, length of lease, responsibilities, rights and recourses.

You are negotiating for a space and you know a building owner wants you for a tenant. You feel confident enough in your bargaining position to have your negotiator ask for a reduced rent for a year and upgraded tenant improvements. If that is readily given, you instruct your negotiator to request a waiver in the security deposit.

There are a number of predictable items that can be negotiated with a building owner, which ultimately reduce your monthly cost. These include: length of lease, free rent for a period of time, reduced rent for a period of time, tenant improvement allowances, caps on operating expense charges, special parking privileges, expansion clauses, moving allowances, assumption of all or part of an existing lease, security deposit waivers, rights to sublease and cancellation clauses.

NEGOTIATING DOS & DON'TS

Do:

- negotiate through a broker and attorney
- identify space and location needs
- compare finances of three spaces
- know your bottom line
- know the owner's bottom line

Don't:

- negotiate by yourself
- go in unprepared
- fall in love with one space
- sacrifice needs for amenities
- rely on a verbal agreement

**A VERBAL
CONTRACT ISN'T
WORTH THE PAPER IT'S
WRITTEN ON.**

- SAMUEL GOLDWYN

Getting your terms on paper

You have heard about handshake deals. Once in a great while they work. Don't chance it. Have your broker and attorney work together so that a lease reflects in writing all those terms you verbally negotiated. Do not rely on oral agreements. Remember the words of movie mogul Samuel Goldwyn: "A verbal contract isn't worth the paper it's written on."

Don't be naive, but don't be paranoid. Being a sharp negotiator does not translate into being untrustworthy. It is the job of owners and managers to negotiate favorable terms for themselves. It is your job to negotiate favorable terms for yourself.

However, as in every step of this process, trust your instincts. An owner or manager who is not trustworthy during a negotiation will not magically become trustworthy after a lease is

signed. If you don't trust someone with whom you're negotiating, you won't be able to trust them when you're a tenant.

Don't be intimidated or bullied or rushed into signing a lease that does not represent the verbal terms you have negotiated with a building owner or property manager. The time to know what a lease contains is before you sign it.



Chapter 9:

Write your own lease

A lease is a legal and binding contract that represents a significant financial obligation and liability for your company.

Your broker negotiated a lease including all the terms you wanted. Your attorney drafted a lease that included all the negotiated terms. The last time you saw it was the day you put the signed copy in the file.

Understanding a lease

When a lease is carefully negotiated and written it becomes a piece of paper that works for you, instead of one that restricts your business. When you sign a lease, it should be one of the few times you ever have to look at it. That's only true, however, when you have signed a lease that has been carefully negotiated and written to reflect your terms.

You did not realize the consequences of defaulting on your lease when you signed it. You are closing your business and moving to another city. The building owner won't let you out of your lease and is holding you liable for the full compensation remaining for the term of the lease. You plead ignorance. You plead in vain.

Once you sign a lease, you are legally bound to its provisions, which enumerate your financial obligations for the space. A lease is a legal and binding contract that represents a significant financial obligation and liability for your company.

Even though you should have your attorney review a lease before you sign it, read it yourself. Also, familiarize yourself with a basic lease and lease clauses. While that sounds over-

whelming, it's worth your while to carefully examine lease terms before signing.

Like most legal documents, a lease contains an overabundance of jargon, in this case both legal and real estate. Understanding the basics of a lease will help make this document more approachable. Don't agree to any lease clause unless you thoroughly understand the implications. Your broker and your attorney are your prime partners in this process.

**DO NOT
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THOROUGHLY
UNDERSTAND THE
IMPLICATIONS.**

You are leasing space for the first time. You are handed a lease. You assume you have to sign it if you want the space. The choice is not that black and

white. There is no standard lease. Each one is custom written. You have a great deal of control over the terms relating to property and service on which you agree.

Types of leases

You will find several types of leases in commercial real estate transactions. They will vary by geographic and economic market. Common types of leases you will find in many markets are: net, net-net, net-net-net and gross. The first thing that might strike you is that the real estate industry could have found a more enlightening way to refer to these leases. However, since these are the generally accepted names, we will use them so you are not at a disadvantage when you hear them.

You are signing a commercial office lease. It is probably a net-net-net lease (also called triple net lease). You will pay the base lease price plus all expenses related to the space - utilities, real estate taxes, insurance, maintenance, some repairs and janitorial services. You are responsible for all financial obligations related to the space.

Not as common in office leases are net and net-net leases. In a net lease the tenant makes the base lease payment and pays a share (proportional to the space leased) of the building's utilities and real estate taxes. In a net-net lease the tenant pays the base lease price plus a proportional share of utilities, real estate taxes, insurance and maintenance.

LEASES

You are negotiating a commercial lease for warehouse space. You will probably pay the base lease price plus maintenance, real estate taxes and insurance. You arrange your own janitorial and utility services.

You are negotiating a commercial lease for retail space. You may be asked to sign a basic triple net lease plus agree to pay a percentage of your sales, or some type of combination base lease payment and percentage of your sales.

Gross leases are generally found in older or smaller buildings. When a tenant signs a gross lease the building owner becomes responsible for all the expenses related to maintaining and owning that property. A gross lease sets a fixed rate and does not call for escalated payments.

Starting with the basics

If you sign a lease that includes all the provisions necessary to your comfort as a tenant, you probably won't look at it very often. When you have not carefully negotiated the terms of a lease, you have to keep checking its contents.

At the very least consider the following lease clauses when you negotiate a lease: base lease payment, common area maintenance and taxes, leasehold improvements, default, subleasing, access to demised premises, care and repair of demised premises, damage or destruction, and estoppel.

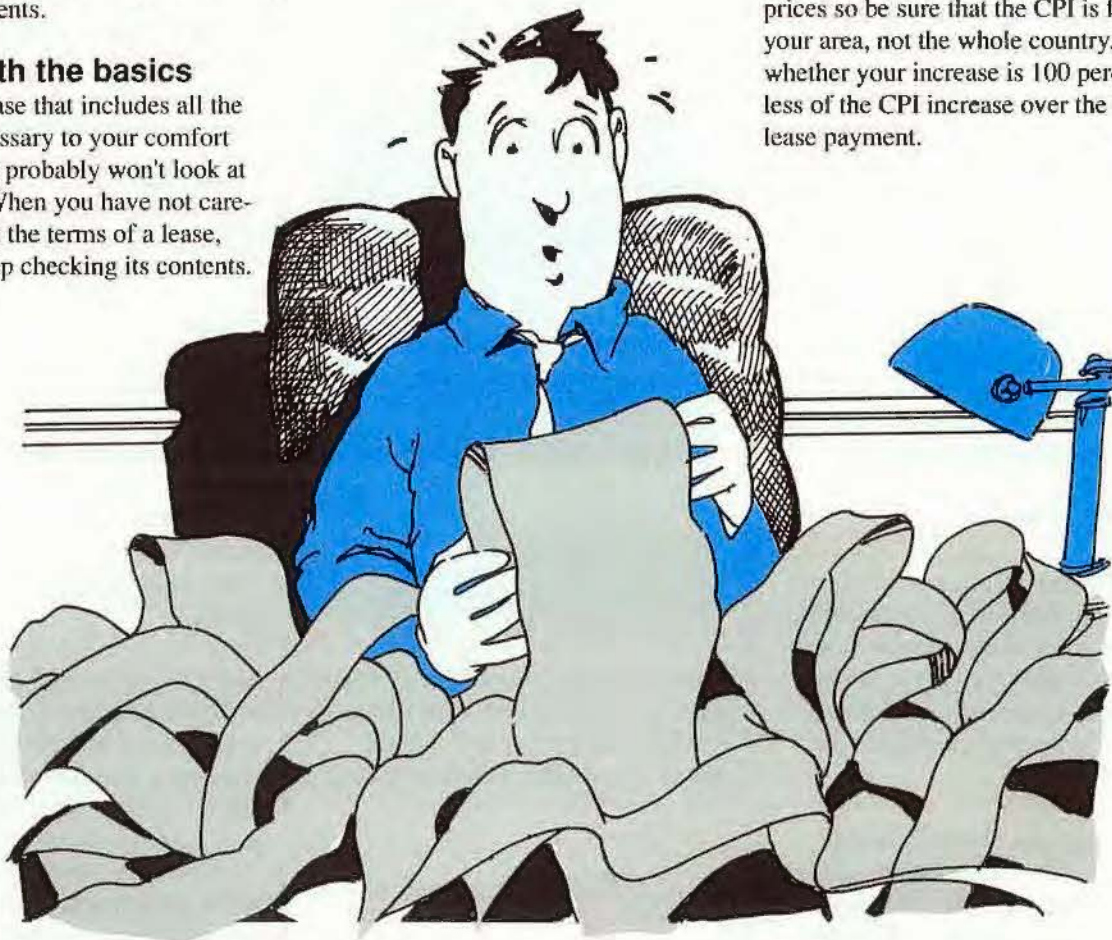
Base lease payment

When you sign a lease your financial obligation begins with the base lease payment you have agreed to make, usually on a monthly basis. Prorate payments to reflect months of partial occupancy. Also find out what the grace period is for your payment before a late penalty is charged. Often it is 10 days.

You are starting a new company. You can't afford a high lease payment to start, but you are confident that you will be able to pay a higher lease payment after a few years. Ask for a graduated lease, which starts with a lower payment and increases to specified levels during the term of the lease.

Since the real estate market fluctuates over time, know about the concept of indexed escalators. With escalators, the increase in base lease payments is tied to either the building owner's projections of future inflation or to an outside factor, like a consumer price index (CPI).

If the CPI is 12 percent a tenant's payment will increase by 12 percent. Your increase should be affected by local prices so be sure that the CPI is for your area, not the whole country. Ask whether your increase is 100 percent or less of the CPI increase over the base lease payment.



BASIC LEASE CLAUSES

When negotiating a lease, start with the basic clauses:

- **term; How long is the lease?**
- **size; What is the square footage of the space you are leasing?**
- **basic lease payment; What base rent do you pay before any expenses are added?**
- **common area maintenance & taxes; What additional costs (operating expenses, repair and maintenance costs, insurance, real estate taxes) do you pay?**
- **default; What is your financial responsibility if you fail to meet the financial obligations to which you are agreeing?**

Common area maintenance and taxes

You signed a lease without paying too much attention to operating costs. When you find out how much that adds to your base lease payment, you feel like you've been had. The truth is you didn't do your homework.

The additional costs you pay, over your base payment, covers real estate taxes, operating expenses, insurance, and repair and maintenance costs. Know what expenses you are agreeing to pay. Do you pay for heating, ventilation, air conditioning (HVAC), electrical lighting, water, janitorial services, snow removal?

Clarify the extent and time those services are being provided. Are the standards set according to the building owner's discretion, to acceptable practices for first-class buildings in your climate or to your specifications? Are the janitorial services provided sufficient for your needs in terms of frequency and extent?

Do you pay for repairs to the roof, walls, floors, foundations, heating and cooling systems, electrical systems, elevators, plumbing? Does it depend upon who is responsible for the damage? Are you obligated to pay for structural repairs? Who pays for insurance - fire, personal injury, property, workman's compensation?

Do you receive credit if the operating expenses for a building are reduced or if the estimated payments prove to be more than the real expenses? Is the owner required to keep and provide a detail of expenses to support your increase? Will the report be prepared by a certified public accountant? Do

you have the right to audit a building owner's financial records related to the building?

How are disputes over increased operating expenses settled - by negotiation, arbitration, mediation, lawsuit? If you object to an increase, must the objection be filed within a certain number of days?

In any of the net leases, estimated expenses are passed on to the tenant and will fluctuate with inflation. Most leases have escalation clauses for operating expenses. In almost every lease, at least some of the costs of maintaining a building are passed on to the tenants.

The degree to which you will pay for maintaining and managing a building depends upon the type of lease you sign. The costs are passed on to you based on the percentage of space you lease. The percentage should be weighed against the total square feet in the building. If your share of expenses is weighed against the total square feet leased in the building, you will be paying an inordinate amount of the expenses if the building is not fully leased.

Since the costs involved in maintaining and managing a building rise over time, owners build in a means of passing on those cost increases to the tenants. Prorated costs are passed on to a tenant according to the amount of space the tenant leases. Costs will be higher than necessary if the owner inefficiently manages the building or if another tenant causes the expenses to rise.

You can control these costs by having your lease state that materials and services used to operate and manage your building must be provided at competitive market rates. Make sure your operating expenses don't include such

additional costs as real estate commissions on other tenant spaces in the building or attorneys fees in litigation against other tenants in the building.

Leasehold improvements

With many commercial real estate leases, building owners make some improvements to the space at no cost to you. However, that is not always the case, so be prepared to negotiate what level of improvements will be made at the owner's expense. Even if the building owner makes substantial improve-

**A LEASE SHOULD
PROTECT YOUR
INTERESTS, NOT
RESTRICT YOUR
FREEDOM.**

ments you may want to pay a little more to have the quality and style of improvements you want.

In order to finish your space the way you want it, know the improvements for which you will be responsible and for which the owner will be responsible before you sign a lease. New buildings usually budget a certain amount for tenants to customize their spaces. Decide what you want in terms of inte-

rior partitions, doors, customized windows, paint, wallpaper, carpeting and light fixtures. Before you sign a lease you should agree - on paper - to the specifications of improvements.

You want to hire an independent contractor to finish the space. Before you do, price out and compare the costs of having the building owner and having another contractor do the work.

Taking out a loan on leasehold improvements may be more cost-effective than having a building owner do the construction. However, factor in the time and cost involved in coordinating the work of another contractor. You will usually come out ahead if you have the building owner do the work in a new building.

If the building owner is going to do the leasehold improvements, require the owner to have the space ready by a certain date. Know what recourse you have if a build-out delay is caused by the building owner. Recourses include rent abatement, money damages, lease cancellation and reimbursement for prepaid money (security deposit or first month's rent). Have your lease commencement and termination dates extended to reflect the delay.

When you sign a lease for space in a building that is not yet built, include provisions that allow you to cancel the lease if the building is not completed by the agreed-upon date.

Default

You do not meet your lease payments. The building owner threatens immediate eviction. It's allowed. Default is the legal term for a failure to meet an obligation required by duty or law. If you default on a lease, you can be held liable for the entire remaining balance due on the lease.

Know what the consequences are if you default on your lease. Checking out your liability before you sign a lease is a reminder that you should only sign a lease with financial obligations you can comfortably afford. If your financial circumstances change, make sure you notify your landlord immediately so you are both able to make arrangements.

Subleasing

You are uncertain about the future of your growing company. You need the flexibility of being able to sublease your space at a future date. Even if your lease allows subleasing, there are likely to be restrictions on your right to sublease the space. Usually the lessor requires you to sublease at the same rate you are leasing.

Sometimes a lease completely prohibits subleasing. If a lease states that subleasing will only be allowed with the building owner's consent, add that such consent will not be unreasonably withheld. Remember, even if you sublease your space, you are financially responsible for the space.

Access to demised premises

You are asked to sign a lease giving the building owner unlimited access to your space, called access to demised (leased) premises. In other words, the building owner has the right to enter your space at any time with no notice.

You can amend this lease term by requesting a certain amount of notice and by limiting the times an owner can enter your space.

Care and repair of demised premises

The care and repair of demised premises clause obligates a tenant to keep and maintain a leased space in good condition and in compliance with applicable legal standards. It also allows a build-

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ing owner to make repairs and charge you a prescribed markup if you do not make the repairs within a certain time.

You can protect yourself in this clause by having the lease state what you consider to be a reasonable notice and a fair market rate if the building owner makes the repairs.

Damage or destruction

You're signing a lease. The lease gives the building owner 60 days to tell tenants what the owner intends to do if 30 percent of more of the building suffers damage or destruction.

If the owner decides not to rebuild, your lease can be terminated. If your space is rendered unusable and the cost of repairing the damage will be at least half of the building's value, you have 60 days to give termination notice.

This provision will jeopardize your business. Ask for a shorter termination time. Make sure you are not paying rent for the time you are not using the space and that your lease specifies a reasonable time limit in which your space has to be restored.

A business interruption insurance policy will cover expenses you incur while the space is being rebuilt.

PLANNER HIGHLIGHTS

When someone puts a lease before you, does your brain vacate your body? The small print and complex legal jargon on leases intimidates many people from reading the leases they sign. The *Planner* has the worksheets that make leases approachable.

You can't afford to sign a lease before reading it.

The *Planner* worksheets will help you keep track of the spaces and the key clauses you are negotiating.

Estoppel

Novation in the event of sale (substitution of a new legal obligation for an old one) allows a building owner to sell a building and transfer an owner's obligations to tenants to a new owner. In the event of a sale, you will be asked to sign an estoppel certificate, which is a statement by a tenant that a certain condition is true. It generally states the lease obligations you have on the space.

Any verbal agreements between you and a building owner not in writing will not legally transfer to the new owner.

Like blueprints, leases can be understood by the average person. And like blueprints, they should be drawn up and interpreted by an expert. If you have done your work negotiating and understanding a lease, your lease will protect your interests, not restrict your freedom.

... READ THE LEASE...

Chapter 10:

Reap the benefits of communications technology

Relocation is an opportunity to review the communications features available and order the system most suited to your needs.

You make a significant contribution to the 3.754 trillion minutes Americans spend on the phone each year. Whenever you try to transfer a call on your new phone, you get disconnected. You consider throwing your phone out the window.

Increasing your efficiency

A phone is a phone is a phone. Until, that is, you have to order a new one. You may equate the word communications with phone. However, the minute you begin talking to a communications specialist it becomes obvious that your concept is inadequate to the task. That awareness also descends on you the instant you can't make a phone do what you want it to!

Because the number of options available in communications systems today is almost limitless, it's easy to become over-

whelmed by all the products, features and services available. Assuming you will never understand, you may not take time to educate yourself on the basics. You will pay for it in time later when you find yourself in the middle of a nightmare like the one described above.

You take for granted the quick transmission of information by facsimile (fax), but you probably couldn't explain how it works. Fortunately, you are free to use such communications features whether or not you understand the technology.

A relocation is an opportunity to evaluate your present system and invest in another if it is not adequate for your needs. Relocation is an opportunity to

review the communications features available, and order the system and features most suited to your business needs.

When considering a new communications system, dream. Look at it from the standpoint of a total communications system - telephones, facsimile, computers, word processors. The newest technology in communications today is Integrated Services Digital Network (ISDN).

This network simultaneously moves data, facsimile, image, signaling information, telemetry and voice over a single pair of copper wires or glass fibers (optical fibers).

ISDN offers the advantages of higher accuracy, flexibility, reliability and transmission speeds. It eliminates the need for several modems, telephones



and terminals in each work area, as well as satellite dishes or extra cable.

Not everyone needs such sophisticated technology in their business. But many businesses, in the single act of having this network, move themselves decades ahead in their field. Even if you don't

**WHEN IT
COMES TO
COMMUNICATIONS,
DON'T BE
PENNY WISE,
POUND FOOLISH.**

need the sophistication of ISDN, a relocation offers you the chance to have a more sophisticated communications system that increases your business efficiency.

Working with professionals

It is not your job to be an expert in communications technology, but it is your job to understand what you need. Communications companies will help you identify your communications needs, sort through the options available, custom design a system, install the equipment and service it after installation.

They also identify construction requirements, state and local code conformance, cable sizing, conduit requirements, and communications closet location and size.

If you find yourself talking to a professional who won't talk plain English and who seems impatient when explaining

the options available, find another professional. A real professional will not be condescending when translating the technology for you. In most cases, you don't need detailed technical explanations. You need practical application details.

For instance, you do not need to know how fiber optics work. What you need to know is how fiber optic cable protects your systems and gives you better service.

You need to know that it is immune to high temperatures and electrostatic, electromagnetic, radio and weather interference. You need to know that it is non-flammable. You need to know that a fiber optic cable must be broken to be tapped and that once broken it immediately signals a breach of security.

For you, that alone could make fiber optics essential. What is important is that you know how technology translates, in practical terms, to your needs. That is what you care about.

Analyzing your needs

Your present system works fairly well for your business, but you have a dim memory about employees complaining about its shortcomings over the years. You can't even remember the details.

Now is the time to call up those complaints and inadequacies.

Have your staff work up a detailed analysis of your current communications needs and a detailed analysis of your future needs. Remember the basic rule: Ask the people who use the equipment what they need. Use this relocation as an opportunity to get exactly what you need. Ask your staff what communications features they don't have that would allow them to work more efficiently. Don't lead their response. Leave them free, and undirected, so they do not merely list what you already have. Ask them to dream when considering available options.

The features available today are too numerous for the *Guide* to adequately detail. The business needs of your company will dictate the features you order. A provider will help you sort through the possibilities. Keep in mind that regardless of your needs, today's communications features open doors of convenience for you.

Your employees spend too much time running back and forth to meetings. A teleconference feature on your phone will save time and money by replacing meetings with telephone calls. Such a feature is inexpensive and results in real savings for your company.

PLANNER HIGHLIGHT

Communication is one of the most important choices you'll make for a new space. The *Planner* worksheets for this chapter are valuable tools for helping you choose both a system and a provider. They can help you sort through the almost limitless choices and features available to you in the communications industry.

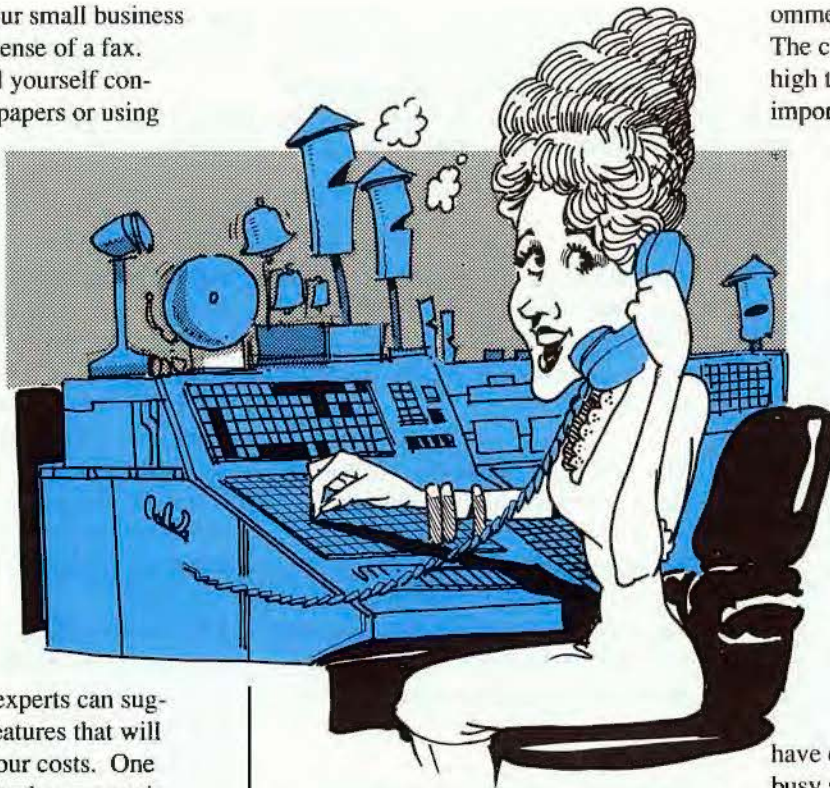
You don't think your small business can justify the expense of a fax. However, you find yourself constantly delivering papers or using messengers to deliver them. You decide you can't afford to do business without a fax.

The highest cost in any communications system is the ongoing cost. Evaluate your past bills to see what costs are high.

Communications experts can suggest cost-saving features that will help you reduce your costs. One simple way to control expenses is by means of a built-in accounting system.

Sometimes you have to spend a little money to save a lot. Spending money on features like automated selection software and call detail selection software can ultimately save you money by cutting down your usage costs.

You will probably want to start with the basic features of call back (automatic ring when a previously busy number is free), call forwarding (diversion of incoming calls to another telephone), call hold, call transfer, call waiting, conference calling, direct inward/outward dialing, intercom, speed dialing (storage of frequently called numbers for quick redial), station message detail recording (SMDR, printed record of calls for internal billing and analysis), toll restriction (control of long-distance calls from certain phones) and touch tone.



Once you have evaluated your needs, have your staff help you evaluate the equipment and service you already have. Keep this process separate from the first "dream list" you asked your staff to prepare.

Inventory your present equipment - telephone sets, speaker phones, consoles, headsets, peripheral equipment, facsimile machines, teletypes and audio/visual equipment in conference rooms. Determine whether you really use all the options and features you currently have.

Don't make the mistake of overbuying. But don't underbuy either. A more common mistake when it comes to communications is shortchanging yourself in features.

Choosing a provider

The earlier you get professionals into the process, the more information about the options you will have. Ask business associates and friends to rec-

ommend suppliers and systems. The communications industry has a high turnover of suppliers, so it is important to choose a company with a proven record of equipment and service.

Survey the providers who have good reputations for reliable equipment and service. Ask them to give you information about their services and equipment. Ask them for references. If a company will not willingly give you references, you don't need a second clue that you need to shop somewhere else.

You know people who have equipment that is nothing but trouble for them. You have clients who frequently have a busy signal. You have called companies during prime business hours and no one answers. Check them out and ask the source of these problems. This is an instance when you can learn from someone else's mistakes.

Ask to see each company's equipment and service demonstrations. This not only helps you decide on the equipment and service you want, it can also help you avoid the additional costs involved in changes because you did not get what you needed in the first place.

Trust your instinct. Ask yourself if the people who are trying to sell you on their systems want to sell you a system that meets your needs or one that meets their needs to move products and meet quotas.

Choosing a system

Once you have determined your needs, ask each company for a proposal based on the needs you have identified. Give each communications provider the

same specifications so you get comparable proposals. Ask that each proposal include a complete design proposal, a maintenance support plan and a service contract. Ask for essential and optional features to be priced separately.

Price is not everything. If you save money but do not get what you want, you have actually wasted your money. If you get a low price on equipment,

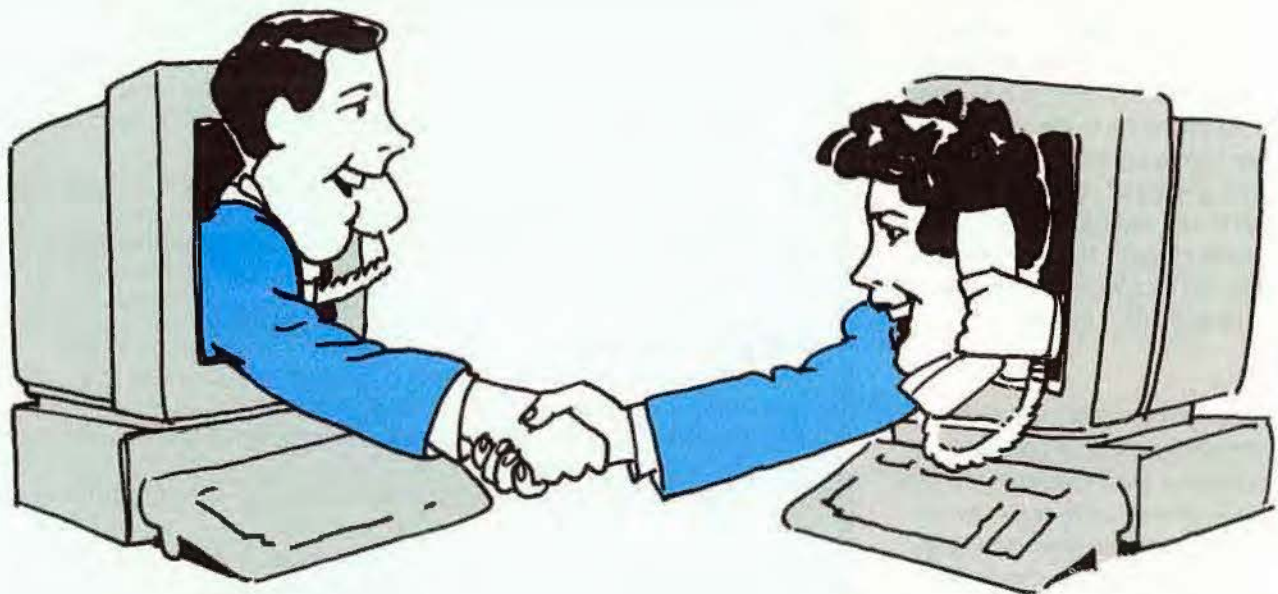
Base your final decision on how well the proposed equipment meets your needs, the reliability and reputation of the provider, and the cost of the entire package.

Ask a provider what your expansion options are with the system they propose. You want a system that will grow as your company grows. Also, when you contract with a service provider, know what your responsibility

your equipment and system early. It may take months for an installation to be completed. You can't afford to move into a new space without an installed and working communications system.

Types of systems

You may decide to have one system or a combination of systems. It will depend on the size of your business, and the nature and complexity of your



but it comes without service, you might as well have thrown your money away.

When comparing proposals and costs, remember to consider: equipment costs, installation costs, long-term obligations (lease), maintenance charges (insurance, sales tax, property tax), service costs, continuing use costs, income tax factors (depreciation, operating tax savings), life-cycle costs (replacement cost of switch), and termination charges for removing equipment.

ties are regarding charges, installation, use and maintenance, cancellation, liabilities, remedies, and rights of service.

Have proposals specify the time involved in installing the system and equipment they propose. Give a date that you would like to have the proposals returned, so you can continue the decision-making process with as few delays as possible.

Once you choose a provider and sign a contract, the provider can begin installation of your system. Be sure to order

communications needs. The three major communications systems to consider are a central office system (Centron or Centrex), a private branch exchange (PBX) and a key system.

Your business is young and it's too early to accurately project your communications needs. Your first priority in a system is flexibility. Your company has several different locations, but you want to project an image of a unified organization. In both instances, the best choice would be a central office system (Centron or Centrex).

A central office system is the switching hardware that routes calls and adds specific features for the telephones located at your business. This system is owned and maintained by the telephone company. It is also located at the telephone company's central office. This system now includes many of the most advanced communications features available.

A central office system requires neither large upfront nor adjustment investments. The system's ongoing costs are usually lower than costs incurred when you own or lease your own equipment. You pay for only what you need, and you contract for features on a by-phone basis. Adjustments to this system, whether increasing or decreasing features, are quick and unlimited, allowing you to add and adjust features as your needs change. Remote locations are easy and inexpensive to operate with a central office system.

Your company has 120 sales people who frequently use their telephones. Your company has 25 departments that need to be connected by one common operations center. In both cases, you are in the market for a private branch exchange (PBX).

A PBX is a customer-owned or customer-leased system with on-site hardware that channels calls and coordinates calling features. Because PBX equipment is at your location and under your control, you can usually program and/or configure telephones to fit your needs.

While the initial costs of a PBX are high, the system can ultimately save you money by keeping the purchase, maintenance and repair costs low. With a PBX, upgrades are easy and generally inexpensive.

GUIDELINES FOR CHOOSING COMMUNICATIONS SYSTEMS

Central office system candidates

1. Your company needs to avoid or postpone capital investment, lease commitments, equipment maintenance and housing responsibilities, as well as related tax and insurance costs.
2. Your business relies heavily on telephone contact, like sales and customer service, and requires both multiple features and flexibility because of business fluctuations.
3. Your business is young or in a state of flux and you cannot accurately project your future needs, so you have to be able to expand and change your service with a minimum of trouble.
4. Your company needs to project the image of a unified organization but has several different locations.
5. Your company's departments have varied communications needs.

PBX candidates

1. Your business has at least 100 people who frequently use their telephones.
2. Your company's software or other technological needs can best be met with a PBX.
3. Your business or industry relies heavily on telephone contact, like sales and customer service.
4. Your company has many departments that need to be connected by one common operations center.
5. Your company can afford the initial investment and will receive a tax advantage from a PBX.

Key system candidates

1. Your company needs a relatively small number of incoming lines and extensions (for example, between 8 and 32 lines, and between 24 and 128 extensions).
2. Your company has separate departments that run independently (like small companies) and have different communications needs.
3. Your company does not receive many calls and your employees do not frequently use their phones.
4. Yours is a small, growing company that needs complex switching systems, but can not justify investing in a private branch exchange (PBX) yet.
5. You are a large corporation and need key systems for corporate departments to supplement your organization's PBX or central office system.

The system requires a full-time operator and is subject to power failure. Therefore, a battery backup is necessary, but costly. PBX can take several months before installation is complete. If your future needs will require expanding and changing a system, PBX is not for you.

**YOU DON'T HAVE TO
UNDERSTAND
TECHNOLOGY
TO HAVE IT
WORK FOR YOU.**

Your research and development company does not receive many calls and your employees do not frequently use their phones. Your international corporation needs separate systems for corporate departments to supplement your organization's PBX or central office system. Both companies are candidates for key systems.

A key system is an on-site, programmable control unit with a number of extension telephones. This system gives shared access to a number of line and calling features, but does not require a switchboard operator.

This system is a low-cost, space-efficient way to have many lines. However, a key system must be carefully chosen. Many providers carry key-system equipment, but none of them are compatible. Once you need a more sophisticated system, you need to replace the entire key system you have.

As a result, you are usually left with unmarketable equipment.

Spending money wisely

Whether you decide to buy or lease, choose equipment from a company that backs its products with service. The best equipment becomes useless unless a full-service policy stands behind it. Having equipment without assured service leaves you with constant problems, with equipment that doesn't work, and with little recourse.

If you choose more than one provider, be prepared for the administrative time and cost involved with different vendors. Carefully examine why you are choosing to deal with different vendors and what potential problems might occur. If you choose more than one vendor to save money, be sure you really will save money on an ongoing basis. Generally, you do not.

Choosing the communications system and equipment that best fits your business needs is one of the challenges of a growing business. You can receive the benefits of advanced technology without fully understanding how it works. What you do need is time, a little common sense and the sense to deal with professional, trustworthy experts.

It's the surest way to get the most for your communication dollars. It's also the surest way to make yourself more competitive by tapping into the capabilities of tomorrow instead of having yesterday's news.

When it comes to communications, don't be "penny wise, pound foolish." (Robert Burton)

Note: Thanks to information provided by U S WEST, a leading supplier of advanced communications information systems, these pages represent the newest technological information about communications.



Chapter 11:

Start moving the day you decide to relocate

Even when you contract with a professional moving company, moving is still ultimately your responsibility.

When you think of moving you might think in terms of that fateful day when everything in sight has to be packed away. As you imagine nearly everything your business owns moving out the door, it's difficult to imagine how it will all be put back together. It's not a pretty thought.

Working with professionals

The excitement of moving to a new space can be quelled by fears of how disrupting it will be. One way to minimize the disruption is by hiring a professional moving company. Moving yourself may look like a way to save money until you realize that time -

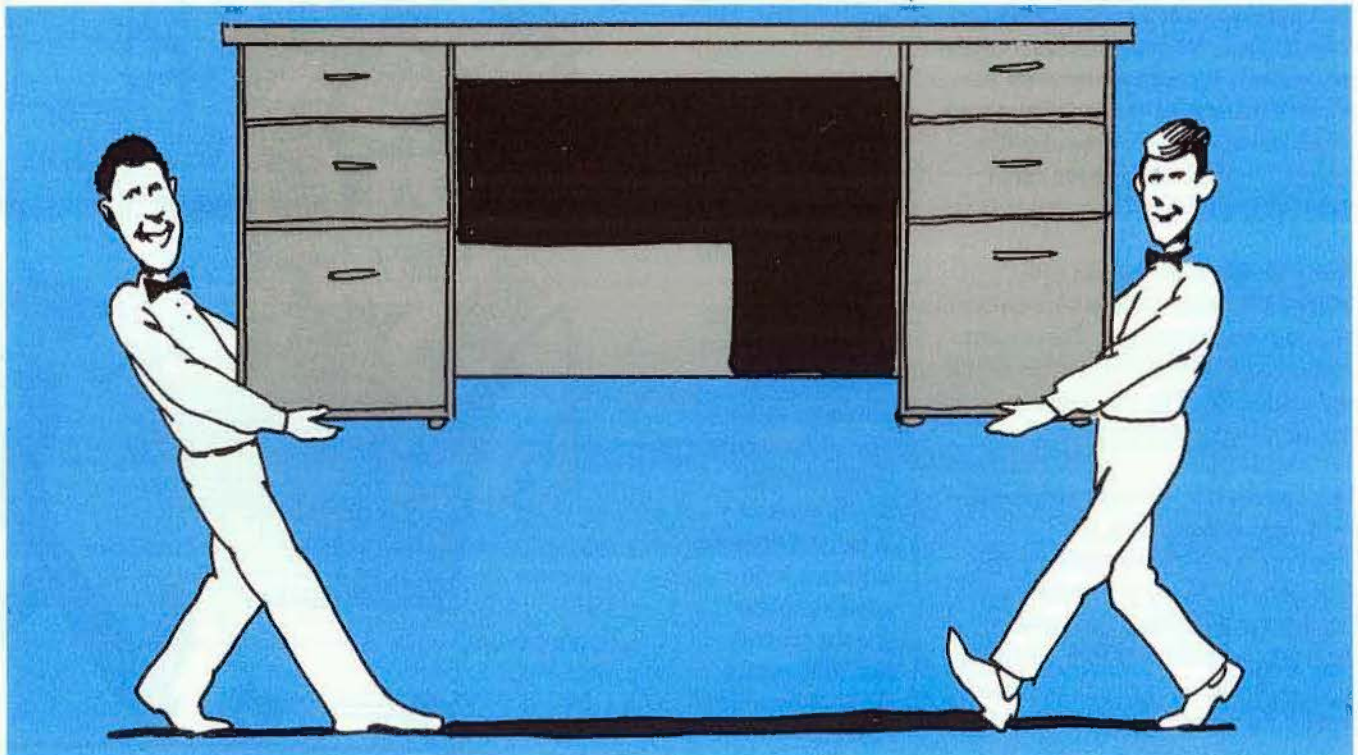
your time - is money, and that you lose valuable work time if you organize, pack and move yourself. The earlier you involve a moving company in your relocation, the more their personnel can help you keep the relocation turmoil to a minimum.

The safest way to move is by hiring a moving company. Aside from experts who do nothing but move equipment, office furniture and goods, these companies come equipped with vans that have air-ride suspension, cargo control tracks, heavy-duty dollies, book/machine carts, high-load capacity ramps, hydraulic lift gates, large pads, nylon web straps, specialized handling

equipment and wide side and rear doors.

Before you choose a moving company, interview a number of companies. Ask them for references and call to check customer satisfaction. Ask the moving companies about the types and costs of their services. Request a tariff rate schedule (a price list), which is filed with state and federal regulatory commissions.

Ask for an estimated cost of services (a free estimate of the cost). This is only an estimate. The actual cost is based on the number of hours it takes and the materials/equipment used for the move.



PLANNING STEPS

The choice is order or chaos. Choose order and follow these steps. It will ease your work not to mention your stress level.

1. Decide moving date.
2. Appoint staff member(s) to coordinate move.
3. Interview moving companies and choose one.
4. Set detailed timetable, from packing days to moving days.
5. Schedule pre-move conferences for employees.
6. Take pre-move survey.
7. Order new furniture and equipment.
8. Create inventory and coding system for all belongings.
9. Create floor plan of new space coded to inventory.

Most states do not allow binding estimates on intrastate moves.

When deciding on a moving company, remember that the lowest estimate is not always the best deal. If one estimate is substantially lower than others, consider the possibility that the estimate purposefully underestimates the job and you may not get professional, complete service.

Make sure when comparing estimates that you have given the same specifications to each company, so your price comparison is one of equal factors. When you hire a moving company, you get what you pay for.

Planning a move

Schedule a move as much in advance as possible. Avoid moving during the summer and at the end of any month, the busiest times for moving companies. If you must arrange a move during those times, make sure you are organized and ready for the movers when they come.

Even when you contract with a professional moving company, moving is still ultimately your responsibility. Either take ultimate responsibility to

coordinate the move or appoint a staff member as move coordinator. Large companies will need several staff members working to coordinate the move.

Schedule premove seminars and conferences for your employees and moving coordinators. The more you involve your employees in the logistics of the move, the more invested they will be in performing their part of the work. Set a detailed and realistic timetable for packing and moving. Draw up a calendar marking the key dates and distribute it to your staff.

Establish a system for inventorying items and coding cartons, furniture and equipment to a detailed floorplan. Draw up a detailed floorplan noting the placement of all equipment, furniture, files and cartons.

Moving companies have such systems down to a science. Take advantage of the years of experience behind their methods. This single decision can mean the difference between order and chaos both in the packing and the unpacking stages of your move.

Starting fresh

Moving offers an opportunity to take a look at your office and see how you would like it to be different. It's the perfect time to begin fresh, and discard furnishings and equipment that no longer fit your company needs. Take a pre-move survey, deciding what to take, what to throw away and what you need to order.

Order any new furniture or equipment in plenty of time so they are ready to move into your new office when you are. If you find yourself moving into a new space that requires new furniture you can't afford, you could be moving into a space that you can't afford. If you don't have the furniture and equipment to fill a space, it's probably not the right space for you.

MOVING

Moving is a good time to clear out files and desks. Why fill a new office with old clutter? Don't pay a moving company to transport items and files you don't need. This is the time to desentimentalize your office if you're a pack rat!

Tips for packing

Even if you hire a moving company, you must pack all of your personal belongings yourself. Your cartons must be packed to meet certain specifications so the moving company can safely transport and deliver your goods. The moving company will inspect cartons you have packed and remedy any problems (and charge you for the time), so find out what those specifications are and pack with care!

The more you pack the more responsible you are for the safe arrival of your goods. You can purchase most of the items you need for moving directly from a moving company. You will need: cartons (that close completely), tissue paper (for wrapping items), paper (for cushioning items in cartons), bubble wrap, packing "peanuts", notebooks, pens, labels, markers, tape, string, scissors and a sharp knife.

Use sturdy cartons that close tightly. If you work with a moving company you may need to use their uniformly sized cartons that fit on their carts. Pack the cartons firmly, but don't overpack them. Pack the cartons with plenty of paper for cushion (especially on the bottom) so the cartons absorb shock during transport. Keep cartons to a maximum weight of 50 pounds when-

ever possible. Wrap the cartons securely with tape and/or string.

Each carton should have items from only one office or room. If a carton is left with room to spare, fill it with extra paper, not items from another office. It makes unpacking much easier. Start packing the least frequently used items and end with the most frequently used items.

Pack each carton with the heaviest items on the bottom and work up to light items. Don't put a heavy item on top of a box, no matter how perfectly it will fit. Cover sharp edges and points before packing items in a carton.

Empty drawers of breakable and spillable items. Pack similar items together. Keep parts and pairs of items together (in envelopes, plastic bags or small boxes inside the carton). Certain items should be packed separately, including: photograph negatives, prints and slides, and videotapes.

Before you close a box, be sure you have written an inventory in a notebook and coded the cartons to the inventory listing, so you know where to find everything when you arrive in your new location. Seal each carton with heavy tape. Label it in the upper right hand top corner and on the side panels.

The label should include your company name, the office to which the carton



goes at the new location and a code (word and/or number) that correlates to the inventory in your notebook.

Complete your packing at least by the day before the actual move, except for the last-minute essentials you will need until you actually walk out the door.

Special handling

Whenever possible, have a moving company handle computers, expensive and sensitive equipment (such as medical, dental or laboratory equipment), and industrial products during a move. They know how to protect valuable equipment and goods.

If you pack these items yourself, pack computers, equipment and appliances (clocks, microwave ovens, televisions,

video equipment) in the boxes they came in or in boxes as close to the right sizes as possible. If you do not have the original boxes, fill the cartons you use with plenty of paper, bubble wrap or packing "peanuts", and pack them firmly and securely. You may be able to get the manufacturer's box for the equipment you have from a retailer.

Handle disk drives with extra care. Before you move computers and equipment, get their retail prices (including those of any accessories and attachments), and arrange for adequate protection against damage or loss.

Have antiques appraised by a qualified appraiser before you move them. This information is necessary when deciding what kind of protection you need when you contract with the moving company. Before you move, take photographs of your antiques and note all identifying marks (including signatures, serial numbers and manufacturer marks). Keep this paper with you. Do not pack or send it with the antique. Schedule any cleaning needed for your valuable items before you move them.

Paintings and wall pictures should be packed on end in cartons, with plenty of paper to separate and protect them. Oil paintings should never have paper touching the oil. Wrap pieces of art (such as small sculptures, porcelain and glass) in layers and layers of tissue paper.

Books should be packed on edge, alternating bound edge to open end. Pack books of the same general size together to keep shifting to a minimum. Lamps should be dismantled so bases and shades can be packed separately. Wrap cords around bases of lamps.

Before the moving day notify the moving company of any items that are particularly valuable and/or fragile so

movers will pay particular attention when packing and unpacking items. The company can have special cartons or crates built if necessary to protect the items. Arrange to have someone available to direct the movers when special handling is necessary.

Some manufacturing chemicals have special handling requirements. The Department of Transportation will provide you with a list of restricted articles and will assign an approved company to move items that cannot be moved by most moving companies.

Protection against loss or damage

Carefully choosing a moving company and carefully packing your goods are the best protection against loss and damage. However, it is always wise to protect yourself against loss and damage by making sure the level of your mover's liability covers the value of your shipment. Different levels of liability and protection are available. It is wise to declare the full value of your shipment and have recent appraisals made of your valuable equipment, antiques and art. The value of the shipment must be declared in writing.

Unless you specify otherwise, movers assume liability for your shipment in the amount of \$1.25 for each pound of your shipment. If such an arrangement will not cover the value of your shipment, sign an agreement for greater coverage by declaring the dollar value of your shipment. The mover will charge you \$5.00 for each \$1,000 of your shipment value.

Here are some of the basics you will need for an organized move.

cartons
tissue paper
paper
bubble wrap
packing "peanuts"
notebooks
pens
labels
markers
tape
string
scissors
a sharp knife.

You can also sign an agreement for the least amount of liability that a mover may assume for your shipment. You are not charged for this coverage, but you will receive not more than \$.60 per pound per article.

Whichever option you choose, be realistic and thorough when setting the value of your shipment, and spend the few extra dollars to protect your interests.

**INVENTORY ITEMS,
THEN CODE
CARTONS,
FURNITURE AND
EQUIPMENT
TO A DETAILED
FLOOR PLAN.**

Items to carry

There are a number of items you should not pack and send in a moving van under any conditions. These items include cash, chemicals, documents regarding the move, personal and corporate papers (such as corporate board minutes, deeds, wills), and securities.

Other items you should always take with you are those items that are sensitive to cold, heat or moisture (cassettes, compact discs, computer discs, eight-track tapes and videotapes). Duplicate your discs. Send one set with the movers and carry a set with you.

Special care for plants

Most moving companies will not move your plants even if you want them to. So, plan to take your plants with you. They will travel better in your care than in a closed van. They should be the last item loaded in cars.

Most damage to plants in moving is caused by temperature changes, more specifically excess heat or cold. Most plants do not fare well in temperatures over 95° F or below 35° F (some even below 45° F) for more than an hour. Cover all plants when moving in cold weather. Otherwise plants can be moved in open cartons as long as nothing is stacked on top of them. Do not leave plants sitting in cars for long periods of time.

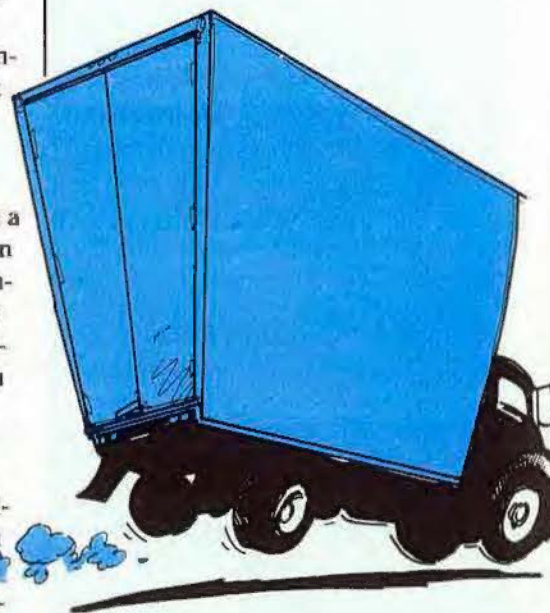
Pack plants of similar size together in a carton, with plenty of paper to cushion them. Place hanging plants in the center of a carton, secured with paper, so there is plenty of room to lay the trailing stems around the planter. If you do put plants in a carton and close it, make sure they are well labeled.

Handle large, tall or heavy plants individually. A special tip for plants with weak stems and large or tall plants: loosely bind the branches, with a soft-

edged binder, against the main stem. Unpack the plants as soon as you reach your destination. Handle them as little as possible and place them in locations similar to the ones they had in your previous office to keep the moving shock impact to a minimum.

If you've followed these moving suggestions, your plants won't be alone in having an easy transition in your new home. Equipment, furnishings and boxes will find themselves in their proper places. And that will ease the transition for your employees!

Note: Thanks to the information provided by United Van Lines, this chapter includes the latest and most comprehensive material on the subject of moving your office from one location to another.



Chapter 12:

A move is not over when the vans drive away

Organizing the start up of your business in a new space is an essential and substantial part of the move process.

Picture two scenarios: Confused movers constantly asking questions as they try to figure out where to put couches and chairs and computers and boxes. Or your corporate possessions flowing smoothly into your new space, each item finding its new home according to a predesigned and detailed floor plan.

First things first

For months you have looked forward to this day, the day when you would finally be in your new space, ready for business, the chaos behind you. If you've planned and organized an orderly move, your immediate future should not include chaos. However, it's a bit early to relax.

Anyone who has ever moved anywhere knows that the move doesn't stop once the moving vans pull away. Organizing the start up of your business in a new space is an essential and substantial part of the relocation process.

Just as you - or staff members you appointed - took responsibility to plan and implement the relocation, it's as important to organize the post-move part of the relocation process. First, of course, comes the unpacking.

Unpacking

If you packed and marked your cartons, and kept an inventory in a notebook, you should have no trouble getting the right cartons to the right rooms. This is one of the moments when good planning pays off. With a

**PICTURE YOUR
POSSESSIONS
FLOWING
EFFICIENTLY INTO
YOUR NEW SPACE,
EACH ITEM FINDING
ITS NEW HOME
ACCORDING TO A
PREDESIGNED AND
DETAILED
FLOOR PLAN.**

detailed floor plan marking the destination point for every piece of furniture, equipment and carton, your arrival should be as smooth as possible.

In order to expedite the move, whether you're carrying the boxes yourself or directing the movers, back up the floor plan by posting a sign listing the carton codes at the entrance to each room. If the codes also relate to the order in

which the cartons should be unpacked, unpacking can be done with a minimum amount of scrambling back and forth, and asking questions.

Unpack cartons in the order you determined at the time you packed them. Check the inventory before you sign a receipt (a bill of lading) and before you pay a moving company. Remember, a bill of lading is a legal contract.

Ask for claim forms if you find any damage or loss. Most moving companies have a time limit within which damage or loss must be claimed. The time limit is often nine months. Find out what the limit is before you contract with a company.

Resuming business

It is unrealistic to think that you will be up and running the minute you step into your new space. It takes time to settle in. Think of the relocation process as a valid and necessary part of your normal long-term business operations, and plan accordingly. It is a healthy sign of a growing business.

Plan for enough relocation time so you don't find yourself behind schedule providing products and services to your

POST-MOVE

customers and clients. Assign members of your staff to inspect the space, noting anything that does not meet your specifications.

The building industry calls this list a punchlist. It is simply a list in which you note the item (problem), the location, the date, the person responsible for fixing the problem. A punchlist also has a column for noting when the problem was fixed.

For instance, if one of the offices does not have a switchplate, note it. If a corner of a carpet has threads that need cutting, note it. If a window has paint on it, note it. A punchlist saves you from making numerous phone calls to the building owner or property manager and losing track of what needs to be remedied or changed.

Ask staff members to oversee the installation of new equipment and new systems. Start by making sure all the

equipment and supplies, files and furniture have been placed where they belong. Check that all equipment is properly installed and that new equipment fits your specifications. Remember to let computers warm up to room temperature before using them.

When you begin to run your business operations after moving, have a system for employees to verify that systems are running as planned. Assign employees the responsibility for verifying systems and operations. Make sure that you check all computer software programs related to operating in your new space.

Have available all materials necessary for employees to use new equipment and new systems. Schedule any necessary training for as soon after your move as possible. Arrange for the vendors of your new equipment and systems to be available during this process. Call companies providing ser-

vices at your new location and verify specifications for that service.

And last, but far from least, have a system for checking satisfaction of your employees. Remember the axiom: Be careful what you wish for. You might get it! Sometimes our vision of what we want does not convert into a reality we want. Be prepared to adjust your new space plan or system of operation that don't quite work out the way you expected.

It could be as simple as moving a desk in a reception area. It could be a matter of executives switching offices. It could be making a door open the opposite way. It could be making a note to yourself so you don't repeat the same mistake again!

Keeping a file

No matter how organized you are, no matter how precisely you follow your plan, settling in to new space is not



effortless. Setting up a good file can help take some of the pain out of a relocation transition time - this time and the next.

Picture the day when your business has grown so large that you once again need to relocate. You no longer have to start from scratch. You know the process. You know how long it takes. You know what experts you want to work with. What's more, you know what works and what doesn't work. However, a solution firmly planted in your mind in the midst of a problem has a way of slipping out to make room for the next problem. What seems

**THIS IS THE
MOMENT WHEN
GOOD PLANNING
PAYS OFF.**

painfully obvious to you about how you would do something differently the week after you move is easily forgotten once you've adjusted to the status quo.

A simple solution is to keep a file of the things you wish you had done differently. Such suggestions could range

from designing another type of space plan to choosing a different consultant. Even if you cannot act on this information now, the next time you move you will have a head start on the process.

Maintain a file of lease-related information and documents, including pre-lease correspondence with building owner and/or manager, real estate broker, attorney and any other professionals you consulted; checklists, evaluations and worksheets used in making decisions; lease; certificate of occupancy; building rules and regulations; mechanical equipment maintenance information; fire exit map; insurance binders; interior finishes list (paint colors, carpet colors, wallpaper samples, door and trim stains, etc.); personal property list and waivers; and post-lease correspondence with the building owner and/or manager, real estate broker, attorney and any other professionals you consulted.

Keep all documents relating to your relocation in one file. You will not only have easy access to them for income tax and insurance purposes, but the next time you move you can use this file as a guide to the relocation process.

Thinking ahead

The most efficient way to operate a business is to see a relocation as just one more step in a process of growth. When you have this attitude you are constantly evaluating your space so that it accommodates your needs.

Always keep in mind how your resources - your employees, energy use, space plan and equipment - are working to meet the goals you have set for your company.

When you see relocation as a natural and exciting part of your business development, you give it the time and the planning your business deserves. All your organization up to moving day serves you well once you're in your new space. When you work hard and work "smart" to have a viable business, moving is just one more contingency you build into your plans.

Chapter 13:

A responsible business plan for emergencies

Whatever you call it – crisis management, strategic planning, business continuation – this kind of planning is a sign of wise and realistic management.

Unsinkable ships have sunk. Unburnable buildings have burned to the ground. Hurricanes wipe out entire towns. In a second a company can go from full operations to a standstill. And in that standstill lies a potential disaster for a business. Now that you are in your new space be prepared to protect your interests.

Building in contingencies

When you are in business, you prepare for possible changes in your market, management and ownership. You make plans by projecting a number of scenarios so your business will continue even if significant factors change. A relocation provides an opportunity to plan for the possibility of business interruption. It is called crisis management, strategic planning, business continuation. Whatever you call it, this kind of planning is a sign of wise and realistic management.

A disaster that could close your business in an instant doesn't have to be as severe as a fire or a flood or an earthquake that levels your space. It could be a single incident of equipment or system malfunction. It could be a fire at your communications provider. It could be a five-second power failure. You are also threatened with a serious business interruption, such as total loss of communications, when a disaster strikes a neighbor or a supplier.

Yvonne Carlton, a contingency planning specialist for Norwest Technical Services, Inc. in Minneapolis,

Minnesota, points to two such examples: "Last year when the Illinois Bell Central office burned outside of Chicago, it affected all the telecommunications voice and data in the whole Chicago area. Lots of businesses went out of business because they lost all their voice [communications service]. Some [service] wasn't restored for 30 days."

"There was a serious fire on the 13th to 16th floors of the First Interstate Bank

START WITH A BASIC VISION OF SURVIVAL.

in Los Angeles. Because of the humidity level all the building's tenants had to move into other space and arrange for long-term relocations."

You may ignore the importance of such crises, reacting to their probabilities rather than their consequences. Don't learn the painful way that the chances of such a crisis occurring to you becomes insignificant when you are faced with the consequences.

Confronting the possibility of disaster

in order to alleviate massive business losses has two stages: taking steps to prevent disasters and developing a plan to handle a crisis.

Prepare for a crisis in general, not for a specific, even if the most likely, crisis. Otherwise, you will find yourself unprepared for the flexibility you need in putting a plan to work. If you live in California and are prepared to act in the event of an earthquake but not in the event of a total loss of communications because a water main breaks, you'll be at a loss.

No matter what disaster you most fear - fire, tornado, earthquake, data loss, communications loss - the recovery is basically the same.

Business continuation planning

If you are skiing and are caught in an avalanche, you will worry about freezing to death, not about being late for lunch. You will be glad to get home alive! Think in the same basic terms in the face of a business crisis.

Start with a basic vision of survival. You want your business to continue with a minimum of losses. Keep from adding a disaster to a crisis by admitting the possibility of a crisis and developing a plan of action. If you do not have a business continuation plan ready, you will have to make those plans in the midst of a crisis.

Publicly held firms are required by law to protect their assets. A business con-

tinuation plan is one way of meeting that responsibility. Since the board of directors and officers of a company are legally and financially liable, having a business continuation plan is one way to protect them and the company's assets.

A business continuation plan has five stages: assessing your risks (legal, operational, financial and credibility),

developing and writing a plan to reduce those risks, developing and writing procedures to implement the plan, testing the plan, and revising the plan on an ongoing basis.

The prevention

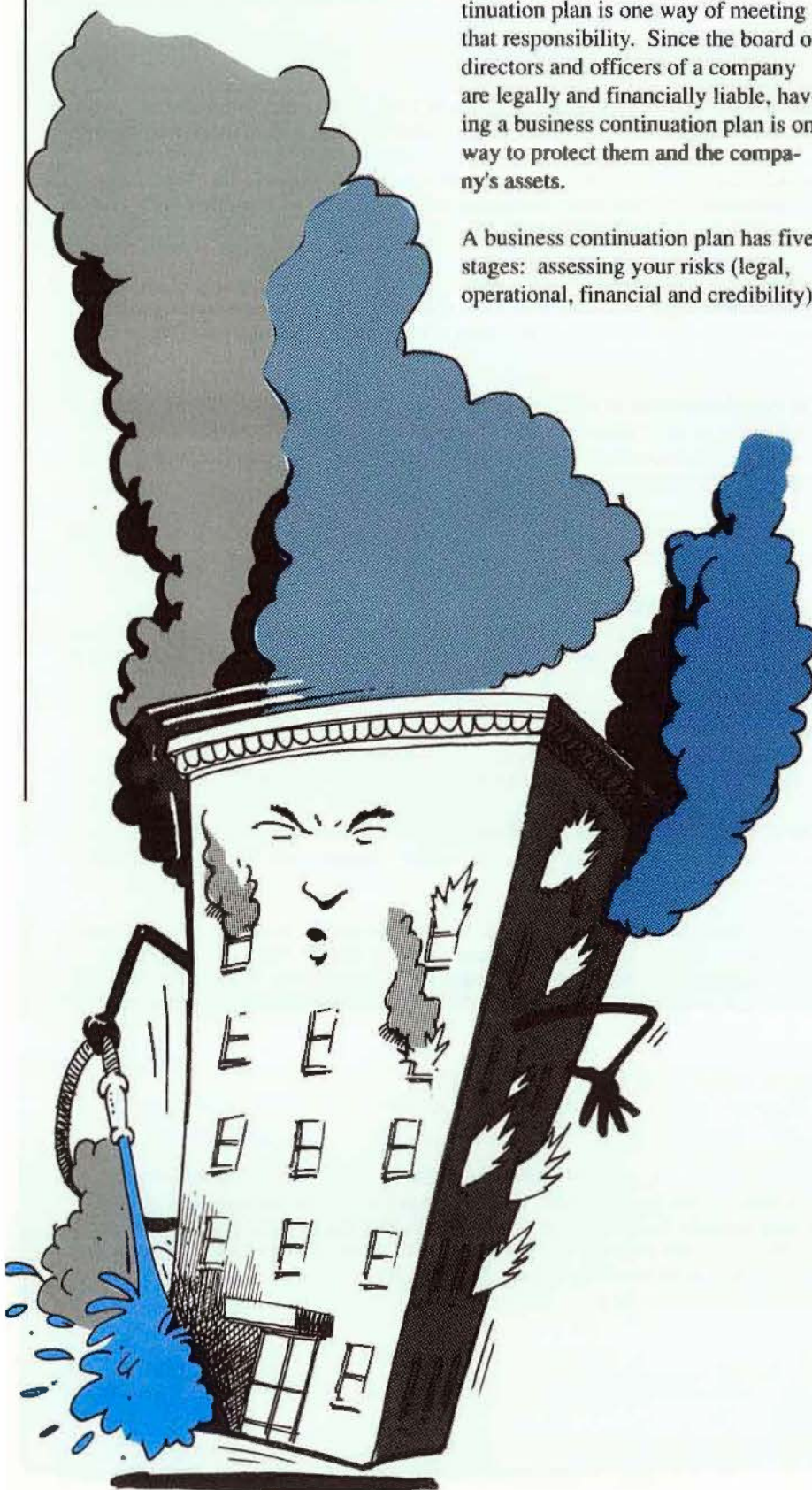
There's a saying in the computer world: there are only two kinds of users - the user who has experienced a massive loss of data and the user who will experience a massive loss of data.

The majority of disaster recovery involves losing data, which in turn often results in financial losses. One way to minimize such loss is to identify and duplicate vital records, and store them at an off-site location. Then make a record - kept at an off-site location - of your company's daily computer operations. Have your employees duplicate their work every day. Those discs should also be stored at an off-site location.

The more centralized your operations, the more vulnerable you are. Minimize the danger of loss by decentralizing your facilities and operations as much

**IN A SECOND, A
COMPANY CAN GO
FROM FULL
OPERATIONS TO A
STANDSTILL.**

as possible. Other measures of prevention include installing uninterruptible power supplies and having backup



EXPERIENCE: THE GREATEST TEACHER

One way to learn is to listen to the experiences of others. On Thanksgiving day in 1982, a fire was started in the Norwest Bank building in downtown Minneapolis, Minnesota. Within hours the entire building was damaged beyond repair. That is the bad news. The good news is that Norwest Corporation had just completed updating its business continuation plan five months earlier. The next day, the huge financial corporation was back in business. By Monday, all their employees were moved to 13 other locations. The following comments are taken from an interview with Yvonne Carlton, a contingency planning specialist for Norwest Technical Services, Inc.

HOW IMPORTANT IS IT TO HAVE A BUSINESS CONTINUATION PLAN?

Outside of the fact that a company has an ethical and legal responsibility to be there for its customers, employees and stockholders, a company goes into business with the idea of being an ongoing concern. You spend a great deal of time putting a business plan together.

When you think about this, you can't look at the probabilities of something occurring. You have to look at the impact if something does occur. And it doesn't even have to be your disaster. Something could happen to someone else that impacts you. You might have to arrange for long-term relocations, change of address, phone extensions. You will experience some financial loss. Have a plan to mitigate those losses.

Do it to stay in business. You have marketing and financial plans so you stay in business. You should have a business continuation plan so you stay in business, not because it's required.

HOW SHOULD A COMPANY'S MANAGEMENT BE INVOLVED?

When you have an emergency the company's management has to do two things simultaneously. They are trying to run the business and trying to recover from the catastrophe. If managers have to plan for the catastrophe in the midst of it, they can't also be running the business.

If a company has planned ahead, the management's function during the recovery is to keep it on track and choose the best options at the time. That could mean getting short-term loans or getting emergency funds from the SBA [Small Business Administration]. Of course, in a small business they [managers] will have to wear two hats.

WHAT KIND OF PERSON SHOULD YOU INVOLVE IN CRISIS MANAGEMENT?

You need a pragmatic person who looks at resources available and looks with senior management to determine what [the company's] critical functions are. You need reality checks.

You need someone who can work with all levels, from senior management to the clerical staff. You need someone who is project oriented, who will run this process like a project. You need someone who can decide how to bring critical functions on line, how to bring the less critical functions on line, and how to determine the timing. Then bring in experts so they are part of the process when you have a catastrophe. You need experts in telecommunications, purchasing, human resources and insurance.

SHOULD YOU HIRE A PROFESSIONAL TO HELP YOU DEVELOP A PLAN?

It depends on how many dollars you have to spend. If you have people knowledgeable on how to run a project, use your own resources.

If you have people who know how to run a project then you probably have the expertise yourself. If you have the money but not the expertise, then you might want to hire a consultant. But no consultant will write a plan for you. A consultant will help you identify your risks and quantify the risks, and help you consider the format of a plan, but consultants will not write plans, no matter what they say. It's your job to write a plan. It's their job to help you prepare to write it. Always ask for references....There are many resources available in libraries and book stores. Look in the areas of business continuation, crisis management, disaster recovery.

communications facilities through a different hub than your regular communications network.

The plan

This plan is called a business continuation plan for a very specific reason. It is not a plan meant to avert a crisis. Rather, it is a plan that enables your business to recover operations as much and as quickly as possible. The alternative can be going out of business.

Have a plan of action set. Think in terms of priority actions, a tiered response. Decide what should be done in the first 24 hours, the first 48 hours, the first week, and so on. If you judge your planned recovery actions against full operations you are bound to be disappointed. Don't start by looking at maximum operations and eliminating some. It is difficult to be as ruthless as you need to be. Start with a clean slate and build your list of basic services, one at a time.

Keep your plan and procedures comprehensive but simple. Keep the plan flexible. Crises do not occur according to the book, any book. Continue to update the plan as your company grows and changes, in staff, equipment, services and systems. Take time to regularly review, test and revise your plan. It must be a working document. It must be tested. It must be open to revision. The time to find out the snags are not in the middle of a crisis, but in the middle of a test. It also must fully cover your risks.

Answer these questions:

- * What service/product does the company provide and what is at risk if lost?
- * What are the key functions of the company?
- * What are the risks involved in losing those key functions?
- * What are the financial impacts of losing those key functions?
- * How will the business survive in the

face of a crisis?

* How can we keep business interruption to a minimum?

* Who are the key people in the company?

Involving employees

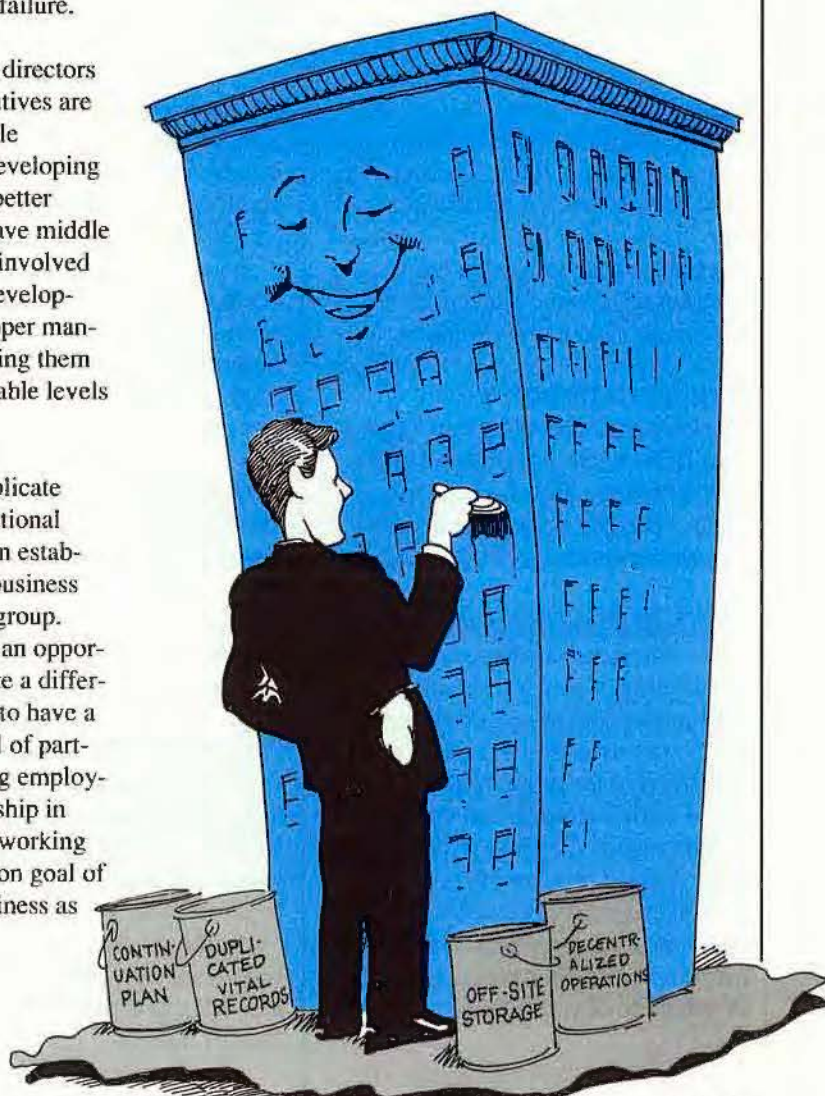
Make a business continuation plan part of your corporate policy. Make sure developing, maintaining and implementing such a plan is adequately funded and staffed. Middle and lower management may execute the plan, but without the commitment and cooperation of the top management, the best plan is doomed to failure.

Too often the directors and top executives are the only people involved in developing this plan. A better model is to have middle management involved early in the development, with upper management helping them define acceptable levels of risk.

Don't just duplicate your organizational structure when establishing your business continuation group. Consider this an opportunity to create a different structure, to have a different level of partnership among employees, a partnership in which all are working for the common goal of resuming business as soon as possible with a minimum of losses.

Choose people for this group who are cool in a crisis. Choose people who are practical. That will not necessarily be all your top staff. In fact, some of the very qualities you value in certain positions may be qualities that will interfere with good crisis management.

A responsible employee who is capable of seeing the whole picture and taking several actions at once may prove more flexible than an employee whose strength is single-mindedly completing one task thoroughly before beginning another.



Since many efforts have to be carried out simultaneously, rigid thinking in a time of crisis can create a disaster in itself. Choose reliable, trustworthy employees at all levels of your organization as key members of business continuation planning and action.

If you have a large company, you will need a tiered system of responsibility. Train your staff to implement the plan. Group members should have copies of the plan at home, and lists of employees to be notified and their telephone numbers. They should have alternates ready to take responsibility if they are unavailable. Keep changing the group positions as your corporate staff changes and grows.

It is essential that all employees understand the plan and know their responsibilities. Each employee should know how to get instructions. You are asking all the employees to implement the plan in the event of a crisis. The more investment your employees have in your business continuation plan, the greater the chances of it working.

Available options

You have a number of options - hiring a professional, using published crisis management or disaster recovery guides, or using a computer disaster recovery program.

Work with professionals whenever possible - computer experts, movers, communications experts. These industries have guides for you to use when you develop a business continuation plan. Whether you involve a disaster recovery or a crisis management consultant will depend on the level of management skills in your company. If you have managers who are able to think conceptually and are good organizers, they could develop a plan with the aid of published or computerized materials.

Even if you hire disaster recovery professionals, you ultimately have to develop and write your own plan. Make sure your plan includes the procedure for involving all professionals and support services the minute you become aware of a crisis.

Arranging for hot sites is recommended for medium and large companies. A hot site is a site with technical staff and equipment, including mainframe access and communications. Since this is an expensive option it is usually not recommended for small companies.

However, small companies have a number of alternatives to consider - sharing ownership of backup facilities with other small companies, decentralizing computer operations, having reciprocal arrangements with other firms to share facilities and equipment, warehousing duplicate equipment, hiring a recovery plan service, arranging for a mobile communications van.

No matter what size company you have, in the middle of a widespread catastrophe you will be competing for alternate sites. So, always have a plan for where you will temporarily locate.

The day of crisis

The following steps have to be taken nearly simultaneously when a crisis occurs: call in your expert support system, assess the damage, declare the emergency and begin the procedures to recover your business operations.

Put your plan into action immediately by notifying your alternate site contacts. The earlier your support systems are involved the better able they will be to help you assess the damage and begin recovery procedures. Immediately re-establish communications if they have been lost. Have business telephone calls forwarded to another number.

Admit the disaster. You may try to minimize its impact to keep your clients' confidence. Don't do it. It will probably backfire. It will lead clients to expect a level of service you cannot provide.

Have the person you have chosen as the spokesperson answer all questions for the public and media. Immediately notify valued clients, customers and business associates. Have that list ready and assignments made for the calls. Work with the media to inform employees and customers about the disaster.

Having a constantly updated business continuation plan and a prepared staff can mean the difference between having your business interrupted for

**NOW THAT YOU'RE IN
YOUR NEW SPACE, BE
PREPARED TO
PROTECT YOUR
INTERESTS.**

moments or forever. It can mean the difference between losing a small percentage of your business profits and going out of business entirely.

ADDITIONAL INFORMATION

GLOSSARY

Abandonment

The surrender, relinquishment, disclaimer or cessation of a right, title, claim or possession with the intention of never again resuming or reclaiming ownership; the vacating of property with the intention neither of returning nor vesting any rights in any other person.

Additional rent

This portion of rent for a commercial property is designed to cover expenses incurred for real estate taxes, insurance, maintenance and repairs, and often includes a charge for janitorial services and utilities. Typically the landlord estimates the total amount of additional rent required on an annual basis and bills the tenant his pro rata share of this amount on a monthly basis. At the end of the year, actual expenses are compared to estimated expenses and the party benefiting from any discrepancy between actual and estimated expenses refunds the difference to the other party.



Agent

One who acts or has the power to act for another. A licensed real estate broker authorized to act under a listing or management agreement executed by a property owner, this creates a fiduciary relationship under the law. A building manager is the agent of the property owner.

Air handler

A blower with a heating or cooling coil to move and condition air.

Air-handling light fixture

A light fixture into which air is introduced by means of an air diffuser for quiet, draft-free air distribution.

Amortization

Paying off a debt, with interest, usually in equal payments at regular intervals.

Amortized mortgage

A mortgage loan in which the principal and interest is payable in monthly or periodic installments.

Annual loan constant

The principal and interest of a loan expressed as the constant annual payment required to retire a debt at a specified rate of interest over a specified time.

Appraisal

An estimate of quantity, quality or value.

Approaches to value

The three methods employed by an appraiser to estimate real estate value: cost, income and market.

Architectural drawing

The architectural contracts and drawings - floor plans, elevations, sections, details, schedules, etc. - that form part of the contract document; does not include mechanical, electrical and structural drawings.

Assessed value

The value placed on land and buildings by a township or county assessor for use in levying annual real estate taxes.

Assignment

The transfer, in writing, of an interest in a lease, mortgage or other instrument.

Bank partition

A type of space divider, usually made of steel and glass, 5 - 6 feet high.

GLOSSARY

Banked elevators

A group of elevators adjacent to each other.

Base lease

A contract stating the minimum established requirements that are applicable to all tenants.

Base rent

The "fixed" component of rent in a commercial property. Base rent, also known as net rent, remains static while additional rent floats with actual costs.

Base year

The year of a lease term used as the standard when implementing an escalator clause.

Bay

An unfinished area between a row of columns and the bearing wall. Usually, it's the smallest area into which a building can be partitioned.

Bids

A financial estimate submitted by an individual or company for a specific amount of work. Bids are sealed to create a competitive system of submission.

Borrowed light

A partition of glass or plastic panels between an interior dark space and a space lit by daylight or high-intensity artificial light.

Binder

A preliminary agreement evidencing a meeting of the minds until the principal agreement is worked out.

Block layout

A preliminary sketch showing tenant spaces on various floors.

Bradley

A round, wash-up sink accommodating up to eight people with one plumbing connection.

Build out

The construction necessary to make a tenant's leased space functional. It includes partitions, doors, telephone and electrical outlets, finished surfaces, paint, tile, carpet, etc. (See also Leasehold improvements and Tenant improvements)



Build-to-suit

An agreement between a landlord and a new tenant whereby the landlord assumes the obligation to build out the tenant's space to the tenant's specifications. Also, an increasingly large number of developers engage in build-to-suit projects i.e., single tenant buildings designed and built by request.

Building codes

Local ordinances that specify minimum standards of construction.

Building core

The central or arterial part of a multistory building that integrates functions and service needs for established occupants. It usually includes toilet facilities, elevator banks, janitor's closets, utilities, mechanical facilities, smoke shafts and stairwells.

Building module

A unit of length and width by which the plan of a building can be standardized and which facilitates the design and layout of office space.

Building permit

The official approval that must be obtained from local or state authorities for construction.

Building shell

The skeleton of a building, to which the finished interior and exterior are applied.

Building skin

All the materials that cover a building's shell.

Building standard

Specific construction standards that have been established by the owner and architect to achieve a uniform element of design throughout the building. It establishes a cost basis for build-out charges and allowances.

Cancellation clause

A lease provision that allows either party to cancel the lease under specified conditions.

GLOSSARY

Capitalization

A valuation method for commercial real estate whereby the annual net operating income from the property is divided by the required rate of return.

Cash flow

Net operating income of a property minus its debt service.

Cash-on-cash return

Also called cash yield. A percentage figure arrived at by dividing the cash flow from a property by the total investment in the property and multiplying by 100.

Caveat emptor

From Latin: "Let the buyer beware."

Ceiling plenum

A totally enclosed area above the ceiling used for heating air.

Certificate of insurance

A certificate issued by an insurance company (or its agent) verifying that a certain insurance policy is in effect. This is frequently required for a lease.

Chain of title

A succession of title conveyances from some accepted starting point (usually the original recorded source) that shows how the present holder of real property derived the title.

Change order

An order issued any time there is a change in the specifications, price or time in the building contract, as authorized by the owner, architect or engineer.

Chattels

Any personal property.

Circulation allowance

Space needed to have sufficient access to, from and around a work space.

Clear span

The floor area clear of interference from the columns.

Commercial/Industrial Multiple Listing Service (C/IMLS)

Like the Multiple Listing Service (MLS) used by many residential property Realtors, the Commercial/Industrial Multiple Listing Service (C/IMLS) provides information to brokers about available commercial properties. Unlike the MLS, participation in the C/IMLS is voluntary in many markets and thus does not provide a complete listing of availabilities. A good commercial real estate broker will maintain a database of availabilities and will use the C/IMLS as supplementary material.

Common areas

Areas used by two or more tenants and/or third parties and not under the control of any one tenant.

Condemnation

The taking of private property from the owner, for public use, with adequate compensation.

Conduit

A flexible, hollow metal pipe, typically located inside sheetrock walls, through which wiring or cabling is inserted to service electrical, telecommunications and networking requirements.

Consideration

Something of value given by one party to persuade another party to sign a contract.

Construction allowance

The building owner's contribution toward preparing a tenant's space for occupancy.

Bag filter

A form of filtering in a mechanical system that is considered to be the most efficient, in a range of 92%-95%.

Contract documents

Documents consisting of the agreement and conditions of the contract. They include the drawings, specifications and additions issued prior to the execution of a contract and any modifications.

Contract for deed

A contract for the sale of real estate in which the purchaser pays the price in installments over an extended period of possession. Title is retained by the seller until final payment.

Contractor

An individual and/or firm performing work on construction projects.

Contractor's affidavit

A written statement by a contractor, made under oath before a notary public, stating facts regarding the contract, the subcontract, materials suppliers and labor. It sets forth the amounts paid and unpaid and the balance due.

Convection system

A system that transfers heat through the circulation of air that happens when the temperature varies due to difference in air density and the action of gravity. Hot water or steam radiators is one example.

Convector

A heating unit in which air, heated by contact with a heating device in a casing, circulated by convection.

Conventional mortgage

A mortgage not secured by a government agency.

Conveyance

A written instrument by which title or an interest in real estate is transferred, often a deed.

Cost approach

Estimating the value of a property by adding to the estimated land value the appraiser's estimate of the replacement cost of the building, less depreciation.

Damper

A valve or plate that regulates air flow to or from any point.

Debt service

The annual or monthly payment required to retire a debt.

Dedication

The voluntary giving of private property for some public use, such as streets, parks or schools.

Deed

A written instrument that, when executed and delivered, conveys title to, or an interest in, real estate.

Deed of trust

Also known as a trust deed, an instrument used to convey a mortgage lien by which the mortgagor conveys a title to a trustee who holds it for the benefit of the noteholder (the lender).

Deed restrictions

Clauses in a deed restricting future uses of a property.

Default

Failure to meet an obligation when due or to perform any provision of a lease, mortgage or other agreement.

Demise

Synonymous with "lease" or "let".

Demised premises

Premises, or parts of real estate, in which an interest or estate has been transferred temporarily, such as an interest in real property conveyed in a lease.

Depreciation

Loss of value due to all causes. Usually the causes are physical deterioration, functional deterioration and economic obsolescence. Though depreciation can be expensed for tax purposes, in real estate quite often the value of a property increases, rather than decreases, over time.

Design cost or budget cost

Cost based on an agreed-on concept, where specific units have been established.

Design development

Upon approval of the schematic design, the architect proceeds with the design development, preparing drawings establishing all major elements and outlining all specification. A revised statement of probable cost is usually made at this time.

Developmental planning

Establishing a plan for the current space needs of an office, anticipating future needs as well.

Diffuser

A device for reducing air flow from a mechanical duct system supplying air.



Door frame

Includes the head (the horizontal top portion), the jamb (either the left or right vertical portion of the frame), the sill (the bottom of the door at floor level), the stop (a continuous projection around the frame to stop the door from traveling past a certain point) and the buck (the subframe of wood or pressed metal to which the door is fixed).

Doors

Common types include: solid core wood (S.C.), hollow-core wood (H.C.) and hollow metal (H.M.) A "class B" door is usually made of hollow metal and has a two-hour fire rating.

Duct

A pipe, tube or channel for conveying gases, liquids or solid units from one point to another. Usually identified with air conditioning, but also applies to under floor duct systems for conveyance of telephone lines and other electrical connectors.

Easement

The right to use the land of another for a specific purpose, such as right of way.

Economic obsolescence

Impairment of desirability, useful life or use and value of a property arising from economic forces outside the building or property. Examples might be changes in optimum land use, legislative enactments that restrict or impair property rights and changes in supply-demand relationships.

Effective gross income

Scheduled gross income of a property minus the vacancy rate.

Egress

The means of exiting property.

Electrified floor

A floor containing ducts that house telephone and power lines, which emerge from the floor at frequent intervals for easy installation of telephones and equipment.

Eminent domain

The right of a government or quasi-public body to take private property for public use, compensating the owner.

Encumbrance

Any lien, such as a mortgage, tax or judgement lien. It can also be an easement or restriction on the use of the land.

Equalization

The raising or lowering of assessed values for tax purposes in a particular county or taxing district to make them equal to assessments in other counties or districts.

Equity

The interest or value an owner has in real estate over and above any mortgage against it.

Escalation clause

The clause in a lease providing for periodic increases in the base rent. These increases may be fixed or tied to indexes (such as the consumer price index). Escalation clauses should not be confused with expense items that are passed through to a tenant on an annual basis as additional rent (real estate taxes, insurance, maintenance, and repairs).

Escrow

A written agreement between two or more parties providing that certain instruments or property be placed with a third party to be delivered to a designated person upon fulfillment or performance of some act or condition.

Estoppel

A legal doctrine that holds that a person may not claim or allege something to be true (even if it is true) because of his previous acts or statements to the contrary upon which another party has relied in good faith. For example, a tenant may be requested to sign an "estoppel certificate" which describes the terms of his or her lease. If a potential buyer of the building relies on the estoppel certificate for his purchase thereof, and if it turns out that the statements expressed in the estoppel certificate were misleading or incorrect, the tenant will be liable to the buyer for his statements to the extent that the buyer is injured.

Estoppel certificate

A document in which a tenant certifies to a landlord the amount he or she is obligated to on a lease and the time remaining on the lease.



Eviction

The forced removal of a tenant from the leased premises.

GLOSSARY

Expense ratio

The percentage of gross income consumed by the operating expenses of a property.

Fee simple

The largest possible estate or absolute right of ownership of real property. It can be held without time limitation and is freely transferable and inheritable.

Fiduciary

A person to whom power or property is entrusted for the benefit of another.

Fin-tube radiation system

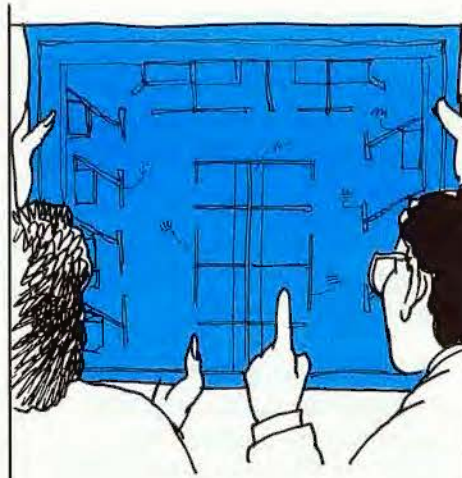
A heating convection system that transmits heat through a series of sheet-metal plates spaced at closed intervals on a center pipe.

First right of refusal

A lease concession that gives a tenant the first right, within a limited period of time, to a designated additional space that another tenant has expressed a desire to lease.

Fixture

Personal property so attached to the land or building as to become part of the real property. The right of the tenant to remove fixtures may be given by stipulation in the lease or by separate written agreement.



Floor plan

A floor plan outlines the placement of walls, windows, doors, sidelights, electrical outlets, restrooms, plumbing facilities and a host of factors describing the general layout of the space. The floor plan is used extensively as a descriptive tool in identifying a tenant's area and proposed improvements. It should always be attached as an exhibit to the lease and initialed by both parties.

Foot candle

A measurement of light level, equivalent to the light of one candle at one foot.

Foreclosure

A court action initiated by the mortgagee or a lienor (holder of a lien) to have the debtor's real estate sold to pay the mortgage or lien.

Functional obsolescence

Defects in a building or structure that detract from its value or marketability.

Garden-type building

A modern, low-rise building, typically found in suburban areas, built to blend in with its surroundings.

General lien

A lien of all property, real and personal, of a debtor.

Glazier

The person responsible for handling and installing glass.

Graduated lease

A lease that provides for specific increases in rent at definite times during the term of the lease.

Grantee

A person to whom an interest in land is conveyed by deed, grant or other written instrument.

Grantor

A person who transfers his or her interest in land to another.

Gross lease

A lease of property for which the tenant pays a fixed rent that does not fluctuate with changes in the building's operating expenses.

Gross rent multiplier

Used as a multiplier of the gross income of a property, it produces an estimate of the property's value.

Hard costs (construction)

Typically, those costs incurred in the physical construction of the building, exclusive of fees for professional services and financing.

GLOSSARY

Hardware

Includes hinges, butt or pivot; lever handles, knobs or pulls; latchsets, locksets, magnetic or friction catches; door closer, door holds and door bumpers.

High rise

This term applies to steel frame buildings with many stories.

Highest and best use

The possible use of land that will produce the greatest net income and thereby develop the highest land value.

Hold harmless

To indemnify another. To secure another against loss or damage or claims of a third party. (Also Save harmless)

Holding area

An area set aside for holding deliveries for tenants until they pick them up. (Also Receiving area)

Holding over

Retaining possession of premises longer than the term specified in the lease.

HVAC

Heating, Ventilating and Air Conditioning.

Improvements on land

Usually privately owned structures such as buildings, fences, drive-ways and retaining walls erected so a site can be used.

Improvements to land

Usually publicly owned structures such as curbs, sidewalks, street lights and sewers, constructed to enable the development of privately owned land.

Income approach

The process of estimating the value of an income producing property by viewing its net operating income as a perpetual annuity.

Incorporeal trust

Non-possessory rights in real estate, such as an easement or right of way.

Induction system

A mechanical system normally located on the periphery of a building at the base of the window walls. Forced air is thermostatically controlled to temper its flow by heating or cooling the interior air.

Industrial park or district

A controlled, park-like development designed to accommodate certain types of industry. It usually provides public utilities.

Insured

The indemnified person(s) or companies who receive the proceeds of insurance in the event of insurable loss or damage.

Interior partitions

Interior non-load-bearing walls that divide up tenant space.

**Joint tenants**

Two or more landowners who have been named in one conveyance as joint tenants. Upon the death of a joint tenant, the surviving joint tenant(s) receives the deceased tenant's interest.

Latent defect

A physical deficiency or construction defect not readily ascertainable from a reasonable inspection of the property. (Also Hidden defect)

Lease

A contract whereby, for consideration, one who is entitled to the possession of real property transfers such rights to another for life, for a term of years, on a month-to-month basis, or at will.

Leasehold

The interest or estate that a lessee of real estate holds under the provisions of a lease.

Leasehold drawings

Detailed plans for building out a space prior to tenant's occupancy.

Leasehold improvements

Improvements to a leased space (i.e., carpet, doors, walls). (See also Build out and Tenant improvements)

Legal Description

Defines property in legal terms (i.e., Lot 1, block 2, 3rd subdivision). The trend in language is towards use of the phrase "lawful description".

Lessee

Tenant.

Lessor

Building owner.

Letter of intent

An agreement binding the lessor to continuing negotiations in good faith, once a qualified tenant has been found, until all negotiating points have been covered. It takes the space off the market during the negotiating period. (Also Offer to lease)

Levy

To impose a tax on a person or property. Also, the amount of taxes to be imposed.

License

Permission given by a building owner for a person to enter the premises of a tenant for a particular purpose. A license is of temporary character, purely a personal right, and cannot be sold. It is revocable.

Lien

A right given by law to a creditor to have a debt or charge satisfied out of the property of the debtor. It applies to a particular piece or pieces of real or personal property.

Limited partnership

A partnership agreement that limits the partner's liability to the amount invested, and also limits the profit that he or she can make. A limited partner does not have a voice in management.

Listing contract

An agreement between a building owner and a licensed real estate broker by which the broker is employed as an agent to sell the real estate on the building owner's terms within a given time, for which the building owner agrees to pay a commission.

Live load

A load that may be removed or replaced on a structure. It includes the impact effect, such as people walking on a surface.

Low rise

A building not of steel frame construction and only one to a few stories high at most.

Market approach to value

The process of estimating the value of property through the estimation and comparison of actual sales of comparable properties.

Market value

The price a buyer is willing to pay and a seller is willing to accept.

Mechanic's lien

A lien established by law in favor of those who provide labor or material for the improvement of real estate.

Millwork

Finished carpentry work, done in the mill, as opposed to on the job.

Month-to-month lease

A tenancy from month to month is created when no definite lease term is specified by the parties and the rent is payable monthly. A month-to-month lease can typically be terminated with 30 days notice.

Mortgage

A conditional transfer to or pledge of real property as security of payment for debt.

Mortgage lien

A claim on real estate given to the mortgagee when the mortgagor executes a mortgage or trust deed to secure a note.

Mortgagee

A lender.

Mortgagor

A borrower who conveys real property as security for a loan.

Mullions

Metal strips placed at regular intervals along a window line, designed to receive a wall partition. Mullions are frequently used as a guideline by space planners for breaking apart interior spaces into manageable units.

Net lease

Lease under which a tenant pays the agreed upon base rent plus utilities and taxes.

Net Operating Income (NOI)

Effective gross income from a property minus operating expenses.

GLOSSARY

Net-net lease

Lease under which the tenant pays the agreed upon base rent plus utilities, taxes, insurance and maintenance.

Net-net-net lease

Lease under which the tenant pays the agreed upon base rent plus all costs of utilities, taxes, insurance, maintenance and repair. (Also Triple net lease)

Notary public

An officer appointed by the governor with authority to take the acknowledgement of persons executing documents and to sign the certificate and affix a seal.

Notice

Information about or warning of something. It may be by personal observation or by written or oral message from another person.

Novation

Mutually agreed to substitution of a new debt for an old debt between the same debtor and creditor, or of a new debtor for a prior debtor.

Obsolescence

Lessening of property value due to being out of date as a result of changes in design and use.

Open listing

A listing contract under which the broker's commission is contingent upon the broker producing a buyer before the property is sold by the owner or another broker.

Operating expenses

With respect to improved real estate, a term which refers to compensation to the building owner for expenses incurred in operating and maintaining a building.

Option

A contractual agreement giving one party the privilege of demanding, within a specified time, the carrying out of a transaction upon stipulated terms. In leases, it is not uncommon to find options to renew, options to expand, or options to purchase the property being leased.

Percentage lease

Lease under which the tenant pays a fixed minimum monthly rent plus a percentage of its gross monthly income in excess of that minimum. (Also Commercial lease)



Personal property

Items (chattels) that do not fit the definition of realty; movable objects.

Plenum

A totally enclosed area above the ceiling used for handling of air.

Plumbing walls

Walls with plumbing provided along areas, usually in kitchens and washrooms, where there are no provisions for pipe shafts.

Possession

Right of an owner or other party to occupy property.

Preliminary costs

Expenditures made before the main project is begun, such as feasibility studies, subsoil exploration, etc.

Prepaid items of expense

In the preparation of a closing statement, prorations of prepaid items of expense that are credited to the seller.

Principal

Sum lent or employed as a fund or investment, as distinguished from its income or profits. Also, the original amount of the total due and payable at a certain date. Also, a party to a transaction, as distinguished from an agent.

Principal and agent

The relation created by express or implied contract or by law whereby one party delegates the transaction of some lawful business, with more or less discretionary power, to another, who undertakes to manage the affair and render an account of it.

Pro forma

A set of figures projecting costs and income on a proposed new property. Used as a basis for capitalization.

Procuring cause

The legal dictum that states that if the broker's efforts are the foundation on which the negotiations that result in a sale are begun, he or she is entitled to a commission.

Public corridor

The space that leads to tenants' spaces from a service core.

Punchlist

A list prepared by the architect, designer and owner, formally submitted to the contractor to note any deficiencies when they check all completed construction. A punchlist is also used by tenants to inspect improvements made to their space by landlords prior to their occupancy. This assures verification that such work has been accomplished in a good, workmanlike manner with respect to the contract documents.

Purchase-money mortgage

A note secured by a mortgage or trust deed given by a buyer or to a seller as part of the purchase price of real estate.

**Quiet enjoyment**

A covenant, usually inserted into a lease, promising that the tenant shall enjoy possession of the premises in peace and without disturbance.

Quiet-title suit

A suit to remove a defect, cloud or questionable claim against the title to a property.

Real estate broker

An agent who negotiates contracts of purchase, sale, lease or rent of real estate. A broker must be licensed with the state.

Real estate salesperson

Anyone employed, directly or indirectly, by a real estate broker to sell, purchase, lease or rent real estate.

Realtor

A registered trademark reserved for the sole use of active members of local boards of Realtors. Affiliated with the National Board of Realtors.

Recapture

A clause in a lease agreement providing for lessor's retaking or recovering possession of the premises, usually by cancellation of the lease under certain circumstances.

Recording

Entering in a county recorder's office a record of documents affecting or conveying interest in real estate.

Redemption period

Period established by state law during which the property owner has the right to redeem real estate from a foreclosure or tax sale by paying the sale price, interest and costs.

Rent

Rent is typically broken down into a fixed "base" or "net" rent, in addition to which the tenant is often expected to pay a number of charges ranging from real estate taxes to building operating expenses. These additional costs fluctuate (in other words, increase) from year to year.

Rentable area

Rentable area, as opposed to usable area, is a measure of the tenant's usable space plus a pro-rata allocation of square footage attributable to the building's common areas (hallways, atriums, utility closets, etc).

Rental rates

Rental rates for property are analogous to "sticker prices" for automobiles. Quoted rental rates rarely reflect additional rent.

GLOSSARY

Replacement cost

The cost of replacing property with property of equal utility service and amenities.

Restriction

Limitation placed on the use of property, contained in the deed or other written instrument in the chain of title.

Reversionary interest

The right to the future enjoyment of property presently in the possession of or occupied by another.

Revisions

Changes in the work that require the architect to provide substitute drawings or revise the original drawings.

Right of way

The right or privilege to pass across the lands of another; an easement.

Sales contract

A contract containing the complete terms of the agreement between seller and buyer for the sale of a particular parcel or parcels of real estate.

Scheduled gross income

The rental rate of a property multiplied by the total rentable square footage.

Settlement

The process at the closing of a sale of real estate, negotiated by a real estate broker, in which the broker accounts to the principal for the earnest money deposit and deducts commission and advances through a form of settlement statement.

Shell

See Building shell.

Shop drawings

Drawings made by various trades reflecting construction of items on the contract documents. It's a necessary step between architect's drawings and actual construction.

Signal-zone closet

A closet holding communications equipment, such as telephone or intercom systems.

Skin

See Building skin.

Slab

The reinforced concrete floor between beams, supporting columns or walls. Also, any large, thin area of concrete, such as a wall, roof or balcony.

Soft costs (construction)

Costs of constructing and leasing a building other than costs of building the actual physical structure.

Space analysis

An analysis of an existing office situation, with a view to planning a new or remodeled facility.

Space planning

Architecturally designing any space with all the amenities to make it more functional.

Space standards

The standard-size spaces for particular functions, used in planning new space to avoid haphazard allocation of space.

Special assessment

A charge against real estate made by a unit of government to cover the proportionate cost of an improvement, such as a sewer.

Special-warranty deed

A deed in which grantor covenants against lawful claims of all persons claiming by, through, or under grantor only.

Specific lien

A lien that affects or is attached to only a certain specific parcel of land or piece of property.

Specifications

A detailed and exact statement of what is to be done.

Staging area

A place to store and work with equipment and materials prior moving them to their final destination.

Statute of frauds

A state law that requires certain classes of contracts, engagements or transfers of interest in real estate to be made in writing in order to be enforceable in a court of law.

Sublease

A lease in which the primary tenant conveys possession of property to a subtenant for consideration.

Subordination

An agreement whereby a lienholder, a tenant or one having an interest or claim in or against personal or real property, places the interest behind that of another.

Subrogation

Replacing one person with another in regard to a legal right, interest or obligation.

Substitution clause

The part of a work letter that specifies which materials may be substituted for standard construction materials.

Syndication

A combination of persons or firms to accomplish a joint venture of mutual interest.

Task lighting

Overhead lighting systems that provide each work space with individual lighting controls.

Tenancy at sufferance

The status of a tenant after the expiration of a lease. The building owner may then terminate the tenancy at will.

Tenancy at will

The landlord agrees that tenant may stay in possession of the premises after expiration of the lease and pay rent for the time the space is occupied, until either building owner or tenant terminates the tenancy.

Tenant improvements

Improvements to a leased space (i.e., carpet, doors, walls).

Tenant representation agreement

A contract under which a potential tenant agrees to work exclusively with one real estate agent or broker; the real estate broker's commission is paid either by the landlord or the tenant, depending on the agreement.

Thermopane

A brand name, often used generically, for windowpane construction that has insulating properties. Also called double-insulating glass.

Title

Evidence of the right a person has to ownership and possession of land.

Title defect

Any legal right held by others to claim property or to make demands upon the owner.

Title insurance policy

A policy insuring an owner or mortgagee against loss by reason of defects in title to a parcel of real estate, other than those encumbrances, defects and matters that are specifically excluded by the policy.

Topography

Surface features of land, such as elevation, ridges, slope and contour.

Trade fixtures

Articles installed by a tenant under terms of a lease, and removable by the tenant before the lease expires. These remain personal property and are not technically fixtures.

Traffic-flow study

A study made by a space planner of the interactions among different departments, operations and person-to-person contacts in a given space. Traffic flow studies of automobile and pedestrian flows are commonly used by retailers in the site selection process.

Transfer lobby

A floor area in a building where passengers switch elevators from one that serves only the lower levels to one serving the upper levels.

Trust deed

An instrument used to create a mortgage lien by which the mortgagor conveys title to a trustee who holds it for the benefit of the noteholder.

Trustee's deed

A deed executed by a trustee that conveys land held in a trust.

Under floor ducts

The under floor distribution system provided in the structural slab to meet electrical and telephone needs on the floor. (Also Power cells)

Unit office space

Fully enclosed or semi enclosed space, providing work space for a single occupant, with access provided.

GLOSSARY

Usable area

Any area within a tenant's leased premises that can be used by a tenant. There are three methods of measuring useable area in office buildings:

1. International Association of Building Owners and Managers (BOMA): From the inside of the outside wall (or glass line, in new buildings) to the outside of the inside wall (or hall wall) and center-to-center on the division walls. Columns are included in most markets.
2. General Services Administration (GSA): Same as above, except all division walls and closets, etc., are included.
3. The New York Method: Space is measured across the floor from glass line to glass line, subtracting only elevator shafts and stairwells. In the case of multiple occupancy on one floor, the common space, usable and non-usable, is apportioned among the tenants according to the size of their respective areas.

In industrial buildings, useable area is commonly measured from the outside of the exterior wall to the midpoint of interior/demising walls.

Voidable

A valid act that may be declared void or invalid.

Waiver of lien

The intentional relinquishment of the right to a mechanic's lien. Routinely signed by contractors when they are paid for their work.

Wall base

A material applied to the base of walls for general protection and finish. Usually vinyl or rubber.

Warranty deed

A deed that warrants that the grantor of the deed is the owners' and will defend and protect the grantee against claims.



Water closet

A toilet.

Wet columns

Columns where provisions are made to have a plumbing fixture (i.e. drinking fountain) installed.

Work letter

Part of a lease that pertains to all work, stated in detail, that is to be done for a tenant by a building owner.

Working drawings

Detailed floor-space plans that diagram all improvements to be made to a tenant's space. They are designed as instructions to the various contractors.

Zoning ordinance

A law passed by a municipality that regulates the character and use of property.

