

A START UPS GUIDE TO RENTING SPACE

at Sumas Regional Consortium for High Tech

This guide will provide you with key information and questions to consider when looking at space. It is intended for those who are taking their first steps into the commercial real estate market, on smaller office configurations, without the assistance of a commercial realtor or large investment.

When considering space for your start-up, it is helpful to identify what features are:

- **Must Have (non-negotiable)**
- **Good to Have**
- **Nice to Have (non-essential)**

Use the chart below to help you get started.

Questions to Consider		Must Have (✓)	Good to Have (✓)	Nice to Have (✓)
LOCATION Much of the space in Mission is located in the downtown area, with suburbs having an inventory ranging from 2% to 10% of the total.	<ul style="list-style-type: none"> • Do you need to be near your customers? Your suppliers? • A convenient location for you and your employees? • Is proximity to key locations (airport, university, etc) important? • Is public transportation nearby? • Is there adequate parking and is there a cost to your employees and customers? 			
BRICKS AND MORTAR Consider some of these aspects when looking at a specific building.	<ul style="list-style-type: none"> • Your impressions of the neighbourhood/surrounding area? • Are your neighbouring tenants important to you? • What are your hours of operation? • Do you and your employees need after-hours and/or weekend access? 			
AMENITIES & SERVICES	<ul style="list-style-type: none"> • Are there café's, restaurants, and shops nearby? • Does the building offer business services? Meeting rooms, printers/faxes, common areas? • Is cleaning included? • Is the space furnished? • Do you need furniture and movers? • Is there a Tenant Improvement Allowance-Money the landlord will invest to improve the space-for items such as carpet, new paint, etc? • How are the internet/telephone services handled? 			

NEGOTIATING THE LEASE

How much space will you need? A quick rule of thumb is 150 to 225-sq-ft per person based on both an open plan and individual office layout. Some can make a smaller footprint work. Do you need separate offices, storage or reception? Sketch out what an ideal layout would look like.

TERM is the length of the lease agreement. Based on your business plan, how long will the space work for you? Many leases call for a three year or longer term. If you are in a longer term and have outgrown the space, many leases will allow you to sublet to a third party, with the landlord's permission. However, you are still on the head lease and need to make the payments to the landlord, and collect from your sublet party. Try for the best term that matches your business plan. Will the landlord consider an early termination clause?

FINANCIAL COVENANT is the strength of your financial position. Often a landlord will want to see your financial statements, banking information and perform a credit check.

Rent has two elements. **BASIC RENT** is your cost of occupying the space. **ADDITIONAL RENT**, also known as **OPERATING COSTS**, includes property tax and operating costs and is the collective cost incurred in operating the building. It is important to check what is covered and not covered under this category as it can vary. For example, cleaning may not be included and utilities may be metered and billed separately to the tenant.

In a net lease, Rent and Additional Rent are separated. Rent is negotiated as part of the lease discussion. Additional Rent is usually calculated on an annual basis, and charged back to you. In a **GROSS LEASE**, they are combined into one number with an inflation factor to recover increased costs.

Is there an option to renew? If there isn't, then at the end of the lease term you could be out.

Consider having a real estate lawyer review the lease document. The cost is worth you having a clear understanding of what you are committing to.

Depending on the strength of your position (financial and otherwise), some things you may ask for:

- **FREE RENT**- An incentive to the landlord may offer to get the deal. You might make the argument that it will take the first month to get your business up and running, and perhaps that could be rent-free.
- **STEPPED RENT**- Start with lower rent and increase over the term of the lease.

ALTERNATIVES TO RENTING SPACE

Can you share an office with someone you know?

SUBLET from an existing tenant. The upside is that rent is usually lower. The downside is that whoever you are renting from may be able to evict you with short notice.

BUSINESS CENTRES provide turnkey offerings, with buildings usually in prestigious locations.

COWORKING venues offer shared configurations for you and your team ranging from drop-in desks to assigned seating. Typically the term is flexible and a number of the business centre and co-working venues offer a form of membership that provides an office on less than full time basis, and access to amenities such as meeting rooms, printers, etc.

For more information on space available at SRCTec, please contact us at info@scrctec.org.