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Commercial Real Estate: Finding the Right Location for Your Business

Choosing the perfect location for your new or expanding business requires careful consideration. While location might not matter as much for purely online enterprises, it can make or break most other types of businesses—particularly those with local employees, in-person customers and vendors, or regular shipments or deliveries. You'll want to take plenty of time to first fully understand your own business's needs, and then gather as much information as possible about potential locations. The more informed you can be about your location decision, the better the odds that you'll be able to achieve continued growth and financial success.



Primary considerations

Whether you plan to buy an existing building and use it as is, renovate a building, or construct a completely new facility, you'll want to think carefully about your business's individual needs and the features of the property and surrounding area. Here are a few important issues to check:

- **Employment.** "Probably the number-one requirement for clients is access to the proper labor force," says Mitchell Simonson, co-owner of Chadwick Appraisals, which provides appraisal and consulting services for licensed commercial real estate (CRE) throughout Minnesota. He advises that buyers should make sure that they're located in an area that's going to provide them the proper employment for their business. Think about the specific skills you'll need from new employees, and investigate what potential locations have to offer in terms of appropriately skilled labor in the surrounding community. The Small Business Administration recommends consulting

the free demographics data and resources available from the U.S. Bureau of Labor Statistics, and it can be helpful to meet with leaders from local chambers of commerce.

- **Housing.** Simonson adds that workers will also need access to available housing in the area. "The apartment market's been very healthy, in terms of low vacancies and rent growth over the last several years," he says, "but we've heard from some employers who say it's just difficult to find adequate housing." If your company plans to move to a new location and add jobs as you grow, selecting a location where your current and future employees can find housing can be crucial to attracting and retaining talent.

- **Hazardous History.** If you're looking at buying an existing building, find out if hazardous materials have been kept on site. Bernie Peterson, president of Frandsen's Foley office, says that if it turns out the property has underground storage tanks for fuel, or had them in the past, there are state regulations for their safe removal, or verifying that there was no environmental contamination.

- **Logistical Accessibility.** "For smaller manufacturing and industrial users, convenient access to and from major highways is oftentimes pretty important, especially if you have trucks coming and going, loading, and unloading," Simonson says. This is one reason why industrial distribution centers near highways tend to have higher market value. Find out if there are any plans to modify the routes of nearby highways in the future. Make sure to consider parking availability as necessary.

- **Competition.** Are there similar businesses in close proximity? In some cases this could be an advantage—for example if you're a retailer and you hope to appeal to comparison shoppers, or you're a supplier that could work with local manufacturing firms. But if being situated near a competitor would reduce your earning potential, consider a different location.

- **Services and utilities.** Check the availability of services like gas, electric, and water. In small communities, sewer service capacity may be limited, and high-speed Internet may be lacking or expensive.

- **Zoning and ordinances.** You'll want to make sure your planned use of the property meets city ordinances. Peterson cautions that conditional use permits or variances can be difficult to acquire in some communities, so they should always be approved in writing before buying/building. Find out if there are any surface water runoff requirements that would require expensive modifications or limit your expansion capabilities, and ask city officials if a paved parking lot and handicap parking spaces are required, or if driveway permits need to be amended to accommodate large trucks.

- **Costs of ownership.** If you're buying an existing building, key questions involve things like: What have been the past heating and cooling costs? What kind of real estate or property taxes can you expect to pay? It's also wise to be aware of any planned, anticipated, or unpaid special assessments in the area. "If the city is looking at redoing the streets and the septic and the water and the sidewalks, a portion of those costs can be assessed back to the property by the city," Peterson says. "So if there's a major improvement project planned, that can add special assessments of \$5,000–\$20,000 dollars, or more, over a period of 10 years." Additionally, city bonding for municipal developments such as new schools or fire halls can add substantial commercial property taxes. Also keep in mind that the mortgage on any property located on a floodplain requires federal flood insurance.

Useful resources

Because choosing a location for your business is such a big and complex decision, it's a good idea to gather as much information as possible about the area. Ask for some expert guidance—you could choose to work with a CRE consulting organization like Chadwick Appraisals, contact your Small Business Administration (<https://www.sba.gov/>) regional office, or reach out to local economic development agencies. In addition, ZoomProspector.com (<http://www.zoomprospector.com/>) is a website for finding compatible communities for businesses, and City-Data.com is an excellent source for demographics for individual cities.

There may be several potential locations that would equally suit your company's needs, but you can never be too well informed. Your Frandsen business banker would be happy to assist you with other questions you might have about financing the headquarters of your growing enterprise.

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