

In Office-Space Hunt, Don't Follow the Herd

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As much as we may admire individuality and going it alone, it hasn't been something we've done much of as human beings over the millennia. Beginning with cave men huddling together in caves to hide from predators, our ability to survive as a species has depended on living and working in communities of like values, work styles, and goals. Hunters lived with hunters; gatherers with gatherers; warriors with warriors and so forth.

Over the past many decades, we've carried this "herd mentality" into our business culture. Detroit became the mecca for the automobile industry – as if cars couldn't be manufactured in St. Louis, Chicago or even Poughkeepsie. Most large banks and financial institutions with any national or international presence have clustered along Wall Street and other lower Manhattan addresses. Just a few blocks away, Madison Avenue has served as the address for much of the nation's advertising talent over the years. Even new technology companies follow the herd instinct. The best example is Silicon Valley, the world's high-tech capital, near San Jose.

Locally, our wireless empire, including Qualcomm, Cricket and others, has gravitated to Sorrento Mesa. The Torrey Pines area spawned and continues to host our region's biotech industry. Downtown San Diego is home to most of our area's largest law firms and brokerage houses. Mission Valley hosts many insurance companies and the list goes on and on.

There's certainly nothing wrong with clustering for the right reasons. Business corridors form around readily accessible customer bases and labor pools as well as infrastructure amenities such as rail, proximity to airports, freeways and desirable residential areas; ready access to power supplies, and other resources. In many cases, the reason a company locates next to companies in the same line of work is the reputation of the address itself as a place where the big guns are based.

However, clustering isn't always cost effective. Landlords fully realize the perceived benefits of the sub regions where they own spaces for lease. In Carmel Valley, for example, landlords can add roughly 20 percent in their rents because they know the chief appeal of that area is its short commute for senior executives.

Landlords often know what a prospective tenant's competitors are paying for the privilege of living close to work. Such inside information can seriously restrict any leverage that tenant has to negotiate a decent lease, much less one that has any flexibility in price and concessions.

Proximity also can breed excessive competition, including pirating each other's employees and compromising proprietary business practices.

For that reason, office space alternatives away from one's competitors and outside an industry's traditional Zip Code are important to consider in today's marketplace. A "non-corridor" location can create a market presence without instant comparisons to one's competitors and often at a lower occupancy cost, thereby enhancing that tenant's competitive edge. Landlords are prone to be more flexible in such cases.

Beyond the dynamics of where to locate, commercial office tenants need to focus on other factors when looking for new quarters. Do they need a traditional floor plan with individual offices or can they make do with open floor plans?

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Obviously, it depends on the nature of the business and how it operates. For most companies, though, an open floor plan works just fine. It's cheaper to outfit and furnish and it tends to enhance communications and collaboration while minimizing worker hierarchies. Gone are the closed doors that can create worker anxiety as well as whining employees who bemoan others' larger offices.

Open space plans do have potential problems that need to be taken into account. How to control heating and cooling for all hands in one giant room and the personal habits of co-workers can create discontent on the part of others.

However, in the end we are creatures of the herd. Open floor plans respond to our innate need to gather. For companies, they offer flexibility to change workspace configurations in response to their needs and to do more with less.

Some negotiations advice: An office tenant needs to know the full range of central business and off-the-beaten-path locations and the types of floor plans available and then find the "perfect" space that fits those criteria before sharing his leverage points – his 'gives and takes" – with the landlord or the landlord's broker.

As perilous as prehistoric times might have been for those living and working in caves long ago, at least they didn't have to worry about landlords. And that's all I'll say about that for now.

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