



SHOULD WE STAY OR SHOULD WE GO NOW?

The thought of relocating can be disruptive to your sleeping pattern. You will sleep more soundly if you take the time to consider all the scenarios to stay in your current location. After you have exhausted the possibilities, and a move is still the compelling choice, you can now move forward without reservation.

A well-coordinated relocation process with plenty of lead time will allow you to adequately evaluate all options and to negotiate your best deal. If you wait until the last minute, you compromise negotiating leverage and will have fewer choices. So plan ahead!

Now that you've planned ahead, you still have a lot of work to do. The eleven steps to the relocation process are:

1. Define Your Requirements: Have you ever gone to the grocery store without a list? I have, and typically I end up with \$300 worth of groceries and no bread, milk or TP (Beer or TP? Beer won). When you define your real estate requirements, some things to

consider are: location, image, size, growth, budget, amenities, accessibility and preferred tenant mix. After defining your requirements, you will be in a position to effectively seek options.

2. Evaluate All Options: Don't jump in the car just yet. If you haven't hired a broker, you should consider interviewing two or three and hire one. Brokers typically don't cost you any initial out of pocket expense and they can provide objective information about the market and various buildings. And knowledgeable brokers will know about spaces that may not be on the market yet.

3. Inspect The Top Choices: After you have reviewed all options, narrow the choices to a manageable number. When inspecting the properties take notes, because after touring for a while, the buildings will all start to look the same.

4. Request Proposals: A Request for Proposal (RFP) is typically used for requirements larger than 5,000 square

feet. Besides economics, the RFP should address significant lease language items such as: Base Building Definition, Operating Expenses, Subleasing and Assignment etc. For smaller leases tenants should submit a proposal outlining the terms that they would be willing to lease the space for rather than an RFP.

5. Preliminary Space Plan: After you have received the owner's proposals, select the top two or three buildings for a space plan. In most cases, a building will provide you with a free preliminary space plan. A preliminary space plan will help you determine which building is the most efficient and what your actual square footage will be. Some buildings may look great on the outside, but when you start to plan your space all those cool angles and rounded facades may create challenges when laying out your space.

6. Negotiate With At Least Two Sites: Select two or three buildings to negotiate with. This negotiation process can take a long time, and a

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number of strategies work well. Whenever negotiating make sure that you record significant meetings of the minds. This can be done by simply writing a “memo to file” or sending a letter to the landlord restating your understanding.

7. Letter of Intent (LOI): An LOI should be a comprehensive and precise summary of the economic terms and conditions you have agreed to with the landlord. At this stage the cost and scope of Tenant Improvements (see #8) should be close to finalized. While an LOI is generally a nonbinding agreement, it does serve as a guide to draft a lease.

8. Finalize Scope and Cost of Tenant Improvements: More misunderstandings crop up when the scope of work is not finalized before signing a lease. If time permits finalize scope and cost of work. Depending on the circumstances it will make sense to hire a Construction/Project Manager. For larger lease transactions, this service should be provided by your representative or subsidized by the Landlord.

9. Negotiate Lease Language: Besides having your broker thoroughly review the lease for compliance with the Letter of Intent, for larger leases it's wise to hire a real estate attorney. When negotiating financial and legal issues, consider that the lease is the only record of your understanding with the Landlord, and the Landlord could change (Building sale). So while you would like to think a handshake or verbal assurance is adequate, get it in writing.

10. Stay Involved with Tenant Improvements: Either hire or assign a Project/Construction Manager. This service should be provided by a full service tenant representation agreement but if not, budget for it! Not only will you save money you will avoid mis-steps that could delay the process.

11. Move In!: The move-in date is best scheduled on a weekend, so when establishing the Commencement date of your lease, be sure to check that it is a Monday. No sense in paying rent when you're moving into the space.

The key to the relocation process is to start early and clearly define your needs. Carefully consider your options to stay up front. If you take the time up front to do these things, the chances of a smooth stress-free relocation are increased dramatically.

By Thomas W. Bacon, a 28-year veteran in The Commercial Real Estate Industry

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