

Cover Story

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Location, Location, Location and Other Strategies for Maximizing Your Investment in a New Space

By David Sears

Rosemary Breehl still gets blank stares when trying to explain the new location of her brand development and marketing communications firm. She and her partners at Breehl, Traynor & Zehe left Rocky River three months ago for Stonebridge Center—a destination unknown to clients, vendors and business associates alike, but she couldn't be happier. Breehl feels that they've discovered tomorrow's Tremont or Warehouse District—at a fraction of the rent.

"The building is very much a creative sort of space," she says. "The scene from the viaduct is breathtaking, and the area is exciting and it already seems neighborly." The eight-employee company leases 3,000 square feet of office space in a renovated building in a pocket of development butted up against the Superior viaduct on the West Bank of the Flats. They're on the ground floor of a converted stamping plant, and part of a vibrant new community of restaurants, offices, apartments, high-end condos and retail space. With names like Stonebridge Center, Stonebridge Plaza and Stonebridge Towers, it's likely that a decade from now Breehl will be inviting clients to "Stonebridge," and they'll know exactly where she's talking about.

Perhaps the most gratifying part of the partners' decision to make the move was the impact on their company's bottom line.

"We got the space built out for our specific needs, and I'd say it was about one-third less than the cost of other areas we looked at downtown," says Breehl. "We were also able to negotiate a very advantageous parking rate. That was a huge piece of the puzzle for us." Take note if you're thinking about buying or renting office or plant space in Northeast Ohio: you can save all kinds of money by leaving the mainstream. Investigate the region's under-promoted nooks and crannies. And try to sign papers before everyone else gets dued in and rates start to climb.

Finding your Not-Quite-Hot Zone

By the time a neighborhood gets trendy, commercial occupancy rates have already started to reflect the burgeoning appeal. Buy a building or lock in a lease in an area that's still relatively undiscovered—but, in your opinion, ripe for development—and you can often negotiate highly favorable leases and purchase prices.

"I think the emerging areas downtown include Superior Avenue around East 17th, and in the former Galleria," says Tom Yablonsky, the executive director of the Historic Warehouse District and the Historic Gateway neighborhoods.

Yablonsky has helped nurture and develop his share of what he

calls "hot zones of activity." Neighborhoods heat up through a "holistic" approach to mixed-used development, says Yablonsky. People congregate here not only to work, but also to live, play and shop.

Damon Taseff, manager of the real estate consulting firm Allegro Realty Advisors Ltd. cites MidTown Cleveland as another example of "pre-trendy" digs.

Keep in mind that your new location should be easily accessible to current and future employees, and to clients or customers, if that's an issue, suggests Joseph Greenberg, an industrial specialist in the Cleveland office of the commercial real estate firm CB Richard Ellis. Know where your bus lines are if you carry an unskilled labor force because they'll be more reliant on public transportation.

"Location is driven by your labor," Greenberg states.

Breehl cringed at the monthly rates their workers would have had to pay for parking in other downtown areas that were under consideration as they contemplated their move.

The convenient and inexpensive parking arrangement at their Stonebridge enclave should keep employee morale high and make it easier for clients to drop by.

Here are a few other strategies for making the most of your limited real estate budget:

Think Big

Ironic as it sounds, buying too much space can be a great strategy for saving your company money, says Greenberg.

When Mike Baird's company, HumanArc (formerly the Unicare Corporation), outgrew its space, the 280-employee health care management firm ended up in a building with more than triple their initial space requirements.

"We used 12,000 square feet immediately and leased out up to 15,000 feet more, mostly on short-term leases," says Baird.

As HumanArc steadily grew, the company bumped tenants and converted more and more of the leased space for their own use.

As another example, Greenberg mentions a client who bought a hulking 400,000 square foot industrial building in Cleveland that far outpaced the business's manufacturing needs.

"The money he was paid in rent covered his debt service," he says. Greenberg advises that business owners evaluate potential office or industrial space by looking at its income-producing potential rather than merely the dollar cost alone.

Do It Yourself

Whether you're looking to buy or lease, you can save money by taking the space "as is." Similar to buying a fixer-upper home, you can often get a better deal by taking surroundings in need of improvements, then doing the work yourself.

"You can paint your own walls, and your landlord will usually be relieved at not having to take the time," says Greenberg.

If you can't get a break on the lease or sale price, take the opposite tact and haggle for seller-paid improvements.

Sub-lease from a motivated landlord—a larger company that finds itself saddled with more square footage than it currently needs

might be highly motivated to work out a generous sub-lease agreement, says Allegro Realty's Tasseff.

The advantages of sub-leasing can include below-market rents and flexible commitments. "You can usually take immediate occupancy and you'll often find furniture and phone systems already in place," he says.

Sub-leasing is an ideal way to get up and running quickly, as long as you can live with someone else's layout and design, with few if any modifications.

Consider Moving to a Business Center

Allegro Realty, which started with about eight employees, first rented offices in a corporate business center. This can be a good way for a smaller company to make an oversized impression without the inflated cost. You can sign a short-term lease for a prestigious business address and get shared support services including the receptionist you can't currently afford. It's sort of like living in a dorm rather than an apartment. You'll feel confident to invite clients to sit around a sleek conference room, but not have to commit to the kind of cost and lease commitment that this kind of space would normally entail.

Make an appointment with your city's economic development director. While the original purpose of tax abatement was to draw new employers into distressed communities, it's often now being used to keep businesses in place. "If your plant is in Solon and you're looking to expand next door, you might qualify for an abatement," says Chris Warren, president of the ShoreBank Enterprise Group.

The point is, don't assume you don't qualify for some kind of tax assistance until you've spoken with your city's economic development department or that of areas into which you're thinking of relocating. And the more employees you have, the better your leverage.

Use a Tenant Rep

"It's always good to have someone negotiating rates on your behalf who's familiar with the terms and the impact of those terms," says Allegro's Tasseff. Anything to take a little of the complexity out of what could be a long-term and expensive commitment.

So take your time, do your homework, and find your own affordable hot zone—hopefully before everyone else does.