

# Finding the Right Office Space in Minneapolis

Whether you're starting a new business or moving an existing one, choosing a location to rent should be an exciting time. You get to find a home for your passion – the place that shows the world what you're all about. However, researching and leasing commercial space can feel more stressful than exciting. There's no need to worry. Before you think about negotiations, you need to know what to look for in a new space. There are 4 basic guidelines that will make your search easier and more productive. [Here are the first three.](#)

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## Considerations That Will Save You Money on Commercial Leasing

### Space Productivity and Efficiency

In today's market, the key is to clearly define your usage, budget, and location. An efficient use of space will save you money especially in light of today's economic conditions. Apply BOMA standards to usable/ rentable space to make sure you are getting all the space you are paying for and are not paying for space you don't get. Have your space planner verify measurements and be creative with design.

A creative design can place your productive people on the

interior of a space rather than by window. Wonderful things can be done to the interior to create a great working environment even if the outside of a building may not be as appealing. A good architectural firm can convert most buildings to accomplish the environment you require, ie. an Old Victorian to an Ad Agency.

Be flexible on other issues and the transaction will fall in place. Today, Landlords are less likely to pay for lavish tenant improvements, so efficient space usage and simple, but tasteful improvements are key. For example, upgraded improvements to your reception and common areas that visitors to your firm actually see while being very basic in the individual offices and the "back" areas goes a long way in keeping the high image you need yet not costing extra improvement dollars.

## **Operating Expense Charges**

With an operating expense cost-pass-through, more rent will have to be paid as building operating expenses increase over a base year and cost-pass-through's take effect. You should compare previous years increases in your analysis of alternatives, thus make sure that the starting point is appropriate. It is very typical in today's market to request and receive CAMT Breakdown's from each landlord whose property you are considering. Try to negotiate some type of cap on annual increases, if possible, as costs (ie: energy; maintenance; materials just to name a few) are escalating at a rapid pace each year.

Be aware of categories that are typically included in CAM charges in your particular market vs. those that are not. For example, are light bulb and ballast replacement typical CAM charges in your market or not? Is a particular Landlord charging tenants for general capital improvements to the building or project vs. for only those capital improvements that are designed to reduce operating costs for the building

or project?

Since CAMT charges range from \$7.00 – \$9.00 psf in Class B office buildings and from \$10.00 – \$13.50 psf in class A office buildings, it is imperative that you don't get charged for items that should not be charged for.

## **Plan For Disasters**

What would you do if the elevator broke and your customers could not reach your office? What if a fire on another floor prevented your employees from reaching your office, or if the ceiling collapsed because of a water leak? It would at least be difficult to operate your business and you certainly would not want to pay rent during those times. But many form leases require you to do just that. Make sure that your lease states that your obligation to pay rent stops (the legal term is "abates") during the time you are denied reasonable use of, or access to your space.

In addition to fire or damage, the same scenario plays out for eminent domain, forces of nature, strikes etc. Make sure your rent abates during these times. Also, don't let the lease allow for more than 90 days for the Landlord to make the determination as to whether or not he can repair the premises or building and return to normal business function if one or more of these aforementioned events occur.

## **Other Considerations/ Clauses**

Holdover

Option to Renew

Option to Expand

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# Negotiating Commercial Office Space Leases

## Negotiations and Timing

It is always best to have three options or at least a good 2nd option when it comes to space alternatives. Use one to leverage the other to extract the best terms when negotiating. Don't be afraid to say "no" and walk away. Not having a good 2nd option minimizes the aggressiveness of your negotiation and can cost your firm money. Had you been able to "play hardball" and use leverage to its fullest potential, more economically favorable terms and concessions would have been achieved.

Plan ahead and start searching for space early. It is best to start the search process at least 9 months in advance for you to uncover your best choices. For example, waiting, whereby you only have a three month minimum timeframe or "window" limits your choices as your best choice might not even be in play during this short timeframe. Not only does a minimal timeframe limit your choices, it minimizes your ability to conduct an effective negotiation. Potential landlords and their brokers will sense or "read" your urgency with a short window and negotiate accordingly to achieve their best terms. When you have a longer time frame you can utilize time by effectively stringing out the negotiation and extracting additional concessions as you are in no rush to make a decision and the landlord's situation may be that he needs your firm's tenancy right away. Time is your ally when you have it and your enemy when you are racing against it.

Also note that your current landlord will try to "string you along" should you be negotiating with him for a renewal and on other sites. He will try to have you run out of time so that

you will have to renew because there now isn't enough time to build out what would have been your new space in time as your current lease expires.

## **Harness Your Emotions**

A lease or a sale is unfortunately, an emotional thing. Once a user or buyer gets emotionally attached, they are at a disadvantage. Do not let that happen when dealing with commercial real estate, especially in today's changing market. Pay more attention to utilitarian issues such as space layout, future growth, general location and economics. Either complete the transaction based on the merits of the economics and the real estate verses letting your emotions detract from quality decision making.

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## **Moving Your Large Data Center To Minneapolis**

Minnesota appears to be leading the nation in the 2012 economic recovery. This is not an accident as Minneapolis has the ideal combination of factors that make it a great area for high technology businesses such as Data Centers.

Minneapolis is centrally located in the US and is accessible by any means of transportation. There is a major international airport located just a few minutes from downtown Minneapolis and there is an emerging light rail system that will provide convenient transportation anywhere. The airport is rated the 15<sup>th</sup> busiest airport in the nation yet convenient as it has plenty of flights, but not the overcrowding issues that the larger airports have. In general, airline costs to

fly in and out of Minneapolis are well below the national average.

Data Centers locating in the Minneapolis and St. Paul general area will find a wealth of resources and support for Information technology needs. Minneapolis –St. Paul ranked 13<sup>th</sup> in high tech jobs across the nation with 98,600 jobs (based on 2009 numbers). Additionally Minneapolis-St. Paul ranks 1<sup>st</sup> in electro medical equipment manufacturing employment, 3<sup>rd</sup> in control instrumentation manufacturing employment and 4<sup>th</sup> in computer and peripheral equipment manufacturing employment.

Wages for Information Technology Professional tend to be slightly lower in Minneapolis when compared to other IT hot beds such as Detroit, Jacksonville and Seattle. But the cost of living is lower in Minneapolis when compared with most of the other areas. In short, a Minneapolis business should have no problem filling IT positions at every level.

Minneapolis has access to some of the best technical schools in America, so any company in Minneapolis can count on a good supply of new talent entering the workforce every year. Many of these schools work with local companies on intern and research programs.

Minneapolis was ranked as America's safest city by Forbes.com. This ranking was not only based on a low crime rate, but also factors such as traffic fatalities, workplace accidents and natural disaster risk. Minneapolis-St. Paul was also rated #3 for best place to live cheaply. Minnesota has an abundance of lakes, rivers and resorts and offers some of the most scenic drives in the country.

Minneapolis and St. Paul commercial real estate prices are among the lowest for cities of similar size. Office rental rates are typically very attractive and there are many parcels

of land available for commercial building. Additionally, there are plenty of existing modern commercial buildings available for lease or purchase.

The Minneapolis area is consistently ranked high for business support with access to leading edge research and workforce productivity. Minneapolis is also renowned for its highly stable and affordable utilities. In summary, Minneapolis should be the first location choice for a Data Center.

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## **Downtown Council details Nicollet Mall assessment timeline**

July 25,2014 – Properties that aren't right by Nicollet Mall will likely be assessed to help Minneapolis come up with the required \$25 million private contribution toward the \$50 million overhaul planned for the street, according to a plan...

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## **Franklin Street Properties**

# **Announces the Selection of its Development Team for the Proposed Redevelopment of the TCF Bank Building Site in Downtown Minneapolis, Minnesota**

July 16, 2014 – Franklin Street Properties Corp. (“FSP”) (nyse mkt:FSP) announced today the selection of its development team to lead the proposed redevelopment of the TCF Bank Building site located at 801 Marquette Avenue in downtown Minneapolis

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# **Historic medallions to grace Wells Fargo building in Downtown East**

July 2nd, 2014 – Six historic medallions that once adorned the front of the Star Tribune’s headquarters will be installed on dual Wells Fargo office towers that anchor a \$400 million mixed-use development in downtown Minneapolis.

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# **Twin Cities are still a hotbed for apartments**

March 28th, 2014 – Migration to the Twin Cities fueling a so-far-insatiable appetite for apartments

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# **Wells Fargo pays \$217M for two new Downtown East buildings**

March 6th, 2014 – The bank plans to move 5,000 employees into two 17-story office towers to be built near the new Vikings stadium.

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# **Big plans being hatched for downtown waterfronts in Minneapolis and St. Paul**

January 31, 2014 – As the heart of the metropolitan region – the cities of Minneapolis and St. Paul – becomes a growing center of development and population growth