



Four Keys to a Successful Interior Build-Out

REDGATE



Smart planning for a predictable, cost-effective interior built-out

From evaluating sites to executing an interior build-out, a relocation is a major undertaking. If a build-out is your first, or design & construction is not your area of expertise, you may be surprised to learn how many factors can increase costs or cause delays. With expert planning and the right team, however, it's possible to create a less stressful and more predictable, cost-effective experience.

Even with a thoughtfully developed list of requirements for your space, it can be difficult to anticipate every hidden scheduling or cost risk. Unpleasant surprises, delays and cost over-runs are common during design & construction if you don't have the right approach. Lease documents may include unexpected landlord charges and provisions that affect construction costs.

Given the expense and stress involved in a build-out, it's important to understand how steps taken early in the process will reduce delays, risks and costs later. The following are four keys to implementing a smooth, cost-effective workplace build-out.

What is an owner's project manager?

An owner's project manager (OPM), sometimes known as a project manager, owner's representative or construction manager, is a firm or person who represents your interests in a project. Hired at the start of a project, the OPM provides advice, recommendations, and oversight to the project owner at every stage—from site analysis, planning, design, budgeting and scheduling to permitting strategy, and overseeing the general contractor and typical owner vendors (IT, security, AV, furniture, etc).

1 DEFINE YOUR OPERATIONAL REQUIREMENTS

For most organizations today, forecasting space needs is more challenging than ever before. In the office, the widespread popularity of remote work has altered the space planning equation. New office concepts emphasizing rich amenities, more collaboration spaces and flexible formats have replaced yesterday's formulas for individual workspaces and conference rooms.

As you begin to short-list potential sites, some facilities will be better suited for your needs than others—but critical differences may not be obvious to the untrained eye. It's important to revisit your assumptions in the context of each space. With the right expertise on hand, you can determine whether a facility can accommodate the infrastructure or space layouts you need within a reasonable budget and timeline.

Just as the rise of remote work has changed office requirements, the use of technical spaces also is evolving. If your organization is seeking life sciences research space, it's important to anticipate changes in how the science is performed today and how it might change in the future. Defining the right allocation of lab, office and support spaces, and detailing your infrastructure requirements, are key to making the right space decision.

Bringing in the right expertise early in the process helps ensure that your project will go smoothly.

2 CREATE THE RIGHT TEAM

Beginning your relocation with the right team will help ensure that critical details are uncovered early to inform decision-making. Ideally, your project team will include an owner's project manager (OPM) who can advise on planning, budgeting and vendor selection.

Every architect, interior designer, and general contractor will have their unique industry expertise, geographic reach, size and scope of capabilities and price point. An experienced OPM will have relationships with many vendors and can help you make data-driven vendor selections based on an assessment of key vendor characteristics, and alignment with your organizational goals, culture, budget and project type.





Another important consideration is compatibility. Having worked with many vendors, an OPM will know which firms they most trust for collaboration on a lengthy project. The more smoothly your consultants work together, the more efficient your project will be.

Technical capabilities are only the beginning. For example, if your project will be driven by multiple stakeholders, your project consultants should have experience in navigating complex decision-making environments. If environmental sustainability or diversity, inclusion and equity are important to your organization, your project team should have expertise in realizing these priorities.

Once project consultants are selected, your OPM can help you define the scope of work and negotiate contracts to protect your best interests. An OPM will ensure that team contracts are aligned with the move timetable, deliverable deadlines and appropriate scope of work.

3 EXPLORE YOUR BUILDING OPTIONS WITH COSTS IN MIND

Every space has hidden challenges. A new space might seem perfect for an efficient layout that reduces your square-footage requirement—but the building systems lack the capacity you need and the landlord expects you to pay for completing the perimeter walls. Or, a previously occupied space might seem ideal, but demolition uncovers a costly infrastructure issue.

Understanding the fine print regarding roles and responsibilities for your build-out is critical to avoid cost surprises.

FOUR KEYS TO A SUCCESSFUL INTERIOR BUILD-OUT

An experienced OPM will be able to assess the condition of the space and engage the right expertise—whether a structural engineer, building engineer, design consultant or other expert—to uncover potential construction pitfalls. They'll identify critical issues that may affect timing and costs, and determine which components can be reused versus which must be replaced.

For instance, a typical office building will offer five to eight watts of electrical power per rentable square foot, while a purpose-built laboratory building will offer 12 to 15 watts. If your enterprise is a technology innovator, you may need more electrical power than an office building usually offers—but less than what a laboratory space would need.

An OPM also can provide an early strategic perspective on your project budget that factors in the landlord's tenant improvement (TI) allowance. Negotiated as part of your lease agreement, the TI or other incentive is intended to offset or even cover completely the cost of constructing your space. To understand whether the landlord's proposed TI allowance is adequate, it's important to know your projected construction costs, along with market dynamics.

The TI is executed through a work letter, included as an exhibit in your lease agreement, that defines the scope of work for the landlord and for the tenant. Understanding the fine print regarding roles and responsibilities for the build-out is critical to avoid cost surprises.

For instance, the landlord may assume the responsibility and cost of installing base-building mechanical, electrical, plumbing and HVAC equipment to supply your space, while you'll likely be responsible for all mechanical, electrical and plumbing systems, walls, finishes and furniture—and soft costs—within your space. Your work letter also will define important milestone dates, such as when the space will be ready for your build-out construction to begin, and when base building upgrades will be complete.

An OPM can help your broker closely scrutinize your work letter for unexpected landlord charges and provisions that affect costs, such as stipulating certain quality standards or that all construction work be executed during off hours to prevent noise complaints. Other hidden costs may include landlord fees for loading dock security, temporary life-safety shutdowns and other miscellaneous aspects of construction. Your OPM will collaborate with your broker to negotiate the best terms for you.

4 **MANAGE COST AND SCHEDULE DRIVERS & RISKS**

Every build-out has unique risks, as well as distinct cost and schedule drivers, and it's important to anticipate what those drivers will be. Cost drivers encompass finishes, complexity of mechanical, electrical and plumbing (MEP) systems, labor requirements, site conditions—and scheduling delays that also can add costs.





Costs further increase if you have unique requirements, such as soundproofed rooms, highly zoned HVAC, specialized equipment or vibration criteria, lab gasses, high power availability and redundancy, or other heavy infrastructure requirements. It's helpful to have project management expertise on hand to identify the gaps and the costs.

Certain aspects of your build-out, including furnishings, lab equipment, IT, audiovisual and security systems, and relocation services, typically aren't included in the construction budget. If you plan to build to LEED, WELL or other certifications, you'll need to factor in the time and resources necessary for procurement strategies and the certification process. Furthermore, the fine print of your tenant improvement work letter may reveal additional cost elements, such as decommissioning requirements at lease termination.

Local site factors also warrant consideration. Not surprisingly, every city has its own culture, economy and regulatory environment that will affect the cost and timetable for your build-out. Multiple local factors also can add cost and time, including labor force dynamics, zoning and permitting and signage regulations.

Brought into the project early, an OPM can help you keep your build-out on schedule and even compress the project timeline. For example, you may need to allow more than a year for a generator or six months for laboratory casework. Your OPM will know what items must be ordered as early as possible—even before the design is complete—to avoid delays. An OPM also may be able to recommend alternative construction materials or furnishings to side-step long lead times.

Other strategies for schedule compression include pre-fabricating casework to eliminate on-site work or engaging a sub-contractor to help execute drawings. Your OPM can help you implement a time-saving permitting strategy based on early design documents, and accelerate move-in with a temporary certificate of occupancy or by completing certain construction elements after move-in.

Most cost savings are gained early in the work letter negotiations, early design analyses and pricing evaluations.

Streamline your build-out—and avoid unexpected delays and cost over-runs

In the excitement of choosing a new space, and envisioning what it might look like and how it will function, it's easy to overlook important cost and timing factors. All too often, tenants don't realize how much time is needed and the resulting process can be rushed, stressful and costly. Seemingly minor missteps often become expensive, time-consuming headaches.

If you are in the process of narrowing your space options, an OPM with holistic expertise should tour each site with you to uncover construction issues and develop realistic build-out cost analyses. Since it's easier to design a space for a defined budget than to value-engineer the budget for a design, you will need to establish realistic budget expectations first. In addition, an OPM can support you and your broker on lease and work letter negotiations. Most savings are gained early in the negotiations and can amount to significant savings.

You'll gain significant cost and scheduling advantages by bringing in your project management experts as early as possible in your relocation site selection and build-out process. With insight into market conditions and reasonable expectations, you and your broker will be better positioned to negotiate the best lease possible—and you'll be equipped for the complex build-out journey ahead.



Would your project benefit
from a complimentary
advisory session?

Get in touch at contact@redgate-re.com.

REDGATE