

Start early

How to increase the success of real estate projects through early planning **Interviewed by Sue Ostrowski**

With a plethora of real estate signs posted around town, it may seem like a simple task to go out and find a new location for your business.

But it's not that easy. And businesses that do not start planning 12 to 18 months out may find themselves forced into an unsuitable space or paying more than they would have if they had planned ahead, says George J. Pofok, CCIM, SIOR, senior vice president of CRESCO Real Estate.

"Very often, businesses wait until the last minute to start looking because they are focused on growing the business and real estate falls into that, 'We'll get to it when we get to it' category," says Pofok.

Smart Business spoke with Pofok about how early planning can increase your odds of a successful business move.

How early should a business start thinking about a new location when considering a move?

If you're in a lease situation, you want to start looking 12 to 18 months ahead of the expiration of your lease agreement. Part of that depends on the size and type of company; larger companies and specialty niche type companies typically need to be even further ahead, and if you are a smaller manufacturer or office user that occupies 3,000 to 5,000 square feet, you can probably get away with nine to 12 months.

The process may take even longer for new construction, which will involve land acquisition, building design and multiple layers of financing, as well as dealing with the state, county and municipality about building permits, economic incentive and low interest loans. Because you're dealing with government entities, things tend to progress more slowly than they would in private enterprise.

What should a business be looking for in a new location?

You need to have projections on where you see the growth of the company, both in terms of sales and in where your industry is heading. I would also encourage you to talk with your employees and see how their current space functions, because oftentimes, managers are not in tune with the product flow or distribution flow. For example, in the distribution sector, the people who are driving the tow motors and delivery vehicles on a daily basis may be able to offer valuable suggestions on how



George J. Pofok, CCIM, SIOR
Senior vice president
CRESCO Real Estate

set up your warehouse and eliminate some of the redundancies and improve company logistics.

What do you need to consider regarding location?

As you're looking at moving, you need to take into account your employees and where they live. Are you currently centrally located? Are you drawing a mix of people from the east side and the west side? Companies are often concerned that if they move from the east side to the west side that they are going to lose valuable employees who live on the east side.

You also want to look at the location of your customer base. If you are a warehouse distribution company, where are you sending your products? You want to be as close as possible to a prominent freeway so that you can eliminate the downtime of your drivers going to and from your building to the freeway. If you are looking at a location that is 20 minutes from the nearest freeway, you have 20 minutes to your building and 20 minutes back, leaving your drivers to spend valuable time just commuting to the freeway.

And if your drivers are earning \$20 to \$25 an hour, adding that up on a daily basis can contribute significantly to your bottom line.

GEORGE J. POFOK, CCIM, SIOR, is senior vice president of CRESCO Real Estate. Reach him at gpofok@crescoreal estate.com or (216) 525-1469.

How can starting the search early help your negotiating power?

If you wait too long, you can be forced into a making a bad decision. It hurts your leverage and negotiating power with an owner or landlord. This typically happens when a company's lease is expiring or already has expired, and has waited too long to start its search.

If a landlord knows you that need to make a decision, they can stick to their numbers because they know you need to make a move and make a decision now. But if you're planning things out, you can negotiate and lay out your needs a little better, and focus more on finding a location that is really geared toward what you need in your business.

How can an outside expert assist you?

Searching for a new location requires a combination of internal and external expertise. Nobody knows your business better than you, so it is imperative for you to gather information to provide an internal perspective and share that information with the external service provider. This is a team effort. Making the right real estate move will help the future direction of the company.

The external provider should ask the right questions to help pinpoint your needs. Are you currently feeling any pain? Is there something in your current space that doesn't work for you? For example, are you currently in a 14-foot clear building that prohibits you from keeping additional inventory on hand because you don't have the space? If you move to an 18-foot clear building, can you rack higher and have additional inventory on hand so that your customers don't have to potentially wait for a delivery?

It's really the job of the service provider to set and manage expectations. For example, a business may have a 40,000-square-foot building, however it has low ceilings and multiple demising walls separating the manufacturing or warehouse area. Today, this is typically an inefficient way to operate. Many companies still have it in their minds that they occupy 40,000 square feet and that is what they need. But when the external provider takes them into market and shows them a wide-open 40,000 square foot space, it makes them rethink whether they actually need that much space. It is critical to consider all the efficiencies and inefficiencies of a building. <<

Insights Real Estate is brought to you by CRESCO Real Estate