



Stay or Go?

By Chase Ferrell, Associate

Many of you reading this article are the “heart-beat” of Fort Bend County. You either own and/or operate a business that significantly contributes to the economy of our community. Almost all of you have leased office space at one time or another and have thought to yourself, “Should I stay in my current location, or should I relocate my office elsewhere?” In this month’s article I will examine the key factors that encompass this complex decision making process.

Why Is This Decision Important?

Leasing office space can be very expensive. Most office users spend more money on their office lease than what they spend on their homes. Think about when you purchased your home and how much time you spent looking and exploring the market. Shouldn’t you do the same for your office location? Let’s compare the costs between buying a new home and leasing a new office space: You spend \$300,000 on a 3,000 square foot home, with 4 bedrooms, 3 baths, and a pool. The average office rental rates in Fort Bend County are above \$22.00 per square foot per year. So, for the same 3,000 sf office space you spend \$330,000 over 5 years! With this in mind, office users need to investigate all alternatives and various factors that will ultimately determine where they choose to locate because a poor decision can be extremely costly over time.

Price/Lease Rate

Price, again, is always a determining factor. Rental rates coincide with building class. Class A being the highest end of the market and Class D being the lowest. You have the opportunity to control price by what Class of building you choose. Whether you choose Class A, B, C, or D is definitely important because each building carries a certain ambiance. Some businesses need building identity, i.e. signage on the building or on a monument.

Lease Type

The type of lease is also important. You can choose a full service lease which is typical of most large multi-tenant office buildings, triple-net lease which is more common for smaller, 1-story office buildings that have more exposure, or modified gross which is more typical for office/warehouse or flex space. All of these alternatives are different and must be explored so that you can make the most educated decision for your own business.

Location, Location, Location

This is the cornerstone of all real estate, but how does this pertain to you and your business? When making the decision of where to locate you must gauge the importance of your office location by its proximity to executives and/or owners homes, employees’ homes, restaurants, shopping, hotels, and customers. You must also think about access as well. How easy is it to get in and out of the property? Will my clients and customers be able to find it? Each business is different and each of these issues about location must be weighed appropriately in the overall decision making process.

Strategic Relocation

For those of you who are wrestling with the idea of relocating let’s review a few of the common reasons why a tenant will choose to relocate. The most common reason, for most tenants is the inability to handle future growth or downsizing issues. Another reason is that some tenants become frustrated with the conditions or increasing rents of their current location. In all instances, it is beneficial if you are knowledgeable about what is going on the marketplace.



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Summary

All of these issues must be addressed when making a decision to remain in your location or whether to find new one. As a commercial real estate professional, I deal with these issues with my clients everyday. In my next article we will explore the different methods and practices of how to quantify, qualify, and accomplish all of these ideas in a timely manner in order to get the best possible outcome in the event of office relocation.

If you are interested in learning more about office leasing please contact Chase at Indermuehle & Co.

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