



ARTICLES

Finding the Perfect Place for Your Business

Location, location, location! That's been the proverbial wisdom and mantra of real estate site selection since humankind first started creating settlements. Location is key, there is no doubt, but it is the many variables and parameters of location that combine together to make that phrase meaningful.

And, even after finding the perfect site that promises the greatest chance of success in business, you WILL almost assuredly run into other concerns, considerations and forces that you didn't know even existed. Hopefully, they are all resolvable, but you may be dismayed to discover that one or more is not.

The list of concerns is as different as there are different types of business. Farms, manufacturing, retail, commercial—they all have unique requirements. No generalized list could possibly embrace the many unique requirements of every type of business. A bank, for example, needs to be in the heart of a densely-populated urban setting while a farm, with its smells, chemicals, and noise during uncommon operating hours, needs to be far away from that same urban setting.

Whether relocating a business or looking to opening your first, here are some of the obvious, and not-so-obvious, issues and concerns you should address as part of your site selection process. This list tends towards retail/commercial but could apply to other business types, and is in no specific order. However, most of them have to be addressed sooner or later.

It's not about how much the gross rent is, but rather how much the rent is relative to your projected business income.

More Obvious Considerations

Support/Infrastructure services: Can the demand by your business on infrastructure and support services (generally provided by municipalities) – hydro, sewage, water, gas, etc. – support your existing and hopefully growing business. Can these services be scaled up cost-effectively as your own business grows?



Shipping and Receiving: Will there be a lot trucks, couriers, mobile employees and so on? Will it create traffic congestion, parking issues, or undue risk to children and the elderly?

Tim Horton's has been so successful as a business that the drive-thru operations have had a serious impact on traffic flow in many neighbourhoods. Planners of some municipalities go to extraordinary lengths to install road dividers, for example, or to pass by-laws that are specifically targeted at discouraging the further development of drive-thru operations.

Latent versus Patent Defects: Patent defects are issues with a property that are readily apparent, such as water pooling at the corner of a building. Latent defects are not readily apparent, such as a water leak behind a brick wall.

While this may seem obvious, it is surprising the number of business operators that do not employ a property appraiser to look for signs of latent defects.



ARTICLES

Finding the Perfect Place for Your Business

Do NOT ignore this critical input into your site selection criteria. There could be many *hidden* reasons why your business could fail or be saddled with an unexpected major financial burden. How about water in the basement after a major storm that destroys all your inventory during the peak holiday season?

Parking: Is there sufficient parking for your staff, visitors and customers? Western society lives in an age of inventions and discoveries that are driven by the need to improve productivity and convenience. Do you



know anyone that would drive their car two blocks to the convenience store rather than walk or take a bicycle? I'll bet you do.

Visibility and Accessibility: Do you need to be where your customers are or will they come to you? Can customers get to your business easily? Is it on a side street, hard to find, buried among large facilities, or accessible by a driveway on a side street? Does the site and the municipality allow for putting up a pylon sign, billboard, backlit signage, etc.? Some municipalities will not allow signage that has "moving" graphics.

Demographics: Can the area afford your product or service? Do you depend on their disposable/household income? Are you marketing to families, executives, office lunch crowd, yuppies, etc.

Zoning By-laws: Towns, cities, even rural areas are divided into zones of "use," which the municipal authority thinks best sets the balance between the

disparate needs and interests of many business and users. A factory should not be next to houses. A sewage plant should not be next to an office building, etc. Will the municipality let you conduct your business there?

Municipal Codes: Does the site and building meet all municipal codes – especially fire, electric and building codes but also handicap legislation, etc.

Landlord Relationship: If leasing, can you get along with your landlord? You're marrying them for five, or possibly thirty, years.

Neighbourhood: Will schools, parks, hospitals, ethnic crime rate, and diversity and concentrations impact your business?

Competition: Some businesses like to be next to each other, such as automobile dealers and fast food services. Others don't.

See if there are any competitors doing good business in your target area. Sooner or later, some of their customers will stop at your location out of convenience or curiosity. Often, the competition has developed a customer base that you can exploit, especially if the competition is either lacking in some product or service, is over-priced, or is simply a poor operator.





ARTICLES

Finding the Perfect Place for Your Business

Less Obvious Considerations (or things you may discover after committing to a location)

Rent: I've lost count of the number of times a business owner has said they want the lowest rent they can get, because rent is such a high cost of their business operations. This is entirely the wrong perspective. If you knew you could generate \$3 million per year in revenue if you were at the corner of main-and-main, would you not be happy to spend \$250,000 a year in rent, even if the space was only, say, 2,500 square feet in size (that is, \$100 per square foot gross rent)? It's not about how much the gross rent is, but rather how much the rent is relative to your projected business income. (Of course, you've got to figure out what you think your projected income will be.)

Local Traffic Generators: Will companies like Wal-Mart, Tim Horton's (especially drive-through) and other potentially high-volume traffic generators impact your business?

Property Taxes: Whether renting or purchasing, property taxes can be substantial. When leasing, these taxes can represent 50% or more of the total "additional" rent (also called TMI—taxes, maintenance, insurance—or CAM—common area maintenance) you might have to pay.

Will your Business Impact Anyone Around You? Will your neighbours, whether commercial, industrial, or residential, react to the chemicals, odours, vermin and pests, noise and other operational aspects that arise as part of your business? How will the community react if,



for example, a rehabilitation facility that assists criminals who have paid their debt to society to re-enter society was opened near a school or busy playground? What is the impact on the value of nearby homes if you opened your automobile repair garage next door?

Access to Labour Force: Can you find the labour locally that you need to operate your business? Do you need highly trained staff? Are there the appropriate schools in the area to train them?

Supportive Municipality? Is the municipality friendly towards your type of business? Are their government incentives to encourage you to locate there? For example, new graduate doctors are prized by many municipalities and will pay their full tuition fees to locate a business in their town for a guaranteed period of time.

New Developments? Talk to the municipal planners. Find out redevelopment is planned before you locate your business there. Are there new buildings or undesirable operations/services planned? Imagine the consequences to your restaurant business if the city places a new sewage treatment plant next to it.

Rights on Title? Are there rights of way or easements—a creek, protected wildlife or plants/trees, shared driveway, etc.—that run with the land that may impact or prevent you from operating your business. There may be conditions of sale by a long ago owner that prevents certain types of uses.

Condo by-laws, Landlord Permission: Rarely considered but potentially very important, some



ARTICLES

Finding the Perfect Place for Your Business

commercial buildings are condominiums, with condo rules, regulations and a board. Will the building operator, property manager, landlord or condo community of owners—or simply other tenants—welcome or reject your business?

Building and Business Insurance: These are separate insurance policies and both are absolutely necessary. Will your insurance company insure the space or charge a hefty premium because of “perils” they see that you don’t.

Weather: Is your site area prone to specific types of hazards—flooding, high winds (even tornados), mud slides, and so on? Most people are not aware that almost all insurance companies in Ontario will not insure against external flooding.

Talk to your Prospective Neighbours: They know the very local history. Is, or was, there a stigmatism with the property. For example, was somebody murdered on or in it? Have an uncommon number of businesses failed in a short period of time? Why do they think that happened?

Local Expertise: You may think this entry is somewhat self-serving but it is not. Absolutely nothing can replace or equal the professional advice, experience and expertise that a well-established local realtor estate expert can bring to your decision-making process; their insights, local history, traffic patterns, familiarity with local authorities, how things “really” get done, and so much more. And a lawyer specializing in leases (no, family lawyers are not good enough) will keep you from falling into many of the pitfalls that new business owners regularly fall prey to.

Summary: Your location is likely to be the most important decision you make for your business. It can be your best competitive advantage or be the best advantage of your competitor. **End**

I am a commercial realtor (broker), based in Toronto, Canada.

As an owner/operator I am also intimately aware of the issues, challenges, personal financial and estate planning considerations, rewards, and sense of accomplishment that come from managing the human relationships, business challenges and operational issues of owning a rental property.

I can help you do the same.

Christopher Seepe

Cell: 416.525.1558

Email: cseepe@thebehargroup.com

Websites: <http://www.thebehargroup.com>

www.multiresidentialexpert.com

Twitter: <http://twitter.com/#!/cseepe>

(Multi-residential investing)

The Behar Group Realty Inc., Brokerage

1170 Sheppard Ave. W. Unit 24

Toronto, Ontario M3K 2A3