

Building Scene

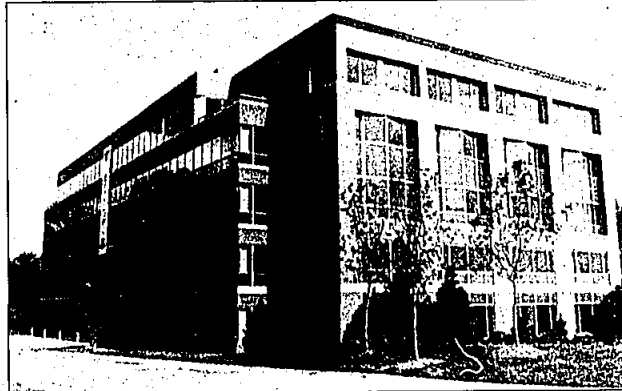
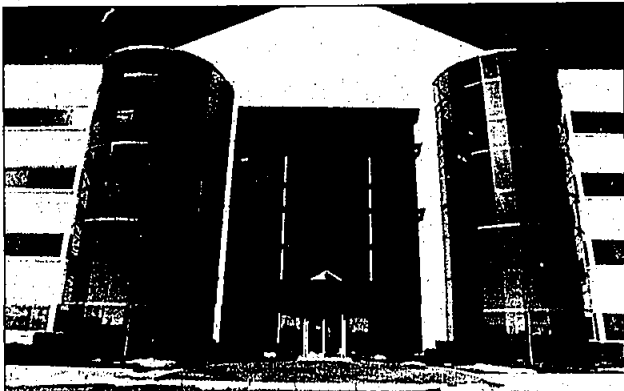
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Marilyn Fitchett editor/953-2102

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Cost and location are among the top factors for choosing an office site. But other less obvious factors such as prestige, address and even proximity to the CEO's home are often considered before a lease is signed. Above are Seven Mile Crossing (left) and Victor V, both located in Livonia.

Subtle factors influence choice of office location

By Gerald Frawley
staff writer

The economy is slow, and there is little growth — we know that. Office leasing is flat — we know that.

Any leasing that is going on is just a result of a lease expiring — or to put it in the vernacular, it's all musical buildings — we know that. What we don't know is why one building is chosen over another.

Price is important, but how important? Location, location, location is critical in every real estate transaction, but location in relation to what?

Developers spend thousands of dollars on architects for plans, but how important is that? A tony Birmingham zip code adds distinction for a house, but does it mean anything to an office?

According to Jerome L. Reiss, an office specialist with Burland, Reiss, Murphy & Rembless Inc. in Southfield, prospective tenants want efficiency, not necessarily price. In any given market, competition between offices governs leasing prices, he said. "Price will seek its own level."

Since most buildings will have similar leasing rates, Reiss explained efficiency is a better determinant of what space will lease.

Efficiency in an office building means several things, Reiss said. Naturally, the office should have enough space to meet present and future needs.

Cost still biggest factor in leasing

By Gerald Frawley
staff writer

No matter how nice a building looks, no matter where it's located, no matter what other perquisites an office building has to offer — the greatest concern of all potential tenants is cost, said Steven Chaben, executive vice president at Farban, Stein & Co. in Troy.

"Today, there are two things motivating people to move — number one is downsizing, number two is economics," he said.

With companies cutting their work force, they obviously don't need as much space, he said.

Economics, naturally, speaks for itself. The tenant wants the most space and best address and amenities for his dollar, he said. Right now, that is the overriding concern of tenants looking for office space.

In a competitive market, comparable buildings would have comparable lease rates, which means that other, non-financial considerations might make a difference in how an office building is leased.

BUT IN A competitive, overbuilt market suffering from a recession, there are other factors at work. Two identical office buildings in the same area may have drastically different lease rates. Lately, there has been a steady

For a growing company, that means room to expand. For a mature company, that means space to meet existing needs. It also means how adaptable a property is to needs.

Efficiency also means location, but it's not necessarily an address or zip code that attracts tenants, he said. "Location means proximity to the firm's clients — to many firms that is the most important factor."

STEVEN CHABEN, executive vice president of Farban, Stein & Co. in Troy, said the type of office also enters into the space equation. Is the office going to have clients visiting, or do sales people use the office as a headquarters?

If clients visit, potential tenants want an office that is easy to find and accessible to clients. That means access to roads and airports, good parking, and easy to find.

A business that has frequent visitors may also want a more glitzy building to put on its best face for clients, he said. If a tenant uses the office as a headquarters, but mostly works in the field, a firm can do without the frills and be more concerned with space and basic needs.

Chaben stressed it's difficult to speculate what a potential tenant looks for in an office building. "Each potential tenant has specific needs and specific wants."

REISS OF Burland, Reiss, Murphy & Rembless agreed. An upscale community or building is important for others, for others, it's not.

A tony address and architectural flourishes are generally more important for firms seeking prestige. "All other things being equal, prestige can be very important."

Reiss related a story of an advertising firm he set up in a prestigious office building. "Basically, they didn't want a high-prestige image anymore — they didn't want to have better quarters than their customer," he said. Reiss said he found them a plain, but functional office building.

Several years later, when that

lease had expired, the company contacted him about another move — this time to nicer quarters.

"There was a change in management philosophy — they went from less expensive to very expensive because they felt the nice offices would help them to attract new clients," Reiss said.

PAT PULKOWNIK, president of the Patrician Group, said in her experience it is still location that leases office space. Proximity to clients, proximity to airports, proximity

to the road network — firms need to be near clients.

But one factor that isn't often discussed, but which is important concerning location, is convenience for the chief executive of the company. "Daily drive time for the CEO can make the difference — he always wants a location that is closer to home."

"One of the things I do in the first interview is find out where the chief executive lives," Pulkownik said.

Many companies are also concerned about where employees live

when considering an office move. Less disruption for the employees means less disruption in the workplace.

"The third critical area to consider is the landlord. Early on in the process, Pulkownik said she likes to set up a meeting between the tenant and landlord."

"Tenants want to see how easy the landlord is to live with. I want the tenant to be satisfied," she said. "If he's not, the tenant will badmouth

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