

Location is a good start, but every small business needs a perfect fit

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When launching a small law firm, Mitch Shelowitz started out in a professionally managed office suite.

Considering that rent is often an entrepreneur's second biggest expense after payroll, striking the right deal in [New York](#)'s complex real estate market can make or break a small business.

"This will be one of the most important decisions they make for their businesses," said [Brad Gerla](#), an executive vice president at commercial real estate giant [CB Richard Ellis](#).

Yet business owners are often clueless about the process, even though choosing the wrong space or agreeing to onerous terms could cut into their profits or turn off customers.

"People come into our office with signed leases who have made disastrous mistakes. They have no idea of the cost of improvements, they don't think things through," said [Nancy Carin](#), executive director of the Business Outreach Center Network, which advises local small businesses.

The good news for office seekers is that, after years of rent increases, there's lots of affordable space.

As the economy falters and troubled financial services firms and other companies downsized - and put their space on the market - the availability rate in [Manhattan](#) climbed to 8.2% in the second quarter, nearly one percentage point more than last year, according to a report by Studley, the real estate firm.

The average annual asking rent in Manhattan declined 2.2% from the previous quarter to \$69.29 per square foot, the first time rents have dropped since 2005.

Landlords offer more sweeteners such as several months of free rent, while footing the bill for improvements.

"There are excellent deals available in the sublease side of the market throughout the city," said [Marc Miller](#), an executive vice president at [Winoker Realty](#).

But finding just the right deal in the best location is tough to do on your own. Many advocates say hiring an experienced real estate broker will ease the process. Before you commit, be sure to get recommendations from peers or advisers.

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Some brokers represent tenants exclusively, while others handle landlords and tenants. In both cases, landlords pay the commissions.

"The key is you need to know whose interest your broker is advocating for," said Miller, who represents tenants.

In general, hiring a lawyer to negotiate lease terms is smart, as well. But there is help available if you can't afford one. The Neighborhood Entrepreneur Law Project provides free assistance to low-income city business owners. The group can be reached at (212) 382-6633.

While professionals will help you navigate the market, you need to figure out how much space your business needs and a good estimate of what you will require in the future.

The general rule is that companies should lease 250 to 300 square feet per employee, which would cover offices as well as common spaces like a reception area.

Choosing a location is harder. Consider commuting time, proximity to clients and whether you need an office that projects a certain image.

For business owners on a tight budget, the choice will come down to what they can afford.

[Robbie Butler](#), co-founder of the [Brooklyn Acupuncture Project](#), found herself getting more and more discouraged last year as she looked for office space in [Prospect Heights, Brooklyn](#), to house her new business.

"It seemed every spot was too expensive," Butler said.

Last April, she settled for an 800-square-foot, fourth floor office in [Gowanus](#), Brooklyn, where she is paying \$1,500 a month. It wasn't her first choice, but she said it turned out to be the right one.

"By June we were earning enough money to cover our rent and utilities," Butler said. "We ended up in a not so desirable area that was on the border of a desirable area."

[Barbara Schwartz](#), a real estate lawyer at [Stroock & Stroock & Lavan](#), cautioned that tenants need to be aware of other costs on top of the rent. Those include paying a portion of the landlord's real estate tax, utility costs and other building maintenance costs.

Startup businesses should aim for short-term leases of two years or less, Miller said. Before signing a lease, look to secure the right to sublet.

"You want as much flexibility as you can get," said Gerla of CB Richard Ellis.

If you are not ready to commit to a lease, there are alternatives. Professionally managed office suites allow business owners to make a short-term commitment to fully functioning office space.

Manhattan lawyer [Mitch Shelowitz](#) did just that last year when he decided to leave a big law firm and strike out on his own, taking an office suite at 11 Penn Plaza in midtown.

As the months went by, Shelowitz began adding lawyers and staff. By April of this year, he decided he wanted a permanent space to house his 10-person firm, including a dedicated conference room. He ended up taking 5,000 square feet in the same building.

"I love the building," Shelowitz said. "We have room to grow."

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