



Dos and don'ts for leasing space

What you should consider as you look for your next office

According to a recent internal Raymond James survey, approximately 62% of independent practices in the growth phase – defined as between \$325 and \$550 in AUM and with \$3 million to \$5 million in revenue – choose to lease office space. This affords the flexibility to move if the need arises and allows the focus to be on growing the business. The survey also stated that 38% of advisors own buildings zoned for commercial use, mostly under a separately owned LLC.

Since leasing office space is a significant decision for an independent firm, you should review your options carefully. As you go through this process, consider these dos and don'ts. Consider these aspects of healthcare plans as you look for something suitable for your employees and your firm.

DO CONSIDER A COMMERCIAL TENANT BROKER

There are complexities to renting commercial real estate and if you've not been through the process before, an independent

commercial tenant broker can help. They operate within the market conditions every day and know what terms landlords will usually agree to, such as rate abatements. While brokers charge tenants a fee – typically 3% of the total lease value – the landlord pays the fee. It may be worth having someone by your side in the process.

DON'T OVERESTIMATE OR UNDERESTIMATE NECESSARY SPACE

This is a common pitfall. It's so important to get estimates right because the cost of space is one of the top three expenses of a financial practice. Overestimating the space you'll need means overspending, and underestimating space might lead to limiting growth potential.

According to a 2023 [Cushman & Wakefield](#) report, the average rent for office space nationwide is \$37.03 per square foot. Of course, this varies based on the region. Rent in the Midwest averages only \$26.39 per square foot, while in the Northeast the average is \$46.64 per square foot. The South and West average \$31.84 and \$41.42 per square foot, respectively.

DO NEGOTIATE FLEXIBLE TERMS

The landscape of commercial office space has shifted since the pandemic. Cushman & Wakefield recently reported an 18.6% national office vacancy rate, up nearly 2% from last year. Pre-pandemic levels were closer to 13%-14%. This gives you more reason to negotiate flexible terms with your landlord, like the option to renew or the right of first refusal when new space becomes available. Most landlords prefer a five-year term but a shortened time frame is another point up for discussion. This would give you the opportunity to adjust your square footage, move to a new office altogether or exercise renewal options if needed.

DON'T BE SURPRISED BY A "RIGHT TO RELOCATE" CLAUSE

You might run into this common clause in a commercial lease contract, but you can request it redlined and removed. "Right to relocate" means the landlord would have the option to move tenants to a comparably sized space without their consent. The time and logistics of a move like this can disrupt your firm. What if they move you from a space with a mountain view to the highway side? When you send out your request for proposal (RFP) to landlords of properties you are interested in, be sure to include this in your discovery.

DO ADD UP ALL THE BELOW-THE-LINE COSTS

The advertised price per square foot is not the total cost you should expect to pay for the space. It doesn't include the operational expenses, rent escalations, maintenance responsibilities, parking spaces or insurance requirements. Understanding these costs upfront will help you manage your cash flow effectively and ensure you stay within budget.

These tips will help you navigate finding and ultimately signing the contract for your next office space. It will afford you the opportunity to focus on growing your business and make adjustments as you need over time.



HOW MUCH SPACE DO YOU NEED?

As a general rule, a team producing \$5 million in revenue with two lead advisors and three staff members should start their search for office space with a goal of getting at least 2,200 square feet. On average, teams allocate approximately 425 square feet per person when evaluating space needs.

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