



Insider's View to Corporate Real Estate



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Representing Users Of Corporate Space Worldwide

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Another Hidden Cost of Office Leasing: 4 Things You Need To Know To Save Six Figures On Constructing Your Space

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You have received what you thought was an allowance from the landlord to fully pay for the sizable cost to construct your office space, only to be shocked later to learn that there is a six figure deficit that your company will need to cover! To avoid this disaster and other hidden costs of office leasing, contact me prior to starting the lease analysis process. In the interim, here's what you need to know.

1. The 20% Rule

If you are like many tenants throughout the United States, you are about to get a big surprise when you apply for your permit and learn that up to 20% of the cost to construct your office space will need to be dedicated to resolving ADA (Americans with Disabilities Act) deficiencies at the *building*, in accordance with the International Building Code, Section 3411.7 and The International Existing Building Code 605.21.

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By way of example, if you lease 25,000 square feet of office space, and receive a \$50 per square foot allowance from the landlord which you thought would fully pay for constructing your space, once 20% is deducted for ADA deficiencies, your company will need to come up with \$250,000 in capital to complete your build out.

2. Allowance Versus Cost

Construction costs are on the rise and unless you have priced your construction in advance and understand what leasing space in an "as is" condition means, there could be another big surprise. It wasn't long ago that a landlord indicated in his proposal to one of our clients that the tenant improvement allowance he was providing would cover the construction costs. Our team determined he was off by \$2,000,000!

3. Landlord Fees

Various review and supervision fees can add up and reduce what you thought you had to spend to construct your space. Proposals I just received for a client had landlord fees of up to 3%, based on the total construction cost.

4. Cabling Costs

Cabling costs are not included in the tenant improvements so make sure to budget for these separately. On average, cabling will cost \$2 to \$4 per square foot in the United States, depending on the density and technical quality (category 5 or 6).

For additional information about avoiding the hidden costs of office leasing and achieving the best corporate real estate solution for your company, contact me.

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About the Author

Carrie S. Holstead is the Chairman Emeritus of ITRA Global with experience representing users of corporate real estate in nearly 300 markets around the world. She is also the Founder, President and CEO of the longest established tenant representation firm in Pittsburgh, Pennsylvania. Carrie was just honored with the Exemplary Service Award from ITRA Global for outstanding leadership and contributions, and by *Smart Business Magazine* for leading a Top Company in Pittsburgh. Additionally, she is the acclaimed author of the monthly *Insider's View To Corporate Real Estate*, a frequent speaker, and has made a number of guest television appearances. **If your company has a local or global corporate real estate need, contact Carrie Holstead at +1 (412) 255-3737 for a conflict-free solution.** To receive the *Insider's View To Corporate Real Estate* electronically, sign up at www.carrieholstead.com.