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## Maximize workspace value through project management

by Don Fitzmartin

Office space is generally the second largest business expense on a corporate balance sheet, behind personnel. But business owners usually do not consider the impact that space has on productivity.

In today's competitive business environment, neglecting to maximize the value of your workspace and minimize this expense to the fullest can have a significant impact on a company's bottom line.

Too often with commercial real estate, tenants and their brokers gauge the success of a real estate transaction primarily by the difference between the current market rental rate and the negotiated lease rate. However, this neglects what may be the largest financial impact of a workspace decision.

To maximize savings potential, tenants must consider all facets related to their company's circumstances. In getting started, the following factors are crucial to the success of any transaction:

### Programming and Needs Assessment

Understanding employee growth expansion and contraction needs is critical for strategic planning. Oftentimes these needs are minimized, which can have an adverse affect on productivity and efficiency. Project success comes when a company's vision and direction are prevalent in a corporate office's design and function.

### Site Evaluation and Due Diligence

Whether planning a new building or evaluating existing space, careful consideration must be given to existing conditions. Each site must be investigated through a quantitative analysis process.

In evaluating land sites, it is critical to understand the basics such as availability of utilities, current zoning, drainage challenges and easement restrictions.

When looking for existing office space, understanding watts

of electrical and tons of HVAC per square foot, existing code violations or an outdated infrastructure can prevent unanticipated tenant improvement expenses.

A seemingly even comparison of two buildings with the same quoted rent is not truly comparable if one requires additional expense to improve base building condition. Does another buildings layout create a more efficient opportunity which will allow a corporate user to lease less space?

Each site is unique -- a land site or existing building site may create an embarrassing financial impact if not evaluated correctly prior to finalizing a lease or purchase.

### Selecting a Team

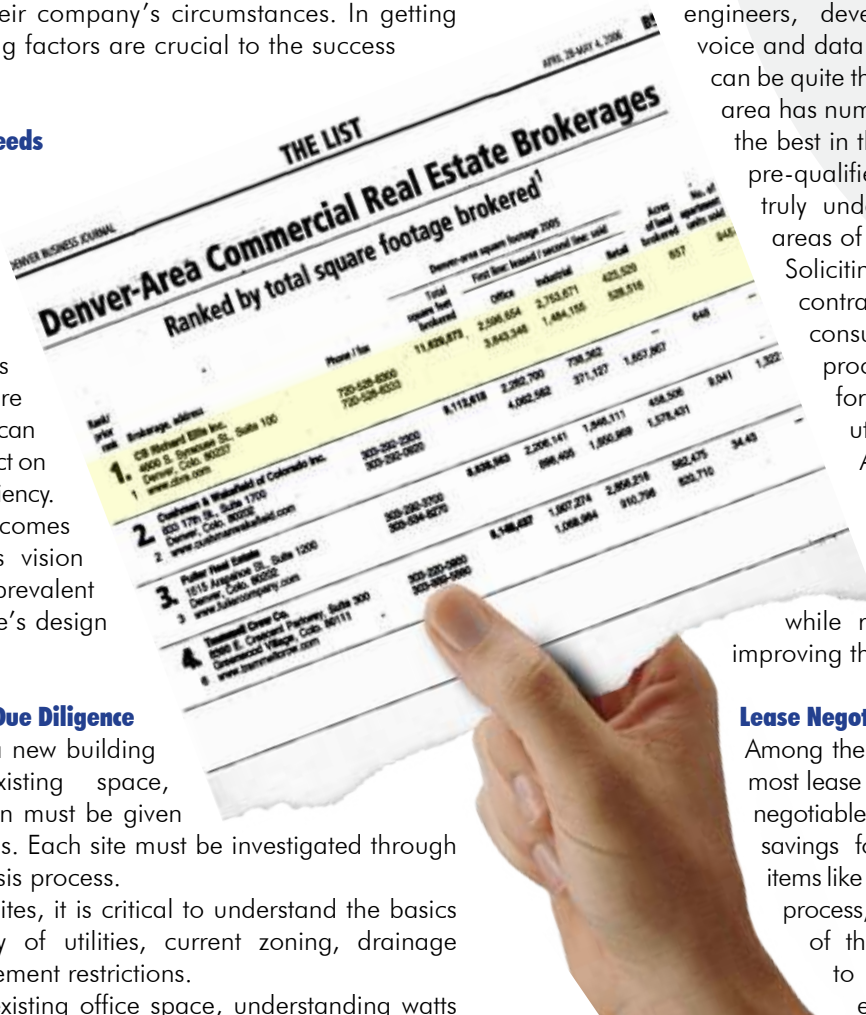
Selecting team members such as architects, engineers, developers, general contractors, voice and data cabling vendors, movers, etc., can be quite the challenge. The Denver metro area has numerous vendors that claim to be the best in the industry. The trick is to have pre-qualified, trustworthy vendors and to truly understand their team member's areas of expertise.

Soliciting proposals and negotiating contracts is also a very time-consuming and sometimes costly process. Selecting the right team for the right assignment is of the utmost importance.

A good team can develop a world-class, efficient design that can accomodate an increased head count and boost productivity while reducing square footage and improving the bottom line.

### Lease Negotiation

Among the myriad of pages that make up most lease documents, there are dozens of negotiable aspects that can lead to significant savings for tenants. These range from items like management of the construction process, contracting and disbursement of the tenant improvement dollars to after-hours cooling and eliminating vendors.



### **continued...**

By using project management services, landlord cost estimates and oversight fees can also be negotiated. It is very important to have project management expertise prior to signing any agreements.

#### **Managing the Design**

What about the potential for expansion or contraction over the term of the lease?

Is the space needs assessment accurate? For instance, is 30,000 square feet over the five-year term efficient, or could the requirement be redesigned to utilize only 25,000 square feet? What kind of image does your company want to project? How can we design a more energy-efficient building, and what are the associated premiums? How much money do you want to spend?

#### **Project Costs**

How much of a tenant improvement allowance is necessary to build out the space to effectively meet the project's requirements, accounting for all soft costs? This is essential for negotiating an accurate tenant improvement allowance.

How much land do I need to build my office building? Experienced project managers can develop these budgets well before signing a lease or buying land.

#### **Managing the Build Out**

When can occupancy be realistically achieved? What decisions must be made today to avoid delays in the future? This plan must account for all factors, including scheduling of design, client availability, permitting, municipal approvals, construction, furniture delivery, technology installation and all other relevant vendors' work. The best course of action for addressing these considerations is to enlist the appropriate expertise up front.

Sometimes when a company conducts a real estate transaction, project management is not considered until the ink is dry on the lease documents. Fortunately, more corporate tenants are beginning to realize the value of bringing project managers into the initial phase of the process to assist in creating a stable foundation for cost savings throughout the project.

An integrated team that includes a project manager and a real estate adviser facilitates more aggressive negotiation and avoidance of costly mistakes by helping to accurately identify both short and long-term space and infrastructure needs.

While the national economy and real estate market as a whole are improving, there are great variances in all markets. Whether you are a small, independent operation or a large corporation with multiple locations, it is necessary to bring in a project management specialist early.

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