



TEN QUESTIONS YOUR SITE SELECTION CONSULTANT SHOULD BE ASKING YOU

THINKING STRATEGICALLY TO MAKE THE RIGHT EXPANSION OR RELOCATION DECISIONS FOR YOUR BUSINESS

Selecting a new site for a business or plant expansion project, including designing, constructing, and scheduling, takes expertise and planning. Additional factors, such as the cost of potential production downtime during the project, can make business relocations or expansions a major disruption for many companies. Our SiteLine™ approach to these processes will allow your business to have all the information and options available.

Instead of calling a real estate broker, or checking property listings, it's important to step back and take a strategic approach to your site selection process, to avoid making early mistakes that make the process more costly, difficult, or even unaffordable. And without the help of an experienced site selection consultant, it's easy to miss these critical steps in the site selection process.



HERE ARE 10 CRITICAL QUESTIONS YOUR SITE SELECTION CONSULTANT SHOULD BE ASKING YOU AT THE VERY BEGINNING OF YOUR FACILITY EXPANSION OR RELOCATION PROJECT:

1. WHY ARE YOU EXPANDING OR RELOCATING, AND WHAT'S YOUR MAIN BUSINESS OBJECTIVE?

Instead of focusing on available property listings or a new building design, first examine the business goals driving your expansion or relocation: Need to expand plant capacity? Adding new product lines to production? Need better distribution capability? Or better visibility or access for your operation? Each of these goals will drive your site selection process in different ways.

Focusing only on land or building square footage too early in the process can box you in to a site selection decision that is far costlier than alternatives that begin with your business goals in mind. Site selection and building criteria should be prioritized to meet your primary business goals, to drive the process toward success.

2. IS THIS THE RIGHT TIME TO MOVE OR EXPAND?

Downturns in a local real estate market may not be the best time to relocate if you are selling a property at your current location. At the other extreme, a “top” in your local market means a higher asking price for existing buildings or land. Financing options may also determine the timing of your relocation or expansion decision.

It's also important to understand that a business relocation can be highly disruptive. Being aware of the seasonality and production cycles of your business can make your move less of an obstacle to maintaining business performance.

3. HOW MUCH SPACE DO YOU REALLY NEED?

A common mistake building owners make is to make a one-to-one link of an increase in desired production capacity to the square footage required to achieve this output. A need to increase production capacity by 2X, for example, usually doesn't require a 2X increase in square footage for the new building or expansion project. This smaller footprint can save your company a significant cost on a new building or an expansion of your current facility.

A close focus on your production floor layout and processes, combined with better space planning, can minimize the extra space needed for your expansion and keep project costs within your budget.

4. HAVE YOU LOOKED AT EVERY AVAILABLE OPTION FOR EXPANDING ON YOUR CURRENT PROPERTY?

A need for expansion doesn't always mean a need for a bigger building somewhere else. A site selection consultant with construction expertise can explore a variety of options to expand on your current site, usually at a lower cost than building at a new location.

Your current building may be able to be expanded or renovated, and with careful planning we can minimize the disruption to manufacturing operations. Production floor layouts can also be optimized for better space utilization, minimizing the additional square footage required. Other alternatives, such as purchasing adjoining property for the buildout, can still be far less expensive than a relocation.

5. WHERE DO YOU WANT TO EXPAND OR RELOCATE, AND WHAT ARE YOUR REASONS FOR BEING THERE?

When expanding or relocating to a new site, it's important to determine your most important business requirements for the new site. For example, access to major highways, closer proximity to customers or markets, better visibility, land prices, or local incentives are key benefits, and one or more of these may be important criteria in your site selection process.

Prioritizing and then carefully considering all of these requirements helps your site selection consultant to identify the areas and site opportunities that objectively meet these requirements, to make your site selection on an informed basis. Most importantly, applying these requirements to your site selection process keeps it objectively focused on your business needs.

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6. HOW MUCH CAN YOU AFFORD TO SPEND OR FINANCE?

Many owners begin their site selection process without first accurately determining how much they can realistically afford, or without securing financing for the project before site selection begins.

When determining project costs, it's also important to identify all additional costs involved early in the process. For example, when financing a new building project, a 20-30% down payment is usually required. On a \$10 million project, this means \$2-3 million paid out of company funds. However, when the cost of new process equipment required for the facility is added, it may make this project unaffordable. Also, if construction must be phased in over a longer time schedule to keep production running at the current site for an existing facility expansion, this may extend the project timeline, increasing total project costs.

7. WHAT DOES YOUR FINANCING LOOK LIKE, AND HAVE YOU EXPLORED ALL AVAILABLE FINANCING OPTIONS?

Once all project costs are reasonably calculated, funding must be secured if the company is not self-financing the project. While a company's bank is often the go-to financing source, banks may not be the right option for many commercial or industrial building projects. Other funding sources, such as private investors who can underwrite the project, can be better financing partners for these building projects.

8. IS LEASING A BETTER OPTION?

Every business has its own financial priorities, and the cost of new building construction may not be a good fit for companies focused on investing their cash flow and capital back into their business, to expand production output or grow their business.

For these companies, leasing may be a better option. In addition to freeing up more cash for operations, leasing gives companies more flexibility, allowing for expansion or downsizing as business conditions and opportunities arise.

In addition to a conventional lease on a pre-developed property, investor-owned projects can also be established for a custom-built property. Investor groups can lease the property to a business via a traditional lease, or a lease-to-own arrangement.

9. HOW DOES OWNING PROPERTY OR A BUILDING AFFECT YOUR EXIT STRATEGY?

Business owners must also carefully consider the impact of owning land and buildings on their business exit strategy. For example, if the most likely exit scenario for the business owner is selling out to a larger competitor, this competitor may only value your business based on its sales, earnings, and future growth potential, and may not be interested in buying the company's real estate. This leaves the owners with a negative asset which must then be sold, leased, or re-purposed to recover its value.

As part of the lease vs. own financing decision for the project, business owners must consult their accountant or financial advisor to develop a long-term plan for their business, weighing the impact of company-owned real estate on future operations, economic conditions, and company acquisition scenarios.

10. WHAT ARE THE ECONOMIC CONDITIONS AT EACH POTENTIAL LOCATION?

When relocating to a new area, consider the economic conditions in each possible location that can affect your business, and the expansion or relocation project. For example, economic differences for each site location option, such as workforce characteristics, local tax incentives, available building inventory options, or land prices not only increase the cost of your project in the short term, but can have a lasting economic impact on your business operations.

OTHER FUNDING SOURCES, SUCH AS PRIVATE INVESTORS WHO CAN UNDERWRITE THE PROJECT, CAN BE BETTER FINANCING PARTNERS FOR THESE BUILDING PROJECTS.





ASKING—AND ANSWERING—THESE QUESTIONS AHEAD OF TIME RESULTS IN BETTER SITE SELECTION DECISIONS

Starting your site selection process by taking a more strategic approach provides your team and site selection consultant with the information they need to make better decisions on move-vs.-relocate options, site research, evaluation, and selection, space requirements, building options, and financing for your project.

Asking and answering these questions makes your next steps in the site selection process more meaningful and productive, and results in the most cost-effective long-term solution to meet your company's expansion or relocation goals.

AN EXPERIENCED PARTNER HELPING YOU MAKE THE RIGHT EARLY CHOICES FOR SUBSTANTIAL SAVINGS ON YOUR NEW SITE

Utilizing the Rudolph Libbe Group's SiteLine™ program early in your site assessment and selection process enables you to make smart decisions that translate to major long-term savings on your project.



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