

WHY IS GREAT PRECONSTRUCTION SO IMPORTANT?

Great preconstruction is equivalent to having a great game plan. Everything is well thought out, critical success indicators and milestones have been clearly identified, each team member is prepared and any variables are accounted for. In short, you are setup to win from the start.

On the contrary, bad or inaccurate preconstruction is the same as walking your team on the field with no preparation. Nobody has put together a solid master budget, the overall schedule is rushed, key milestones are not identified and key players have not yet been brought to the table. The project is setup for failure from the start.

No one goes car shopping looking for a brand new, high-end sedan and winds up in a 6-year old SUV on accident. Yet, this similar scenario happens all the time to prospective tenants when “shopping” for new office space in the Austin commercial real estate (CRE) market. In a market as competitive and saturated as Austin, great, accurate and transparent preconstruction should be a requirement, not a nice-to-have. This is the norm in other major markets...why not Austin?



There are two general types of providers in the commercial real estate industry:

1. Those whose primary goal is to provide accurate information and set realistic expectations. As a result, this typically develops career-long relationships. Making money is important but it's a bi-product, not the driver.
2. Those whose primary goal is to make money and drive revenue, regardless of the client's experience. This usually includes providing inaccurate information, selling unrealistic expectations and relationships that don't last.

With so many components that go into each real estate deal (tenants, owners/landlords, property managers, brokers, architects and designers, general contractors, subcontractors, furniture, data cabling, etc), it's important that deals are setup properly and the right steps are taken throughout the process. ***When it comes to delivering great projects, the fundamentals and great execution are critical to success.***

BAKING A CAKE

Baking a great cake requires the correct ingredients, precise measurements and accurate baking time. Your real estate and construction needs require the same accurate inputs and attention to detail. If the recipe calls for 2 cups of flour, you don't buy one cup, start baking, realize you don't have enough flour, go to the store to buy more flour, then mix that in later. You've wasted gas, part of your life and your cake is going to fail.

Successful real estate deals and projects are baked properly, delivered on schedule and within 5% of the original budget. Too many clients are guided to the lowest cost solution, end up coming out of pocket for at LEAST 20% budget overruns and move in 1-3 months late because they were sold bad information at the start. This situation is avoidable and if you've been burned once already, you know exactly what we're talking about!



WHY IS THIS SO IMPORTANT?

Great preconstruction is important to different companies for different reasons. Here are a few examples:

Small or mid-size companies that are backed by VC's or Private Equity: you have strict reporting requirements, managing your cash flow and burn rate is critical and you're typically moving out of a sublease on a set date. You cannot afford big busts in your budget or schedule but unfortunately, these projects are the most vulnerable due to the smaller size of these deals and inexperience of the partners in construction or real estate.

Mid-size to large, privately held companies: you're moving out of your previous cost-effective buildout into a nicer, more permanent home so schedule and quality are most important. These clients' VP's, CFO's, COO's or CEO's typically have experience in construction or real estate; ask the right questions and work with trusted partners.

Large, privately held or publicly trade corporations: you're experienced in real estate and construction and you've budgeted for your next big move or expansion. The most important components of your deal are location, delivering a space that meets your business needs perfectly and getting butts in seats on time.

As a client, you need to be able to plan your moves, minimize down time, spend your allocated dollars properly. There is no better feeling in real estate than walking into your new space that was delivered on time and on budget and experiencing an overwhelming sense of joy because your space far exceeds your expectations and vision.



HOW DO YOU DO THIS?

- Hire a great 3rd party Construction Manager. They will make your life easier, do the heavy lifting for you and save you money in the long run.
- Put a great game plan together with a solid, educated team.
- Ask your peers about their lessons learned. We always ask our clients for lessons learned from their past projects so they're captured in the design, budget and schedule from the start, eliminating any repeat pain points.
- Give your team enough time to plan without being rushed. In general, the entire TI / buildout process from lease negotiations through design, permitting, construction and move-in can range from 4-12 months on average. We recommend planning for 7-8 months. [Check our project schedule and timeline white paper out here.](#)
- Set a realistic budget and carry your own contingency. We recommend 5-10% of the overall project budget.
- Capture every aspect of your project in your budget: lease costs, broker fees, construction management fees (well-worth the money!), construction costs, furniture costs, low voltage, audio-visual and security, moves and logistics, holdover space (if necessary), etc.
- Utilize a holdover, coworking or flex space if you need to buy time. Back to the example of baking a cake, construction takes time and certain things can't be rushed. It's best to be prepared.
- Trust your gut! Too often, we see tenants wind up in spaces that are either too large or don't quite meet their needs. Yes, Austin is a landlord market, but don't let that deter you from making sure your new space is appropriate for your business needs. If it doesn't feel right, don't be afraid to look for alternatives.