

Article

Window For Better Rates Downtown About To Open

10/4/2013

Austin Business Journal

There is a finite window for securing below-market rates. Once new buildings start to meet minimum lease thresholds, the competition will decrease and the best deals will be gone. Current market conditions make for fertile hunting ground, so here's how it may shake out for office seekers.

Tide turning

You have two years left on your downtown Austin office lease. If you're smart, now is the time to start evaluating your options. Two years may sound like a long time, but for the first time in several years there is a tenants' market with opportunities to secure below-market rates. Austin is seeing increased competition among downtown, Class A office space due to new construction in the Central Business District.

Construction can take time, but if availability matches up with your company's needs and timeline you could get a good pre-lease deal now. Not only is there competition between new building owners, new construction is creating competition between existing landlords.

My bottom line: Competition is good for tenants, and Munsch Hardt hopes to take advantage of this market dynamic and any other opportunities that arise during our search.

Help is out there

Happy where you are? Great, but unless you have an extension option or other contractual rights that will guarantee you below-market rates for the new term, it is time to engage a commercial real estate broker specializing in downtown Austin. Better yet, if you are looking at new construction or space that needs to be demolished or refinished, consider engaging a team that includes brokers and a construction manager. They can provide expert input, estimate finish-out costs and cut costs.

Find out how the brokers on the team are compensated and what they each bring to the table. If there are multiple brokers and they truly work as a team, bring different skills to the project and are not competing for compensation, you are likely to get much better representation.

My bottom line: Select a broker that is the best fit for your situation, not necessarily the one your friend recommends. Plan to negotiate payment of all or a portion of the construction management fees in the lease.

Know your needs

Your team is in place. What's next? It is time to dig into the details and then frame the search. In an effort to understand your needs, brokers will interview key personnel, review existing floor plans, examine your current lease and a list of personnel and their functions, as well as learn about your business and future growth plans. Then they'll present your options.

My bottom line: Consider all options. Still in love with your current space and want to keep it as an option? Inclusion in the side-by-side model can be helpful.

Test, then rest

After narrowing down the list to a few possibilities, select an architect and request a space plan or “test fit” to see how each space would work for your business. The plans should be used to determine required square footage, functional layout and future expansion plans.

Beyond finding the right space, be sure to consider all aspects of the lease terms. Triple net expenses, specifically taxes, can be a deciding factor when shopping for new or existing office space. With recent new construction options available, there are savings to be had.

My bottom line: The new buildings under construction in downtown Austin have, at least for the short term, created competition with existing landlords. Even with the offer of significant tenant improvement allowances for existing spaces, the savings on rent and triple net expenses offer new and better options.

Related Industries

Construction