

## OPENING A NEW BUSINESS LOCATION? AVOID THESE 15 MISTAKES AT ALL COSTS

Starting a new business is a learning process. You probably feel like you need to be part accountant, attorney, marketing expert, and fortune teller. And all that's before you even start to figure out where your physical business will be!

When it comes to locating and building your physical space, you want to avoid pitfalls that cost time and money. So we've put together some tips to help you avoid common mistakes that business owners make when **selecting a site, designing the space, and building out their new locations.**

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### MISTAKE #1: NOT HAVING EXCLUSIVE REPRESENTATION FOR SITE SELECTION

We say this all the time: choosing your business location is one of the most important things you'll do, and it can make or break your business. That's why site selection requires a lot of expertise. So why would you try to do it on your own?

Having an [exclusive](#) agreement with a commercial real estate broker tells the broker that you're serious. And when your broker knows that you're committed to finding a location, they will feel confident spending as much time as it takes to find you the right spot. Brokers sometimes even know of off-market opportunities that you wouldn't be able to find on your own.



Having an exclusive agreement with a broker also tells potential landlords and sellers that you're a serious business owner and that you're not wasting their time either.

On the other hand, if you aren't willing to sign an exclusive agreement, most brokers aren't going to be willing to work with you. They don't want to spend a lot of time looking for a property for you if there's a chance that you'll just walk away, or that you'll ultimately pick a property brought to you by a different broker.

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## **MISTAKE #2: NOT COMPLETING DUE DILIGENCE BEFORE SIGNING A LEASE OR PURCHASE AGREEMENT**

Can you imagine signing a lease or buying a building and then finding out it won't work for your business? That would be disastrous, right?

That's why you can **never skip due diligence**.

Due diligence refers to a period of time when you, as a potential lessee or buyer, can research and inspect the property thoroughly. This can be a fairly long period of time – 30 days, 60 days, even 6 months.

During due diligence, you're not just looking at the condition of the space, although that is certainly important. You're also looking at things like:

- Whether the space can be altered the way you need it to
- Whether the right zoning is in place
- Whether there are any environmental concerns, like mold or contaminated soil
- Whether the title is clear
- Tax records
- Code violations

This list is just a sampling of the things you'll need to look at during due diligence. As you can see, it's **really** important!

### **MISTAKE #3: NOT VERIFYING IF THE BUSINESS USE IS PERMITTED IN THAT LOCATION**

Zoning laws and regulations can be hard to understand, but there's no getting around them. As a business owner, the last thing you want to do is spend a bunch of time looking at properties, finally find one that's "perfect," and then find out that your type of business can't legally operate there.

At best, you'd then have to go through a lengthy process to get a special exception to the zoning law, and at worst, you'd go through that process and get turned down, and have to start all over again.

It's better to avoid all of this from the start by having a commercial real estate broker help you. They'll be able to research zoning and permitted uses quickly, so that you don't waste time looking at spaces that likely can't house your type of business.

### **MISTAKE #4: BUILDING OUT THE SPACE YOURSELF**

Maybe your build-out is relatively simple, and you think you can handle it on your own.

Stop and think about the time it could cost you. If you're running a business and you can only do the construction work after hours, how much longer is it going to take to finish the work? That extra time you spend on construction could be time that your business is open and generating revenue.

Can you afford to be paying rent while you're finishing the construction on your own and not open for business yet?

There are other things to be aware of too, like codes and safety requirements. Changing something as simple as a door swing might violate a fire safety code. Even little things can be important, and it takes a professional to know what those are.

## MISTAKE #5: HIRING FAMILY OR FRIENDS TO DESIGN OR BUILD YOUR SPACE

Maybe your mom makes a great meatloaf. Does that qualify her to cook in your restaurant? Probably not, because cooking in a restaurant is a lot more complicated than cooking dinner for your family.

The same goes for hiring family or friends to design or build out your space. It may SEEM like a great idea if they're creative or handy, but these skills do not necessarily translate to commercial design and construction. There's a lot more that goes into it than meets the eye – that's why architects and contractors spend **years** learning how to do it.



Family and Construction usually do not mix well.

Even someone who's knowledgeable about residential construction is not automatically a good match for a commercial build-out. There are a lot of differences between commercial

and residential construction – not the least of which is building codes, which are **much** stricter for commercial spaces.

## **MISTAKE #6: HIRING A ‘DESIGNER’ BEFORE THE ARCHITECT AND CONTRACTOR**

Ideally your design and construction teams should be working together from day one. If you hire a designer before you hire an architect and a contractor, you run the risk of a design that is 1) not feasible in the space, for a variety of possible reasons or 2) much too expensive for you to actually afford.

Architects don't just design things that look nice – they make sure that the materials are appropriate, that all the parts and pieces will work together, and that the building codes are met. Contractors provide invaluable advice about the costs of construction and how best to build something.

Designing a space without either of these professionals doesn't make any sense, because they're the ones who can tell you whether the design will work in the space and whether it fits your budget.

## **MISTAKE #7: BUILDING THE SPACE OUT WITHOUT A DESIGN OR CONSTRUCTION DOCUMENTS**

This is unsafe, not smart, and most likely illegal.

You should never just “wing it” when it comes to building out your space. Even if you're thinking “oh, this a small, simple space, we can just spend a few weekends working on it and it'll be done!” – you still shouldn't wing it.

Why? For starters, without construction documents, you won't be able to get a building permit. But why do you need a building permit, anyway?

Because the healthy and safety of your customers and employees is at stake. If the space isn't built out safely and correctly, you could endanger people. A building permit inspector will review the space to make sure you're in compliance with things like fire codes.

And if you get caught doing work without a permit, there are steep consequences: big fines, delays – it's just not worth it.

There are other reasons why building out without a design or construction documents would be a big mistake. All the countless little pieces and parts of a construction project need to be coordinated in advance. If you try to figure it all out during construction, it's going to take a lot longer and cost you more money.

## **MISTAKE #8: SEPARATING DESIGN & CONSTRUCTION INTO TWO DIFFERENT TEAMS**

The most efficient design and construction teams are [integrated](#). That means the architect and the contractor are engaged and working on a team together from the start. This method can save you a lot of time in your schedule, because the contractor can get started with their work on some things while the architect is still finishing the design on other things.

Using a design/build contractor is easier for you too. You'll have one contract with one company, usually the construction company. They'll bring along the architect and manage them, so that everyone is on the same schedule.

## **MISTAKE #9 MANAGING THE BUILDOUT YOURSELF**

You'd be surprised how much time and energy goes into managing a construction project. Most likely you'll have several different subcontractors who each do a different part of the job, and they'll all need to work in the same space.

But the drywall company can't start until after the electrician has done the wiring, and the electrician can't wire things until the walls are framed, and the carpenter can't frame the walls until the demolition is done...and they all want to know NOW when they should show up. And if they show up and the space isn't ready for them to work in, they'll leave to start another job, and then you don't know when they'll be back to do your job.



You'd be surprised how much time and energy goes into managing a construction project.

### **Are you exhausted yet?**

And before you even get to that point, you have to **find** all these subcontractors and **hire** them. You'll need to vet them all, negotiate prices, and sign a contract with each of them. And then figure out a construction schedule so you can tell each of them when to be on site.

There's a reason there are professionals who manage construction projects. They are worth it. You have a business to run, and trying to manage your build-out yourself will distract you from running that business. You don't want your business to suffer because you tried to save a few dollars.

### **MISTAKE #10: NOT UTILIZING AVAILABLE FINANCING**

Especially with today's low interest rates, it may not be wise to spend all your savings on a build-out and then not have enough of an operating reserve. If your business is brand new, it can take a while to start turning a profit – so you're going to want a cushion to get you through this period, and financing options can help.

A lot of times, business owners have been conditioned to think that all debt is bad. In fact, using available financing – especially at favorable terms – can be the smart decision.

There are lots of financing [options](#) for small businesses, and not all of them are loans (this [article](#) has some good ideas on alternative financing options for startup businesses). It's definitely worth getting some advice and exploring all your options on financing.

### **MISTAKE #11: UNDERESTIMATING THE AMOUNT OF CAPITAL YOU'LL NEED FOR A BUILD-OUT**

So your brother-in-law recently built an addition onto his house for \$90 a square foot and you figure that's a good enough starting point for you to use in budgeting?

No. Please. Don't do this. We're begging you.

You should **always** hire a professional contractor or developer who specializes in your type of building, and have them do an estimate for you so that you have an accurate budget to work from. Having a realistic budget is the key to getting your whole project off to a good start. And if there's a lender or investors involved in financing your project, they're going to require this too.

### **MISTAKE #12: NOT SHARING YOUR "REAL" CONSTRUCTION BUDGET BECAUSE YOU'RE WORRIED THE CONTRACTOR WILL TAKE ADVANTAGE OF YOU.**

It can be tempting to think "ok, if I tell this contractor how much I have to spend, his bid is going to be that exact amount, so I'll tell him I have less money."

But you're not negotiating for a dresser off of Craigslist, you're [hiring](#) a professional service that's critical for your business. A trustworthy contractor knows what things cost and they can help you get the most for your budget – but only if they know what it is.



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## **MISTAKE #13: MAKING CHANGES TO THE DESIGN DURING CONSTRUCTION**

Maybe you just went on vacation and visited this amazing restaurant and they had these light

fixtures that you **just have to have** in your new space. Or you shopped in a store that had cozy little fitting rooms scattered around and you want to duplicate that in your store. You should know that making changes during construction can have big consequences.

Changes that are made during design are easier to accommodate – though they might still cost more, if the architect has to redo their drawings. But once construction is underway, changes will cost you a lot of money and can extend the schedule.

There are a couple of reasons why. First, reworking the space layout may SOUND simple, but if you move one thing, a bunch of other things will have to move too: things like electrical wiring, ductwork, doorways, and walls. You could start a very costly chain reaction. Secondly, your contractor may have already purchased materials, and if they now aren't going to use those materials, they aren't just going to absorb the cost – they're going to pass it along to you.

Your best bet is to explore your options early on, commit to a design, and stick with it.

#### **MISTAKE #14: TRIPPING OVER DOLLARS TO PICK UP NICKELS**

**“IF YOU THINK IT’S EXPENSIVE TO HIRE A PROFESSIONAL TO DO THE JOB, WAIT UNTIL YOU HIRE AN AMATEUR.”**

*-Red Adair*

Several of the mistakes we've outlined in this article fall under this category. In general, trying a “DIY” approach in order to save a few dollars could really end up costing you in the long run.

Representing yourself, negotiating your own lease, or serving as your own general contractor might **seem** like ways to save money, but these are all things that require experience and knowledge. Unless you have this expertise, trying to do them yourself will likely result in unfavorable terms (in the case of a lease) or schedule delays and cost overruns (during construction).



Trying a “DIY” approach to save a few dollars can end up costing you more in the long run.

Consider this 2018 [statistic](#) about homeowners who try to sell their houses without a real estate agent: “The typical [for sale by owner] home sold for \$217,900 compared to \$295,000 for agent-assisted home sales.”

Now, we aren’t talking about buying and selling houses here, but the point is the same. A lot of people think they can save themselves money by not hiring a professional – but they might just be COSTING themselves money instead.

## **MISTAKE #15: NOT GETTING PROFESSIONAL HELP AND ADVICE WHEN YOU NEED IT**

As a business owner, it can feel like you have to do **everything**. But you don’t, and you shouldn’t try to. Site selection, design, and construction are highly technical, complex issues and you shouldn’t hesitate to rely on professionals to help you get the right space for your business.

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When you’re starting a business, some of the most important things are finding the right location, designing the space well, and building it on time and on budget. Make sure they’re done right to maximize your success!