Love It or Lose It

The following content has been created by
Caroline Shelly, of HF Planners, LLC,
a Blue Book Network Premier Member.

When a company realizes that its existing facility no longer meets the needs of the corporation, it is time for a change. But when should the company decide to construct new space vs. renovate what they are in?

There are a multitude of factors that need to be taken into consideration.

Leasing vs. Purchased Space Considerations:

The easiest place to start is with leasing space vs. owned space. If the space is leased, the terms of the agreement will affect the decision. For example, if the existing lease is more than 5 years, depending on the early termination agreement, it may make financial sense to stay in the location and renovate the facility to meet the goals of the corporation. Renovating in place causes different headaches than new building construction. Renovating in place requires a phased plan to be developed so areas of the building can be vacated along with a schedule so both the tenant and contractor are aware of key dates. In addition to updating the space, if the building is older, building system upgrades may be required such as mechanical and electrical systems. For example, a recent client did due diligence in the market place researching available buildings to purchase, and in the long run decided it was less costly to stay in their current building. This client made construction changes to the floor plan to accommodate additional employees using Tenant Improvement (TI) funding which had been included in the lease renewal agreement.

If there is less than 5 years on the lease, it may make sense to consider new construction. The cycle for new construction is lengthy and includes tasks such as funding, finding land to build on, identifying an architectural team to design the building, building permits, site clearing and construction. This can take as long as 2 years or more to organize.

Love It or Lose It

The following content has been created by Caroline Shelly, of HF Planners, LLC, a Blue Book Network Premier Member.

Determining Specific Space Needs:

Regardless of deciding on new construction or renovating a space each project should start with a comprehensive program developed by either an architect or interior design firm. A program is a detailed analysis of required spaces and work functions, quantities, adjacencies between departments and square footage needs. This information along with building systems integration will help determine whether an existing space can accommodate the companies needs or if new space is needed. With any type of construction, there also comes unexpected surprises and potential challenges. Any plan should include contingency factors in the event something comes up. Contingencies related to schedules for situations such as delayed permits, long lead time items, and site work problems should be planned for. Contingencies related to finances should be included for unforeseen construction issues, expedited deliveries or unexpected costs. There will always be hidden elements that no one can predict, not even the most experienced professionals.

While new construction may have a higher visibility, reduced maintenance and operational costs, the fact remains – there is still a glut of office space available in today's market that may help make the decision easier. The investment in an existing building may result in less funding and a reduced time frame for occupancy. Renovations may result in lower cost for improvements, less stress on employees for relocating and a positive impact on capital planning. Using a facility planning company that has strong relationships with area architects and engineering firms can eliminate aggravation.