

SMALL BUSINESSES HAVE HARD TIME FINDING SPACE IN VANCOUVER

By Libby Tucker, Columbian Staff Writer

Sunday, July 25, 2010

Puj, a Vancouver startup company that designs and sells baby products, is hunting for an office. So far, the founders have worked wherever they could find Internet access — mostly in their basement and at restaurants and cafes. But they're ready for a dedicated office to run the operation, said Jason Richardson, the company's global sales manager, who recently moved his family from Utah to Vancouver.

Puj is searching the entire Portland metro area for a 1,000- to 1,500-square-foot office, though it'd prefer to stay in Vancouver, Richardson said. But progress on the search has been slow, he said.

It's a common dilemma. Despite Vancouver's more than 18 percent vacancy rate, there's no obvious location for startups — which want small offices at low rents and short leases. Creative alternatives to traditional office space are emerging here, though, as demand for smaller space rises among a new class of entrepreneurs and downsizing businesses.

Vancouver has a surplus of available office space, such as Columbia Shores and the Vancouver Center Office Tower, which rent individual offices and provide common spaces for self-employed professionals. But offices can rent for more than \$1,000 per month in these class-A buildings — well beyond the budget of most startups.

Many traditional leases also require a commitment of a year or more, when small or startup businesses with uncertain prospects need to rent space on a shorter-term basis.

“As a younger company that does manufacturing, cash gets tied up in making the product,” Richardson said. “The last thing we want to do is shovel out more cash for rent.”

A range of alternatives to traditional executive suites, however, offer small businesses new options as they get off the ground and grow. Whether it's virtual office space, sub-leasing from a larger business or negotiating creative leasing agreements, affordable options are plentiful in the city, said Eric Holmes, economic development services manager for the city of Vancouver. It's just a matter of finding what works best for your business, he said.

Budget Rentals

At Cascade Executive Suites at 237 N.E. Chkalov Drive, for example, individual offices start at \$350 per month, including utilities. The complex also offers a “virtual office” for \$99 per month. Virtual tenants have a mailing address, answering service, voice mailbox and mail service. And for an extra \$100 per month, virtual tenants get 10 hours of real office or conference room use. When Cascade Executive Suites took over the former ExecuTech offices two years ago, the building had a high vacancy rate. Now just two of its 30 offices are empty, said Karen Higgins, owner of Cascade Executive Suites and a commercial real estate broker with KW Commercial in Vancouver.

“A lot of commercial agents don't know how to break (space) up and make it usable,” Higgins said. “Who are they marketing to to fill these huge empty offices?”

‘Incubators’

Other startups have found a home in “accidental incubators.”

Divine Consign Furniture, for example, recently opened its own cupcake store, Divine Bites, and a separately run upholstery service, Divine Again Upholstery, in its 20,000-square-foot downtown retail space at 904 Main St. And the nonprofit furniture reseller is in the process of talking with an unrelated startup company that would pay a reduced rate to lease space in the store, said Linda Glover, executive director of Divine Consign.

Glover, who serves on Vancouver’s Downtown Association board, said incubation is part of a strategy to bring more retail businesses downtown. The businesses that lease space from Divine Consign must agree to expand downtown when they’re ready to move out on their own, she said.

“It’s a way to bring more traffic downtown and a way to bring new customers to our store,” Glover said. “That’s why we (a furniture store) started to do cupcakes.”

Willing to Negotiate

“Landlords are sometimes hesitant to divide a lot of empty space into separate offices because signing a short-term lease won’t leave room for profit after tenant improvements are made,” said Jim West, a commercial real estate broker with Coldwell Banker in Vancouver.

But many landlords are willing to negotiate.

“The Port of Vancouver has recently renegotiated lease terms with several of its struggling tenants, and it’s open to setting up creative leasing agreements with new tenants that would like to rent a portion of the port’s 350,000 square feet of available industrial space,” said Curtis Shuck, the port’s director of facilities.

“Rents there go for 35 cents to 45 cents per square foot, or a minimum of \$350 per month for 1,000 square feet. Because the port doesn’t have a formal incubator policy in place, it can’t offer below-market-rate leases,” Shuck said.

“But the port can find other ways to make a lease more suitable for a startup,” Shuck said. “It can offer “step-up” leasing terms that adjust the rent according to a company’s earnings, for example. The port would then expect to collect a higher rent as the company grows so that the leasing rate evens out over the leasing period.”

“Such agreements keep tenants in business and in the space paying rent,” Shuck said, “but they also serve the port’s higher purpose of promoting economic development in Clark County.”

Editor's note: A previous version of this story was incorrect. Divine Consign's upholstery service is Divine Again Upholstery.

