

COMMERCIAL REAL ESTATE

Weighing a move? Did you think of these factors?

Should you be looking to move your business? Say, now?

In a word, actually two: It depends. Today, I'll recap a week of meetings, situations and the counsel we provided to businesses that believed a move was imminent.



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What prompted the need?

We met with a group recently that was pondering a two-year lease extension on their space. The company is well entrenched in the building, with 35 employees arriving each day to go to work.

As their product is purchased offshore and subject to a large tariff, they prebought a year's worth of inventory, which arrives in January. They now have a short-term warehouse need. Rather than disrupt the entire operation, the solution appeared to be renting an auxiliary space in addition to the mother ship.

In other words: Stay put and lease a unit close by.

Moving expenses

Most will underestimate the cost of moving! Depending on the complexity, the dollar figure can easily eclipse six figures. And, this is a stiff cash outlay on day one, not an expense paid over a number of years like a lease or mortgage payment.

The clients faced a rent increase of 45 percent, so we encouraged them to pencil out the new monthly rent. The rent increase was smaller than the mov-



If you're thinking of relocating your business, make sure to consider all alternatives, costs and consequences.

ing costs. Even though a larger monthly outlay is coming, the company avoided the moving van and renewed.

Your current situation

Underutilized: This describes a footprint we toured this week. Changes in the stock on hand caused a surplus of space. The easy fix? Downsize. The issue? Nothing is available that would fit the requirement. Plus, because the company benefits from a lease rate that commenced in 2012, a space 40 percent smaller would command the same monthly rate as its larger space.

No move here!

Extension rights

Many companies transacted in 2011-2014, and those five-

seven-year leases are expiring soon. Contained in many of these contracts are favorable extension rights such as options to renew at preset rates, rights of first refusals on adjoining spaces, or options to purchase the premises.

We encountered such a gem recently. Origination of their seven-year lease happened in 2013. Guess what? If they want to stay come 2020, they can. No negotiation needed! Why would you move?

Ways to stretch your space

We encounter so many situations where a tweak here or a tuck there can postpone a move for months or years. Advanced material handling solutions, the addition of a production mezzanine, or the use of a third-party logis-

tics provider are three such ways.

The cost of your alternative

On deck next week is a conversation with a local distributor. The company services the region from one owned and one rented location. Neither fits the operation anymore.

So, do they sell one building and buy two? Renew their lease in one and sell the other? Sell the building and replace it with one more central to their customers? The options abound!

It should be a fun conversation. Stay tuned.

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