

Tailor-Fit Office Space



6 Reasons Tenants Should
Take Control of Construction

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The ROI is greater with an office that is built around your needs and wants

In some cases, turn-key office spaces make sense, and many landlords prefer to stay in control of office space build-outs. But ultimately, it's your business, and you have to decide whether the ROI is greater with an office that is built around your needs and wants, or a standard space. Both are viable options, but we'd like to give you some of our insights as to why a tailor-fit space may be a better alternative.

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Before you begin...

Before approaching a property management company about leasing office space, there are two people you should have on your team: an architect and a broker. We recommend contacting your preferred architect first, since the architect can tell you how much space you likely need for your present and future growth projections. When you bring this information to your broker, he or she will be better able to help you locate the right office buildings to suit your needs.

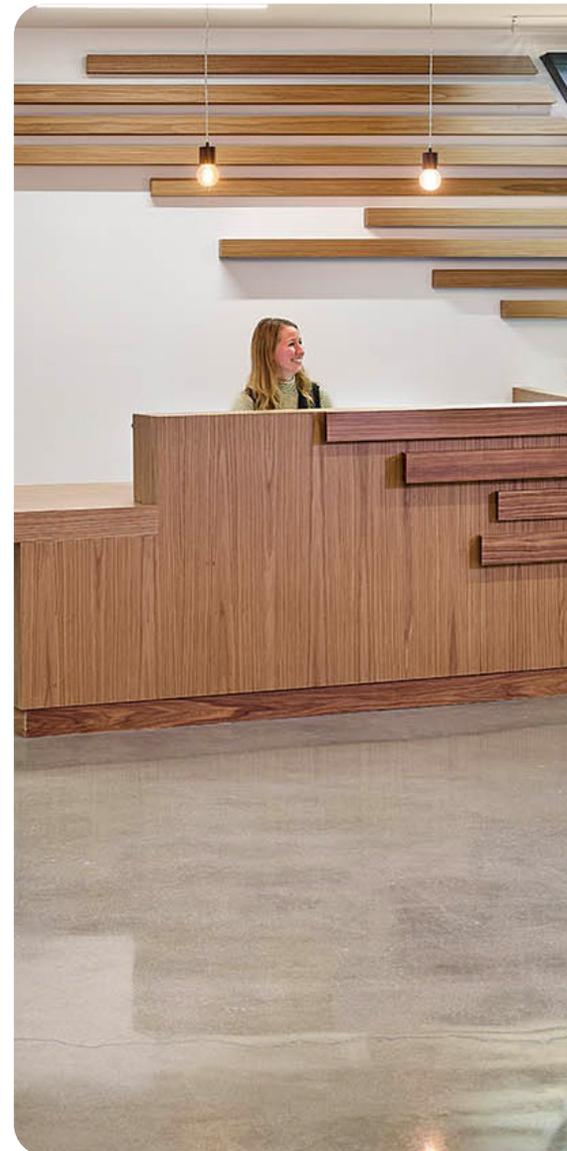
Why have a broker represent you? While some business owners feel comfortable going through the negotiation process alone, we always recommend going with an experienced broker who knows the area as well as the reputations of the property management companies and landlords you're considering. Using their wealth of knowledge, brokers can often negotiate the lowest possible price and best terms - including the terms that decide who has control over the tenant improvement arrangements.

01.

Reason to Take Charge #1 You Will Get the Optimal Office Space

Typically, the landlord is required to cover the costs of "base building" upgrades such as common areas, entrances and restrooms. The tenant improvement then covers the cost of the interior construction fit-out. Landlords tend to prefer the "turnkey" approach, which takes the responsibility, hassle and risk away from tenants - which may seem tempting. Property owners often sweeten the deal by offering a free test-fit by their architect. However, if the fit-out costs exceed what the landlord estimated, you may be faced with out of pocket expenses. This may limit you from having the space that truly meets your business needs.

Tenants who want optimal office spaces that reflect their brand and values while supporting the needs of their employees are usually better off retaining control over the build-out process. This requires the tenant to contract with their own architect and negotiate a Tenant Improvement Allowance from their landlord. Most brokers and landlords are familiar with the Allowance approach.





Reason to Take Charge #2

02.

It is Your Occupant Experience

With the turn-key approach, it's reasonable to expect that the landlord will want to minimize costs and accelerate occupancy. Rent doesn't typically start until the tenant moves in - which is another motivation for landlords to take charge of the process and do the fastest (though possibly not the best) job of making the workspace serviceable. These cost-cutting and time-saving measures may impact the occupant experience. The final fit-out costs may not be known until the design is complete, which leaves little or no opportunity for the tenant to negotiate with the landlord over additional fit-out costs. The tenant then pays additional expenses out of pocket.

It may be worth the investment to hire your own architect and construction firm who will provide you with accurate, guaranteed fit-out costs up front. This way, your broker has these costs early on in the lease negotiation process and can make sure that these costs will be covered by the Allowance negotiated with the landlord. No surprises - and you get everything you want and need within your budget.

03.

Reason to Take Charge #3 You Realize the Long-Term Value of Efficiency

One-size-fits-all is very efficient for the landlord – but usually not efficient for the tenant. If you plan on leasing an office space for several years, you'll want to optimize it for efficiency and include a plan for future growth. Over the years, a great floor plan can pay for itself ten times over by reducing time wasted by employees backtracking, waiting for meeting spaces to open up, or trying to communicate over long distances with team members.

The efficiency-killer we see most often is that the critical proximities are off. For example, if marketing and sales are across the office from each other, they'll be far less efficient than if they were located adjacent.



04.

Reason to Take Charge #4 Increase Employee Engagement

Custom, branded office spaces have been shown to increase employee engagement and job satisfaction. These offices send the message that individual employees are appreciated and supported by the company, which in turn inspires employees to support their company through their hard work. Cookie-cutter office spaces, however, often fail to inspire loyalty, creativity, or engagement. With a custom office space, you can give employees the tools they need to do their best work, like breakout spaces that are strategically placed to bring out the most creativity and energy in your workforce.

05.

Reason to Take Charge #5 Have the Space That Supports Growth

Office space is a platform that should support business growth strategies and expanding markets. A great design team can take your growth goals and incorporate them into your space so that when you are ready to expand, or if one department is ready to expand, you have the layout that can grow with you. This saves money in the long run by prolonging the time between moves – and that longer lease time also gives you more leverage when negotiating terms with the landlord.



06.

Reason to Take Charge #6 Control of Cost and Timing

As the tenant, your goals may be to support your business's unique needs, obtain the best return on investment for your leased space over time, minimize the disruption of your own operations, and avoid the costs of going over budget or beyond your acceptable timeline.

The landlord's primary concerns are always going to be economic. They want to receive rent as soon as possible, maximize the return on their improvement investment, mitigate any liability for design or construction defects, and save money by buying uniform materials in bulk for use throughout the building. These goals have nothing to do with your brand or your needs.

In some turn-key contracts in which the landlord is responsible for hiring the contractor and determining the move-in date (when the tenant agrees to begin paying rent), the tenant is obligated to pay all excess costs but doesn't control the construction. This arrangement can become very expensive when changes are made during the process.

When you control the allowance, custom fit offices don't have to be more expensive than the standard cookie-cutter options - in fact, they can even cost less. Even though the materials may be of higher quality, and the layout is tailored to your present and future needs, you'll save money by removing redundant steps and mistakes. You'll also benefit from knowing actual construction costs early in the design process and controlling where the costs are allocated.

When you want the best for your company, don't give away control over your office space. Work with your broker and architectural firm to negotiate terms that work best for your business, and design the office that can support your company as it rises to the next level.



Our Firm

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