



Choose the Best Real Estate for Your Franchise

One of the crucial challenges you will face when opening a site-based franchise is finding the right real estate. No matter how great the product and service are, a poorly selected site can cause your franchise to fail. This is why choosing a good location and negotiating a favorable lease are important to the success of your business. The people in the best position to help you are the franchisor, a local commercial real estate broker, and an attorney specializing in real estate leases.

Item 11 in the Uniform Franchise Offering Circular (UFOC) details the assistance you can expect from the franchisor in finding the right real estate. On the whole, the franchisor reserves the right to give its permission on whether a site is acceptable for development, but cannot be held responsible if it turns out for whatever reason to be a poor location. When selecting a franchisor, choose one that will actually help you find the right real estate for your franchise. This is a sign that they honestly care about their product and service.

Your relationship with the franchisor is one of your main components for success, especially when it comes to selecting a site for your business. Work with the franchisor and don't be afraid to ask for help. Some key questions you should ask include:

- What will the franchisor do to help in finding the right real estate?
- Are relocation rights granted to the franchisee in the event the building is condemned, the lease expires, and/or business is extremely poor?
- Is there any type of territorial exclusivity granted in the contract? (This is addressed in item 12 of the UFOC.) If the answer is "yes," are there any conditions, such as achieving certain performance levels?
- If you are purchasing an existing location, why did the former tenant leave, particularly if they are from the same franchise?

Most franchisors expect you to do the work in locating a prospective piece of real estate that conforms to the franchise's site specifications. These generally include information regarding demographics, population density, traffic, zoning requirements, parking, redecorating, as well as their practical experience in setting up other franchise sites. Franchisors stress the importance of site visibility and which types of shopping centers, malls, and other locations have worked best for their type of business.

When working with a commercial real estate broker, you need to clearly convey what the prospective piece of property must have to work for your business. Remember, franchisors usually want to approve any real estate choice, so make sure it meets their criteria for a franchise site. By passing this information along to your real estate broker, you can save yourself a lot of time and money.

Once you find a prospective piece of real estate, you then need to negotiate a lease. Variables include monthly rent, deposits, length of lease, and any other miscellaneous costs, such as landscaping and taxes. Also pursue the possibility of free rent allowances and tenant improvement allowances from the landlord.

When drawing up the terms of the lease, consult the franchisor. They sometimes have suggested lease documents or sample clauses they would like included in the lease. Once the basic terms of the lease have been agreed upon, you should have the document reviewed by an experienced attorney who specializes in reviewing leases.

Make sure the terms and real estate are to your liking before signing the lease. You and your business are the ones most impacted by your decision. You should feel like you're making the right decision when you sign those papers, and when you do, you've taken a major step toward opening up your new franchise business.