

Move Your Office or Renew Your Lease—Which Is Cheaper?

I believe in the adage that everything costs the same whether it is front loaded or back loaded. This also could be said when making the decision to move an office or to renew the existing lease. If you have outgrown your space or do not need as much space, the decision to move may be an easy one. But what if you could remain in the existing office because the space fits your needs?

The rule of thumb when moving an office is that the cost to move from one location to another is \$2.50 per square foot. In addition, businesses must typically buy new equipment or furniture when they move to a new space. If there is no driving reason to move other than that the lease is up for renewal, why bother spending this money, particularly in uncertain times? Yet there may be compelling reasons to make a move.

A business that does not remain in a constant competitive mode will eventually die. Businesses that fail to improve and upgrade their working environment face hidden costs that could have long-term devastating effects.

First, let's look at equipment. Computers, copiers, and printers have a shelf life of three years before they are considered obsolete. They may continue to serve your business needs, but they will no longer keep you at a competitive level. Although most businesses will upgrade some equipment during a typical five-year lease, more often, a business will make improvements on a piece-meal basis. Wiring, servers, telecommunications lines, and equipment are often not dealt with until a company moves. If a tenant decides to renew a lease and does not consider upgrading equipment as well, it could face unexpected obsolescence of equipment and additional lost productivity.

Second, the appearance of the office: Unless you physically move out of the existing office, even basic upgrades such as painting and carpeting are difficult and expensive. Moving walls within an existing office could prove even more burdensome. Typically, a physical office is built to last five years. If you renew for an additional five years without upgrading the physical design, your office will soon look shabby and rundown.

Third, employee morale and hiring are directly and indirectly affected by the physical state of an office. A sparkling new office sends a message of freshness and excitement. It also gives staff an opportunity to "clean house" of old files, unnecessary equipment, and all those old wires under their desks for equipment that they no longer use. A new office attracts talent. If a prospective employee has a choice of jobs and where to work, the employee will gravitate toward a new updated office environment and good location every time.

If you do decide to move, you can create a competitive bidding environment between landlords for the new lease. Although free rent is not as great a concession as it was during the last economic slump, landlords often will provide some discount, which may offset your

moving expenses while providing a rental rate that is equal to or better than the existing lease for similar quality space.

A new landlord may provide a build-out allowance or free space planning or offer other enticements to attract you—on the contrary, landlords rarely give an existing tenant a dollar-for-dollar concession to renew a lease.

Every business needs to evaluate the efficiency of its offices regularly. If you can hire one more producer in the same amount of space by laying it out differently, or if you can handle the same amount of staff in less space, that savings could be huge over the course of the new lease.