

“Building our space under a tight budget was a major challenge for Par Tech. Rare Space introduced us to our general contractor, and they built our space on time and on budget.”  
Brian Nelson, Par Tech Inc.

### *Tenant Finish*

Last month’s newsletter detailed the process of space design. This month, we cover the topic of constructing your space, also known as the *tenant finish* or *build-out* process.

Generally the lease agreement provides a *tenant improvement allowance* (TI Allowance) that sets forth the budget for constructing your space. Unless the Landlord is doing the tenant finish and doing it on a “turnkey” basis (which means they’ll bear the costs no matter what they are), the tenant is responsible for any costs over the allowance.

Because of this, it is in effect the tenant’s responsibility to construct the space within the allowance. This is a fine point that many tenants and their brokers ignore, only to run into problems down the line. At Rare Space, we believe in staying involved throughout the tenant finish process, and recommend the following action steps to ensure a successful build out:

1. Make sure the Landlord understands that you want the job bid by at least three contractors. Many landlords have a favorite contractor they “always” use for their construction, which is not always in the tenant’s best interest.
2. Research and interview experienced tenant finish contractors.
3. Ask the architect to generate “pricing plans” for distribution to the three contractors of your choice. Including the landlord’s contractor is usually a good idea.
4. Deliver the pricing plans for bids.
5. Allow 5-10 days to complete the bidding process, depending on the complexity of the job.
6. Review the bids, paying close attention to the big ticket items, any items that have large discrepancies among the bidders, the quality of materials that are specified, and the amount of fees, overhead and profit in the bid.
7. Question any items in the bids until they’re resolved to your satisfaction. Believe it or not, errors are found more often than not.
8. Don’t always select the low bidder. When you think you have made your selection, find out about their workload and schedule, experience in this specific type of work, creditworthiness (remember, they have to be able to pay all the subcontractors), and reputation for timeliness. Request a couple of references. Make sure to ask about on-time completion, quality of work, how well they followed up on any problems, and whether the contractor stayed within their bid.
9. Meet again with your architect and the contractor prior to awarding any contracts. The architect and contractor will have close working relationship for the next 90 days; make sure they are compatible.
10. Depending on the complexity of the job, attend weekly construction meetings with the architect and contractor. Make regular visits to the job site. Lots of errors can be caught this way and before it’s too late.
11. Stay involved through the construction period (often 90-120 days).
12. Maintain a good relationship with the contractor through the final walkthrough and occupancy, as small problems or adjustments often arise.

Next month our newsletter will review telephony, cabling and IT issues. In the meantime, if you have any commercial real estate questions or space needs, please contact us.

Best regards,



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Brian Mannlein

Rare Space is a Tenant Advisory firm that uses the latest commercial real estate technology, including real time property information, sophisticated financial modeling tools and a comprehensive real estate process to produce superior results for our clients.