



Cost cutting tips for opening your office

September 26, 2007 - Upstate New York

Opening the perfect office affordably requires planning and strategizing from the start to ensure you make the right decisions for your business. Once you've established both your immediate and long-term requirements, it's easier to see which options best meet your overall needs. Careful planning in the early stages can help avoid costly mistakes later.

The following are a few questions to get you started:

- * What stage is your business in? Will your space requirements change over the next few years?
- * How quickly do you need to occupy your new space? How long do you intend to stay?
- * What are the growth goals of your company? Will the size of it grow and contract periodically?
- * Is the office for your individual use? Do you work best in an environment with other professionals or in solitude?
- * Will you require administrative support?
- * Is projecting a professional image critical to the success of your business? How important is your business address in order for you to be competitive?
- * Will you require full-time reception services?
- * Do you need conference rooms for client meetings?
- * What other amenities would you like?

One of your largest business expenses will be establishing and operating your offices. Basing your decisions on your company's short - as well as long-term goals - right from the start can save you considerable time and money.

Following is a summary of the most common office options.

Direct Leases

Best for companies with large space requirements and long-term needs. Direct leases can be an attractive and cost-effective option for companies with large space requirements who are comfortable signing a long-term lease. They can provide the least expensive rent per person and the opportunity to customize the look of an office. This type of arrangement can also have disadvantages, from lack of flexibility and large initial investment to long lead times to open. Here are a few things to consider:

- * **Terms and security deposits:** The term of a direct lease is typically five to ten years, although there are exceptions. Whenever possible, try to negotiate a shorter term lease with options to renew, for the greatest amount of flexibility. Be sure to hire an experienced real estate attorney to provide legal advice before signing any documents. Direct leases are complicated and designed to protect the landlord. You should plan to spend at least \$15,000 on attorney fees to review your lease. Direct leases can require security deposits of up to one year's rent, and if your company is a start-up, you may be required to personally guarantee the lease.
- * **Construction:** Can take three to four months, especially if permits need to be obtained. You need

to be familiar with the permit process and construction management, and you may have to pay rent during that period, depending on what you negotiated in your lease. Typically, a tenant improvement allowance is negotiated in the lease. Sometimes these allowances do not match the costs of a custom build-out. Plan to spend at least \$45 per s/f for a standard professional build-out, and remember that you will be responsible for paying anything over the negotiated allowance.

* Telephone service: There are many options using standard telecom business lines, T-1 lines or data lines for telephony with VoIP service. When contracting with a provider, avoid signing more than a one-year agreement, as the industry changes rapidly and options constantly increase. Also, make sure there is a provision in your contract allowing for cancellation of service due to downtime. Part two to be continued in the October 9th, 2007 Upstate edition of the New York Real Estate Journal.

Tracey Di Brino is a general manager at Synergy Workplaces, Harrison, N.Y.

Research your options carefully and be sure not to overspend - a standard PBX system can reach up to \$100,000 and is not necessarily the best solution for every company.

Data lines and connectivity

It is important that a qualified IT company configure your network and firewall, so your company's critical data is protected. Depending on your needs, this can become expensive. The initial cost of setting up a network and firewall is approximately \$8000 or more, and ongoing T-1 lines typically run \$500 - \$700, and high-speed internet access with a T-1 could take at least six weeks to be installed and "turned up."

Furniture cost and time-frame

Plan on at least two months for your office furniture to be delivered and installed. You should budget at least \$3,000 per person for a standard office configuration. A quality conference room table and chairs for six people will cost approximately \$10,000 and a reception desk and furniture will cost around \$10,000-\$15,000.

Equipment

You will probably need a high-speed color copier and a postage machine. Copiers cost approximately \$500 a month and postage machines average \$75 per month to rent. If your company is a start-up, you may be required to personally guarantee this equipment.

B. Sublet Space

This One's a Wild Card

This can be a great short-term solution or complete nightmare, depending on the situation and who is subletting the space.

It may seem to be the most economical alternative, but it is often difficult to find sublet space that meets your requirements. You must frequently take the sublet office "as is", which means you may inherit existing problems, technical incompatibilities and service issues.

You should carefully consider the legal requirements and responsibilities of signing a sublet agreement. Many of the direct lease considerations mentioned above also apply. If you're not careful, you could get locked into an unsatisfactory situation or incur hefty legal expenses. Additionally, a sublet agreement is subordinate to a master lease and can put you at risk if you do not fully understand all provisions.

C. Outsourced Offices and Business Centers

A Smart Alternative for Companies with Smaller and/or Changing Space Requirements

Virtually any company opening a new office will face numerous decisions and challenges. For start-ups, small businesses and companies needing smaller spaces or shorter term leases, this process can become overwhelming because traditional solutions are often too costly, too complicated and too inflexible. Business centers, also referred to as executive suites, address the special needs of these types of businesses and provide a convenient, cost-effective alternative to direct leases. For companies requiring custom build-outs and large spaces, however, business center office space may not be the best long-term or most cost-effective solution.

What is a business center?

Business centers generally rent 12,000-20,000 square feet in strategically located office buildings and subdivide the space into smaller offices for individual companies to rent and provide shared services. In most cases, business center offices come fully furnished and pre-wired for telephones and high-speed internet access, with heating, air-conditioning and electricity included in the monthly rent.

Service plans, fees and office management vary between business centers, but most clients have access to conference rooms, kitchens, administrative support, reception services, IT support, telecom equipment and service, internet service, faxing and color copying.

Affordable turnkey offices with immediate availability

For companies with limited resources or organizations needing immediate availability, the "turnkey" office space business centers provide can be ideal. Often, offices can be rented and up and running the same day, and the services provided can help businesses achieve the professional image they seek without investing in costly equipment and support staff. Because these offices are fully furnished and ready-to-rent, expenditures on construction, furniture, renovations and technical installations are eliminated.

Flexible terms and security deposits

Business centers are appealing to clients because of the flexibility they provide. Offices can be rented on an hourly, daily, weekly, or monthly basis. Business centers can also provide companies the option to expand or contract space on short notice to accommodate seasonal or growth requirements.

Security deposits for business centers tend to be smaller than those required with direct leases and

are generally equivalent to two months' rent.

Higher productivity

Many business center clients find they achieve higher levels of productivity in a shared environment that encourages collaboration. Additionally, because the owner of the business center assumes the burden of running the office and all associated services, clients can devote themselves more fully to their businesses.

Want to Know More?

We'd Love to Help!

At Synergy Workplaces, we understand how difficult and confusing the search for a great workplace can be. Our highest priority is to make a positive difference in the way people work, so if you need additional information or a knowledgeable resource during this process, give us a call! We'd love to put our 50 years' combined real estate and business center experience to work helping you!

Contact:

Tracey Di Brino
Synergy Workplaces
600 Mamaroneck Avenue
Suite 400
Harrison, NY 10528
914-468-0800

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540