Location! Location! Location!

How to Find the Right Location for Your Business

July 17, 2014
M & M Real Estate Development and Consulting is not a licensed real estate broker, attorney or accountant. Information shared during this seminar is not intended as giving professional advice or as a substitute for professional advice.
What are this seminar’s goals?

- Better decision making through informed planning
- Reduced anxiety and stress
- More profitable and enjoyable business relationships
What is the seminar’s format?

The format will be question-driven to help guide you in making better business decisions for your business.

You can’t get the right answers unless you ask the right questions.
What is business?

The **relationship** that allows a person or a business to **attract and maintain sufficient customers** who value its product or service enough so the business can profit from that relationship.
What business are you really in?

The answer to this question will help determine where your business should be located physically, electronically and in the minds of your customers.
What are some types of business groupings?

- **By Sector**
  - Raw Materials
  - Manufacturing Products
  - Sales and Services

- **By Location**
  - Store-front
  - Home-based
  - Web-based
  - Mobile (food trucks, trunk of car)
  - Seasonal (farmers markets, festivals, fairs, trade shows, conferences)
  - Door-to-Door (Girl Scouts)
- **By Type of Customer**
  - Business-to-Business (B2B)
  - Business-to-Consumer (B2C)

- **By Use**
  - **Office**
    - Class A: Top construction, best location
    - Class B: Top construction, less desirable location
    - Class C: All other
    - CBD (Central Business District): Downtown core
    - Suburban: Outside Downtown core
  - **Retail**
    - Single Tenant Building: Stand Alone
    - Strip Shopping Center: 30,000 SF – 100,000 SF
- Community Center  150,000SF – 350,000 SF
- Power Center    Big Boxes
- Regional Mall   500,000 SF – 1,000,000+ SF
- Outparcel       Single parcel inside retail center

- Industrial
  - Heavy Manufacturing
  - Light Assembly
  - Flex/Warehouse
  - Bulk Warehouse/ Distribution Center

- Hotel
  - Full Service
  - Limited Service
  - Extended Stay
- Special Purpose
  - Churches
  - Hospitals/Nursing Homes
  - Self Storage
  - Community/Recreation Centers
  - Car Washes
  - Theme Parks
  - Bowling Alleys
  - Theatres
  - Funeral Homes

- Destination  *(people seek you out no matter where you’re located)*
- Convenience  *(located on the way to where people are already going)*
- Necessity  *(goods/services people have to purchase or use)*
- Discretionary  *(goods/services people don’t have to have but want)*
What is the best location for your business?

The location that allows the greatest number of your customers to trade with you or your business on a regular basis so you or your business can be profitable.
How do you identify your customers?

Customers can be identified (segmented) based on their value to you or your business. Ranking them will give you an estimate of their value.
How do you rank customer value?
Customer value can be ranked based on the recency, frequency and amount of revenue generated by each customer.

<table>
<thead>
<tr>
<th>List</th>
<th>How You Feel About Them</th>
<th>How They Feel About You</th>
</tr>
</thead>
<tbody>
<tr>
<td>A List</td>
<td>All Stars (Visit often &amp; spend the most)</td>
<td>Love you &amp; tell others about you</td>
</tr>
<tr>
<td>B List</td>
<td>Better-than-Most (Visit less often &amp; spend less)</td>
<td>Very satisfied &amp; loyal</td>
</tr>
<tr>
<td>C List</td>
<td>Clandestine (Visit once in a while &amp; spend little)</td>
<td>You’re OK in a pinch</td>
</tr>
<tr>
<td>D List</td>
<td>Defectors (Visit rarely &amp; spend little)</td>
<td>Not into what you are selling</td>
</tr>
<tr>
<td>E List</td>
<td>Extinct (No longer exist as customers)</td>
<td>Very disappointed or mad at you</td>
</tr>
</tbody>
</table>
What’s another way to evaluate your customers?

Your Business = A Customers + B Customers (primary drivers of cash flow)
How would you describe your ABCDE customers?

- **Demographics (Personal Characteristics)**
  - Gender
  - Race
  - Age
  - Income
  - Household Structure (size, marital status, presence of children)
  - Employment Status
  - Housing Status
  - Vehicles per household
  - Veteran status

- **Psychographics (Lifestyle)**
  - Social Status
  - Religion (Belief System)
  - Group Affiliations (Identity)
- **Spending Habits (Economic Behavior)**
  - Buyer Preferences
  - Amounts Spent
  - Frequency of Purchases
  - Timing of Purchases

- **Business Demographics**
  - Type of Business
  - Size of Business (Revenue)
  - Number of Locations
  - Growth Forecast (growing or downsizing)
  - Business Cycle
What’s the best way for each segment to reach you?

Once you’ve identified your customer segments, their unique traits and their value to your business, you can determine the best way for them to reach you.

- Physical location (*From where will they reach your business?*)
  - From Home
  - From Work
  - From Mobile Device
  - From Web-based Device
  - From Leisure/Social Location

- Mental location (*Where are their minds and hearts?*)
  - Profession/Occupation
  - Interests/ Hobbies
  - Emotional Profile
What physical characteristics should be evaluated?

- **Site Characteristics**
  - Configuration of land
  - Road frontage
  - Appearance
  - Visibility
  - Signaled Intersections
  - Elevation
  - Physical obstructions (tree, other buildings, cell towers, transmission lines, etc.)
  - Access (Ingress/Egress)
  - Circulation within the site
  - Parking
  - Drainage

Make sure the property is not located in a flood plain!
- Slope
- Zoning
- Co-tenants

**Traffic**

- Traffic counts
- AM Traffic and PM Traffic
- Peak Traffic counts
- Traffic Bottlenecks
- One-way vs. two-way streets
- Speed limit
- Medians/ Turn Lanes/ Other traffic-limiting factors
- Future projects affecting traffic direction, speed and counts
- Leased Space
  - Optimum size for your type of business
  - End-cap or In-line space
  - Location relative to other tenants
  - Configuration/Dimensions
  - Upfit Needs
  - Equipment provided/ Equipment needed
What market characteristics should be evaluated?

- Size of your potential market
- Value of potential customers
- Size of your existing market (A+B customers)
- Value of existing customers (A + B customers)
- Products/services valued by customers (Wants vs. Needs)
- Price customers are willing to pay for products/services
- Experience, environment and benefits customers want
  - Competency in trade or profession
  - Status
  - Stress Relief
  - Safety
  - Security
  - Hope
- Ease of Use
- Dependability
- Adventure/Fun
- Companionship
- Time Savings
- Convenience

- Complimentary businesses located in your market
  - Major Traffic Generators
  - Cross-shopping behavior

- Competitive businesses located in your market
  - Shop the competition
  - Identify gaps between what people want & what exists in market
How to evaluate different types of leases?

- **Major Lease Types**
  - Single Net Lease (*tenant pays* taxes *in addition to rent*)
  - Net Net Lease (NN) (*tenant pays* taxes and insurance *in addition to rent*)
  - Triple Net Lease (NNN) (*tenant pays* taxes, insurance and maintenance *in addition to rent*)

- **Key Lease Provisions**
  - Lease Term
  - Lease Start Date
  - Lease Occupancy Date
  - Permitted Uses
  - Base Rent
  - Common Area Maintenance (CAM)
  - Advance Rent/ Deposits
  - Upfit Provisions
- Tenant Responsibilities
- Landlord Responsibilities
- Rent Escalators
- Lease Restrictions
- Lease Renewals
- Insurance

**Other Lease Requirements**

- Lease Applications
- Credit and Guarantors
- Default and Other Problems

Commercial leases are not regulated like residential leases
How to evaluate costs of a commercial lease?

- **Calculate base rent**
  - Multiply square footage (SF) by rent per square foot (PSF) (1300 SF * $13.00 PSF = $16,900.00)
  - This is the annual rent
  - Divide annual rent by 12 months to get the monthly rent ($16,900 annually/12 months = $1408.33)

- **Calculate Common Area Maintenance (CAM)**
  - Multiply square footage (SF) by CAM per square foot (PSF) (1300 SF * $3.25 PSF = $4,225.00)
  - This is the annual CAM
  - Divide annual CAM by 12 months to get the monthly CAM ($4225 annually/12 = $352.08)

- **Add in other charges due under the lease** (utility, parking fees, other services)

- **Total all charges** ($1408.33 + 352.08 = $1760.41)
# Pros & Cons of Leasing vs. Owning:

<table>
<thead>
<tr>
<th></th>
<th>Leasing</th>
<th>Owning</th>
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</thead>
<tbody>
<tr>
<td><strong>Acquisition Cost</strong></td>
<td>Usually Less</td>
<td>Usually More</td>
</tr>
<tr>
<td><strong>Monthly Cost</strong></td>
<td>Rent</td>
<td>Mortgage</td>
</tr>
<tr>
<td><strong>Maintenance Costs</strong></td>
<td>Shared/ Less</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Tax Consequences</strong></td>
<td>Can expense rent to reduce taxes</td>
<td>May be able to expense rent</td>
</tr>
<tr>
<td><strong>Ease of Relocation</strong></td>
<td>More flexible</td>
<td>Fixed</td>
</tr>
<tr>
<td><strong>Ability to Make Improvements</strong></td>
<td>Limited by Lease</td>
<td>More control</td>
</tr>
</tbody>
</table>
Resources

Demographics (*Databases*)

- **EASI Demographics (free)**  www.easidemographics.com
- **US Census (free)**  www.census.gov
- **North Carolina State Demographics (free) -- Office of Budget & Management**
- **Local Planning/Zoning Departments (free) -- see Planning & Zoning**
- **Free Demographics (free)**  www.freedemographics.com
- **Claritas**

Business License/ Permitted Uses/ Planning & Zoning

- **City of Carrboro**  www.ci.carrboro.nc.us/pzi/planning.him  919-918-7324
- **City of Cary**  www.townofcary.org/departments/planning=department  919-469-4082
- **City of Chapel Hill**  www.townofchapelhill.org/index.aspx?page=75  919-968-2728
- **Durham City/County**  www.durhamnc.gov/departments/planning  919-560-4137
- City of Greensboro  

- City of Hillsborough  
  [www.ci.hillsborough.nc.us/content/planning](http://www.ci.hillsborough.nc.us/content/planning)  919-732-1270

- Orange County  
  [www.co.orange.nc.us](http://www.co.orange.nc.us)  919-732-8181

- Person County  

- City of Raleigh  
  [www.raleighnc.gov/planning](http://www.raleighnc.gov/planning)  919-996-2626

- City of Roxboro  

- Wake County  
  [www.wakegov.com/planning](http://www.wakegov.com/planning)  919-856-6310

**Traffic Counts**

- NC Department of Transportation  

**Crime Statistics**

- NC Police Depts.  

- Spot Crime  
  [www.spotcrime.com](http://www.spotcrime.com)
Health Department
- NC Health Departments  www.nctalhd.org/county/htm
- NC State Department of Health  www.ncdhhs.gov/dhsr

Building Permits/Inspections  (See Planning & Zoning)

Fire Department
- NC Fire Departments  www.50States.com/north_carolina/fire_departments.htm

Thank you for attending!