

# Identifying the *Perfect* Location

## Many Factors Go into the Process of Choosing a Site for Your Business

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**H**ow many times have we heard the chant 'location, location, location?' Certainly, too many to count.

For each business owner it means something different. For one, the concern may be the physical location, and for another it is the affordability of a rental space even if it is off the beaten path.

You should take great care in the selection of a location for your property. The essential key to picking the right spot is the determination of factors that will increase customer volume and translate to greater profits. You must know where your customers come from. Do they walk or drive, and where will they park? Do your customers want other business nearby or do they prefer an isolated location? Is the neighborhood or building one that will draw customers in or deter them?

The perfect location for any business is a very particular decision. Identifying and understanding the shopping, spending and servicing habits of your customers will make the selection process an easier one.

Once you decide where you want to be, you need to evaluate whether you should rent or buy that perfect space. If a business is new or does not have the funds available to purchase property, the decision to rent is likely. In addition to the struggles of starting a new business, developing a customer base, management and operation, staffing, and the delivery of products and service, saddling the business with a high interest payment may not be sound financial judgment. It is important to avoid tying up valuable working capital, and it's easier to move to new quarters if your space needs change.

When looking for commercial space to lease, a forecast of projected monthly revenues and expenses will be

required to determine the amount of rent you can afford. Commercial real estate brokers and agents can assist in determining the rental costs for particular neighborhoods, as generally, commercial space is rented on a price per square foot per year in an area.

If you decide to rent the space, consider if it is expandable to accommodate growth. Does it have telecommunications, phone and other data line capabilities, and is it connected to a fiber optic network or wired for high-speed Internet connections? Is there enough power for your needs and adequate parking? Will your business be in compliance with zoning regulations? A spot may be good for business, but if it's not zoned for what you plan to do, you're asking for trouble.

Never sign a lease without being sure you'll be permitted to operate your business in that space. If any of your business activities are outside the zoning for the location, and the zoning board is not willing to work out a way to accommodate you, you may have to find another space. This also applies to home offices and businesses. Be sure that your home-based business does not violate zoning and other laws that regulate residential and business spaces, and beware restrictive covenants that may exist on your property.

The lease itself for the rentable space must be appropriate in order for the location to be optimal. The length or term must be short enough to allow you flexibility if your needs for the business change, but long enough to ensure that you will be able to operate your business for a determinable period of time. Often, an option to renew the lease for a particular term is used to accommodate both the tenant and landlord. It gives the tenant the ability to renew and keep the space, but protects the

landlord by identifying a potentially longer-term rental relationship, and also provides for the ability to increase rent.

Negotiating the rent for the space is critical. Compare rates for similar spaces and request a deduction in rent from the landlord if it seems unreasonably higher than comparable space. Rent may also be waived during an initial start up phase. Generally, rent reductions are not common unless the market is saturated with vacant space or there is an offset for the tenant's moving expenses or build-out costs. Additionally, an annual increase is generally built into the lease terms and should be capped at a maximum rate. Also, make sure you are comparing apples to apples. Be mindful that a 'gross lease' includes utilities, repairs, taxes, and insurance costs as part of the rent paid to the landlord, and a 'net lease' means that you pay for those costs separately. The costs can be high, so be sure to factor them into the rent budget.

Do not forget that the space must comply with the terms of the law. For example, a space must comply with the Americans with Disabilities Act, which requires that all businesses open to the public, or that employ more than 15, have premises that are accessible to disabled people. Make sure that you and your landlord are in agreement about who will pay for any necessary modifications, such as adding a ramp or widening doorways to accommodate wheelchairs.

Finally, negotiate for the ability to sublease or assign your rights in the lease to another, just in case you need to move out. This will allow your business to have someone else take over the space without having to break the lease.

In commercial transactions such as leasing or purchasing of real

estate, there are fewer consumer protection laws to protect the business owner, therefore it is extremely important to consult appropriate professionals when making decisions for your business and yourself. In addition to commercial real estate brokers and agents, you should consult an attorney to assist you in your lease or purchase of space.

For example, suppose you found two locations that meet your needs, and one is for lease and one is for sale. You're not sure which would be a better deal. An attorney can review the sales and the lease agreements, then evaluate your short and long term business needs and financial situation, in order to minimize the uncertainty of each transaction. An attorney should assist in the review and negotiation of a lease or purchase agreement to ensure the language accurately and adequately represents your best interests as a business owner. This assures that you are properly advised regarding the contract itself as well as local codes, zoning regulations, assessments against the property, liens, and environmental concerns.

There are no specific rules on how to choose a good location for a business, but there is nearly nothing as important when positioning yourself for success. You need to evaluate how location will, or won't, contribute to the success of your venture, and you should proceed with care, caution and deliberation when making the leap.

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