

Location! Location! Location!

How to Find the RIGHT Location for Your Business©

July 12, 2018

M & M Real Estate Development and Consulting

908 Fayetteville Street ▪ Suite 201

Durham, North Carolina 27701

www.mandmrealestatedevelopment.com

Tel: 919-680-2878

Disclaimer



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.

Allstate doesn't sell insurance, it sells *peace of mind*

Volvo doesn't sell cars, its sells *safety*

Serta doesn't sell mattresses, it sells *relaxation (rest)*

Revlon doesn't sell cosmetics, it sells *hope in a jar*

What are some types of business groupings?

Businesses can be grouped into a variety of categories.

•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 your business on a **regular basis** so your business can **remain** profitable.

How do you identify your customers?

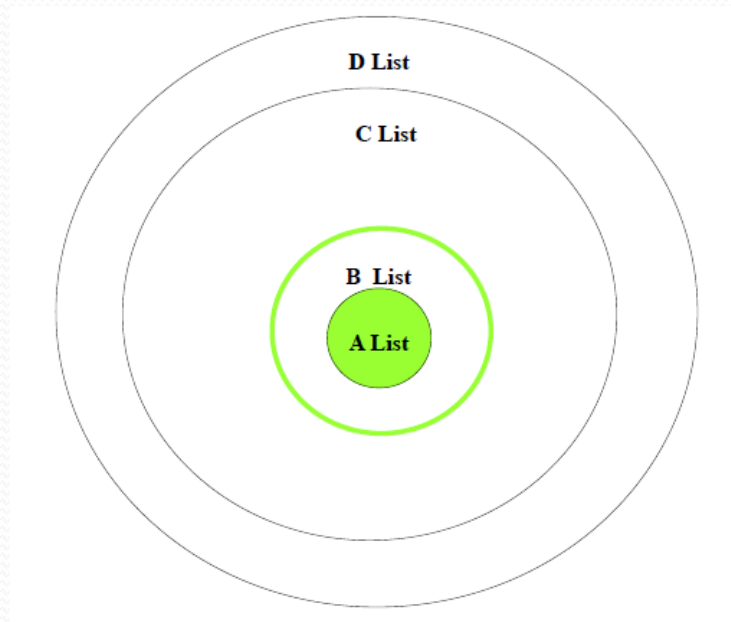
Customers can be identified (segmented) based on their **value** to you or your business. **Ranking** them can give you an estimate of their **life-time** value.

How do you rank customer value?

Customer value can be ranked based on the recency, frequency and amount of revenue generated by each customer. *Business is emotional and love is a 2-way street.*

	<u>How You Feel About Them</u>	<u>How They Feel About You</u>
A List	All Stars (Visit often & spend the most)	Love you & tell others about you
B List	Better-than-Most (Visit less often & spend less)	Very satisfied & loyal
C List	Clandestine (Visit once in a while & spend little)	You're OK in a pinch
D List	Defectors (Visit rarely & spend little)	Not into what you were selling
E List	Extinct (No longer exist as customers)	Very disappointed or angry at you

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

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 (*Where are they coming from?*)

- From Home
- From Work
- From Mobile Device
- From Web-based Device
- From Leisure/Social/Travel 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 the 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
- Slope



Make sure the property is not located in a flood plain !

- Zoning (allowable uses, restrictions)
- Anchor tenants, shadow-anchor tenants, 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/ Access Roads/ Railroad tracks
- Other access-limiting factors
- Future projects affecting traffic direction, speed, access, counts

•Space Considerations

- Optimum size for your type of business
- End-cap, In-line space, Outparcel, Stand-alone
- Location relative to other businesses
- Configuration/Dimensions
- Upfit Needs
- Equipment provided/ Equipment needed
- Expansion/reduction ability

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 the 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
- Tenant Relocation
- 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) ($1300 \text{ SF} * \$13.00 \text{ PSF} = \$16,900.00$)
- This is the annual rent
- Divide annual rent by 12 months to get the monthly rent ($\$16,900 \text{ annually} / 12 \text{ months} = \underline{\$1408.33}$)

• Calculate Common Area Maintenance (CAM)

- Multiply square footage (SF) by CAM per square foot (PSF) ($1300 \text{ SF} * \$3.25 \text{ PSF} = \$4,225.00$)
- This is the annual CAM charge
- Divide annual CAM by 12 months to get the monthly CAM ($\$4,225 \text{ annually} / 12 = \underline{\$352.08}$)

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

• Total all charges ($\$1408.33 + 352.08 = \underline{\$1760.41}$) in Year 1

• Total all charges over Lease Term

- Rent Escalators
- Balloons
- Escrow Deficiencies

Pros & Cons of Leasing vs. Owning:

	Leasing		Owning
Acquisition Cost	Usually Less		Usually More
Monthly Cost	Rent		Mortgage
Maintenance Costs	May be less		100%
Tax Consequences	Can expense rent to reduce taxes		May be able to expense rent
Ease of Relocation	More flexible		Fixed
Ability to Make Improvements	Limited by Lease		More control

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** www.greensboro-nc.gov/index.aspx?page=1552 336-373-2144
- **City of Hillsborough** www.ci.hillsborough.nc.us/content/planning 919-732-1270
- **Orange County** www.co.orange.nc.us 919-732-8181
- **Person County** www.personcounty.net/index.aspx?page=179 336-597-1750
- **City of Raleigh** www.raleighnc.gov/planning 919-996-2626
- **City of Roxboro** www.cityofroxboro.com/departments/planning/plan.html 336-599-3116
- **Wake County** www.wakegov.com/planning 919-856-6310

Traffic Counts

- **NC Department of Transportation** www.ncdot.gov/travel.statemapping/trafficvolumesaps/
919-368-4968

Crime Statistics

- **NC Police Depts.** www.ncja.ncdoj.gov/Criminal-Justice-Links/NC-Police-Departments.aspx
- **Spot Crime** www.spotcrime.com

Health Department

- NC Health Departments www.ncalhd.org/county/htm
- NC State Department of Health & Human Services www.ncdhhs.gov/dhsr
- NC Department of Agriculture <http://www.ncagr.gov/>

Building Permits/Inspections (See Planning & Zoning)

Fire Department

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

Thank you for attending!