



MARKET EDGE

BY partners

The Rise of the Mini-Revolution: How spec suites breathe new life into older office properties



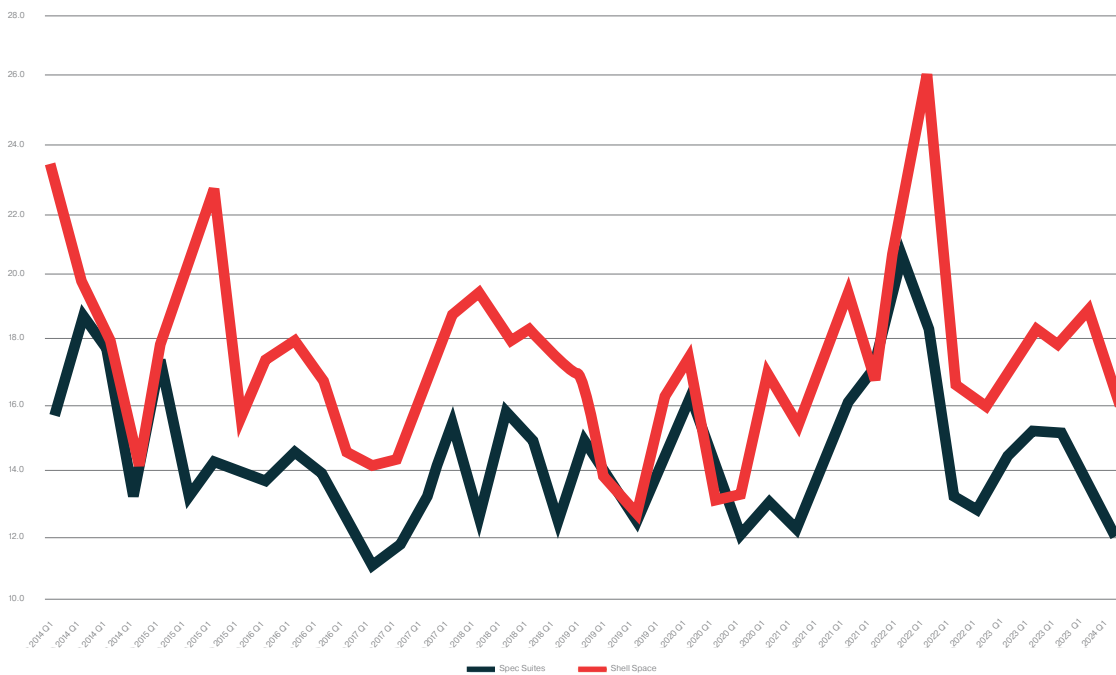
In today's fast-paced business landscape, agility is king. For smaller companies, finding an office that offers immediate occupancy and seamless functionality can be the difference between a fleeting opportunity and a missed market. This is where spec suites, meticulously designed and pre-built office spaces, step onto the scene, injecting a potent dose of competitiveness into older office properties.

Gone are the days of sterile white boxes or outdated layouts deterring potential tenants. Modern spec suites are miniature revolutions, transforming once-tired spaces into vibrant, move-in-ready hubs optimized for small-scale enterprises. Their importance in today's market cannot be overstated. This report delves into the critical role spec suites play in revitalizing older office properties, specifically focusing on their ability to attract and retain the coveted "plug-and-play" tenant.

We'll explore the key challenges faced by older buildings in a tech-driven era, where speed and flexibility reign supreme. We'll then dissect the transformative power of spec suites, analyzing how they address these challenges head-on. From reduced tenant downtime and simplified move-in processes to cost-effective solutions and modern aesthetics, spec suites offer a win-win scenario for both landlords and smaller tenants.

This report isn't just about cubes and private offices; it's about understanding the dynamic relationship between space, productivity, and business growth. It's about recognizing the power of agility and how spec suites empower smaller companies to compete on a level playing field and how office owners and landlords can use a spec suite program to better compete in a very competitive office environment.

Texas Office Spec Suites vs Shell Space (Months to Lease)



Spec suites almost always lease up faster than spaces that are in shell condition. The historic norm for Texas was about 3 months sooner on average, but that spread has widened with spec suites now leasing up by about 4.5 months faster.

What is a Spec Suite?

A “spec suite” in the context of office properties typically refers to a pre-built or pre-designed office space that is ready for occupancy by tenants. These spaces are often constructed by property owners or developers without a specific tenant in mind.

Here are some benefits of spec suites for office properties:

Time Efficiency

Spec suites are already built, saving tenants a significant amount of time that would otherwise be spent on the design, construction, and furnishing of an office space. This can be particularly advantageous for businesses that need to move quickly.



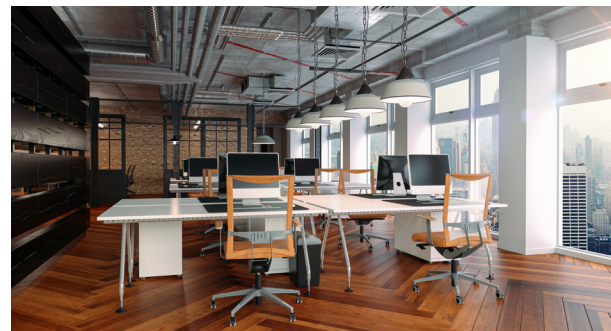
Cost Savings

Since spec suites are pre-built, tenants may avoid some of the upfront costs associated with designing and constructing a customized office space. This can include architectural fees, construction costs, and the expense of purchasing new furniture and fixtures.



Flexibility

Spec suites offer a level of flexibility to tenants as they can move in quickly and start operating without the delays associated with customizing a space. This is especially beneficial for businesses that require flexibility in their office arrangements.



What is a Spec Suite?

Showcasing Potential

Property owners or developers use spec suites as a way to showcase the potential of their office spaces to prospective tenants. A well-designed and functional spec suite can attract businesses looking for turnkey solutions.



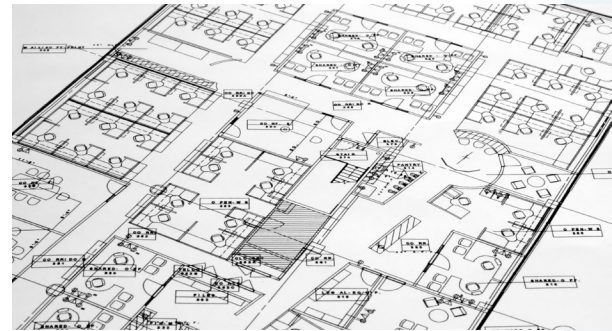
Competitive Advantage

Offering spec suites can give property owners a competitive advantage in the market. Businesses searching for office spaces often appreciate the convenience and time savings associated with move-in-ready solutions.



Attracting Diverse Tenants

Spec suites are designed with a general layout and functionality that can appeal to a broad range of tenants. This can attract a diverse group of businesses with varying space requirements and preferences.



Market Trends and Standards

Spec suites are often designed based on current market trends and standards, ensuring that the spaces meet the expectations of modern businesses. This can include features such as open layouts, energy-efficient design, and the latest technology infrastructure.



Reduced Vacancy Rates

Property owners can reduce vacancy rates by offering spec suites that are ready for immediate occupancy. This helps them capitalize on market demand and attract tenants more quickly than if they only offered raw, unfinished spaces.



What are Common Sizes for Spec Suites?

Ideal sizes for spec suites depend on several factors, but generally fall within a range of 1,500 to 7,000 sq. ft.

This sweet spot caters to the majority of smaller tenants seeking move-in-ready office space, including:

Startups and Early-Stage Companies

These typically require smaller spaces (1,500 sq. ft.) with room for a few employees and basic amenities like a kitchenette and meeting room.

Growing Businesses

These may need more space (1,500-3,000 sq. ft.) to accommodate expanding teams and additional functionalities like dedicated conference rooms and break areas.

Satellite Offices or Branch Offices

Companies with established headquarters often seek smaller footprints (3,000-5,000 sq. ft.) for regional teams or project-specific operations. However, the ideal size can vary depending on additional factors like:

Location

In dense urban areas, smaller suites (2,000 sq. ft.) might be more feasible due to limited space and higher demand. Conversely, suburban buildings might offer larger options (3,000-7,000 sq. ft.

Building Layout

Some buildings may have limitations on how space can be divided, influencing available suite sizes.

Market Demand

Local market research can reveal which sizes are most sought-after by tenants, guiding development decisions.

What are Common Sizes for Spec Suites?

Here's a breakdown of ideal sizes based on tenant headcounts:

5-15 employees: 1,000-2,000 sq. ft.

15-30 employees: 2,000-3,000 sq. ft.

30-50 employees: 3,000-5,000 sq. ft.

Remember, these are just general guidelines. It's crucial to consider the specific needs of your target market and the unique characteristics of your building when determining ideal spec suite sizes. Offering a mix of sizes can cater to a wider range of tenants and increase overall occupancy rates.



Hear from our experts

“In my experience, landlords offering smaller tenant’s spec suites have increased their leasing velocity. Progressive landlords are regularly building out entire floors of spec suites, some of which include shared common spaces with conference rooms and other collaborative space. Many of my smaller clients prefer the “hassle free” process of leasing a spec suite.”

Dan Boyles, Partner – Office Tenant Representation



Additional Tips for Spec Suites Sizes

Divisible Layouts

Design suites that can be easily subdivided or combined to accommodate future tenant growth or changing needs.

Standard Configurations

Offer a few standard sizes with pre-determined layouts that are popular with your target market.

Flexibility

Consider incorporating flexible elements like movable walls or modular furniture to allow for customization within each suite.



Emerging Trend: Spec Suite programs becoming larger and more sophisticated

Texas office properties with spec suite programs

Austin



114 W 7th Street



600 Congress



522 N Congress Ave



100 Congress Ave

Texas office properties with spec suite programs
Dallas-Fort Worth



801 Cherry St



2711 N Haskell Ave



1700 Pacific



5956 Sherry Ln

Texas office properties with spec suite programs

Houston



1980 Post Oak Blvd



10111 Richmond Ave



2000 West Loop South



Three Greenway Plaza

Texas office properties with spec suite programs

San Antonio



1020 NE Loop 410



12707 Silicon Dr, Bldg 2



Hear from our experts

“Spec suites significantly streamline the leasing process, offering a turnkey solution that’s both time-efficient and appealing to a wide range of tenants. Historically in Texas, we’ve seen these spaces lease up around 3 months faster than shell spaces, a gap that’s recently widened to about 4.5 months. This acceleration not only benefits our clients by reducing vacancy times but also provides an attractive, ready-to-move-in option for businesses eager to hit the ground running without the delays of a build-out.”

Vince Strake, SVP – Office Project Leasing



Steve Triolet

SVP of Research and Market Forecasting

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