

Practicing Due Diligence During Site Selection

While tenants often hire a real estate broker to assist with site selection, they are often reluctant to hire a project management firm, architect and mechanical engineer until lease execution. However, taking this approach can result in a more complete project schedule, significant budget impacts and an increase in square footage per employee.



The project due diligence team's job is to ensure that the tenant receives complete site selection analysis.

When seeking commercial space, the tenant and broker need to keep several guidelines in mind including: geographic location, rental rates, visibility and floorplate size.

Once the long list of possibilities is considered, building selections should be narrowed down to a short list. Criteria such as space availability, building ownership, competitors within the building and the tenant's operational needs must be considered to make the best site selection for a tenant's investment.

Once the potential sites are narrowed down, an experienced broker will prepare a RFP for each building on the short list. The RFP will include negotiations on rental rates, operating expenses, expansion and contraction rights, sub-lease rights and improvement allowances. During site selection, the relocation costs are compared against lease renewal costs. Once comparative information is gathered, it is the ideal time to perform project due diligence.

At this point, a project management firm, architect and mechanical engineer can be hired for the project due diligence scope only, allowing these firms to demonstrate their expertise before the project commences. The project due diligence process includes an assessment of project goals and challenges. A tenant should also consider architectural test fit plans, the site's lobby and elevators, the floor base building conditions and the building's mechanical systems.

In order to assess the goals and challenges, the firm's decision makers should review these objectives with the project due diligence team, ensuring the team understands the tenant's needs. Typical project goals include changing work place standards, post-merger changes in company cultures, business continuity and disaster recovery. In general, project challenges can include limited site choices,

budget limitations and a tight project schedule.

The architect lays out a "test fit" plan for each building, including the existing space. Test fits are based on tenant work place standards for private offices, cubicles, common areas, etc. The floor plate size, window spacing, column size and spacing, building core location and size all impact square footage per employee. In some cases, space efficiency in one building can be 20% greater than another building, often offsetting a higher rental rate.

Many building owners have lobby and elevator renovations planned while re-tenanting a building. The project team must understand lobby renovation scope, schedule and impact on the relocation. Elevator quantity, capacity, speed and access to freight elevators or construction hoist during construction must also be delineated.

Meanwhile, the quantity, condition and ADA compliance of rest rooms is important, especially if the tenant has predominantly male or female employees, requiring the need to add rest rooms. Floor slab levelness must also be considered since extensive leveling can add to the build out costs and reconfigurable furniture systems require very level floors.

The electrical and cooling capacity of a building is critical for the tenant and whether additional cooling or electrical capacity will be supplied at the landlord's or tenant's cost. Many buildings have building management systems that can provide greater air conditioning and heating control, providing increased tenant comfort. Newer buildings have overhead heat, which eliminate perimeter convectors and allow furniture to be placed against exterior walls, which gains space. Emergency power capabilities are also important in the post 9/11 environment.

Telecommunications pathways and satellite dish roof space are important for today's technologically reliant tenants. If a tenant is considering a cafeteria for the facility, exhausting to the exterior, grease traps, garbage removal and dish washing are all critical site selection issues.

The project due diligence team, managed by the project management firm, will take all the raw technical data compiled by the architect and mechanical engineer and translate it into an easily understood report, including comparative budgets and schedules. The purpose of the team is to support the real estate broker, ensuring that the tenant receives a complete site selection analysis for each site being considered.

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