

retail leasing in plain english

THE EXPERT GUIDE TO NAVIGATING
BRICK-AND-MORTAR REAL ESTATE

COMMISSIONED BY THE COALITION



M&TBank

WRITTEN BY

pedal
RETAIL ADVISORS

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acknowledgements

The Coalition is pleased to share the ***Retail Leasing in Plain English: The Expert Guide to Navigating Brick-and-Mortar Real Estate*** with Washington, DC's small business community. This resource is designed to equip small businesses and entrepreneurs with the knowledge and information needed to better understand the commercial leasing process and navigate the complexities of securing a brick-and-mortar location.

This guide grew out of a chance meeting with Faith Broderick last year, where we were introduced to Pedal Retail Advisors and their one-stop shop in Adams Morgan. That connection quickly grew into a collaboration. Through the hard work, expertise, and shared commitment of The Coalition and the Pedal Retail Advisors team to the District's small business community, that initial conversation became the resource we are proud to share.

We want to extend a special thank you to M&T Bank. This project would not have been possible without their support. We are grateful for their investment in ensuring that small businesses have access to the information and resources they need as they take the monumental step of moving into a commercial space.

introduction

As a community quarterback for DC's small business ecosystem, The Coalition works to identify and address gaps that make it harder for small businesses and entrepreneurs to access the information, resources, and opportunities they need to succeed. By listening to entrepreneurs and working alongside business support organizations across the District, we identify persistent challenges, connect partners with complementary expertise, and develop practical solutions that help small businesses navigate critical moments in their growth.

Commercial leasing is one of those moments. For entrepreneurs opening a brick-and-mortar business, finding and leasing the right space is a significant decision—and one that can have lasting implications for a business's financial health and long-term success. Yet the commercial leasing process can be complex and unfamiliar, with important decisions to make at every step.

The Coalition commissioned this guide to make the leasing process more accessible and help DC small businesses approach it with greater knowledge and confidence. From developing a business plan and assessing potential locations to evaluating lease terms, negotiating with a landlord, and preparing to open, the guide offers practical information and guidance for each stage of the process.

Our goal is to help entrepreneurs ask the right questions, understand their options, avoid costly mistakes, and make informed decisions about one of the most important commitments their business may undertake. By providing a clearer roadmap for commercial leasing, we hope this guide helps DC small businesses establish strong foundations, invest with confidence, and thrive in the District.



This Brick-and-Mortar Leasing Guide is a comprehensive manual for small business owners seeking a long-term, brick-and-mortar space.

the coalition

[**The Coalition**](#) is a dynamic 501(c)3 nonprofit that advances equitable community economic development solutions in the District of Columbia. Our holistic systems-change approach encompasses community-informed budget and policy advocacy, data-driven thought leadership, and needs-based programmatic initiatives in the areas of Housing and Homelessness, Workforce Development, and Small Business Ecosystem Building.

Since its inception in 2000, The Coalition has grown from 55 organizations to nearly 180 today. The Coalition's strength is in its convening power, highly successful advocacy, robust communications, and information sharing, and equipping its members with tools and resources for their work. The Coalition's organizational members include nonprofit and for-profit affordable housing developers, housing counseling and service agencies, community economic development organizations, workforce and business development entities, lenders, intermediaries, and government agencies.

pedal retail advisors

[**Pedal Retail Advisors**](#) is the only commercial real estate firm dedicated exclusively to helping small, independent, and startup retailers succeed in an ecosystem built for big business. On a fundamental level, Pedal's work is about building sustainable, vibrant, equitable communities that reflect the dreams and aspirations of the people within them. These businesses make their downtowns special – and not only that, they create excitement, engagement and foot traffic that benefits the ecosystem around them.

Pedal serves smart retailers with consulting and business planning, and we offer retail real estate consulting and educational services to Main Street organizations, BIDs, and municipalities of all sizes. Pedal's work results in long-term community benefits; it's not just getting businesses open – it's about teaching business owners and their supporters to set themselves up for success so they can contribute to the vibrancy and stability of the assets they lease for years to come.

glossary of terms

ADA & regulatory requirements

The accessibility, building code, and health regulations that govern retail space planning and construction — including circulation, restroom design, occupancy layouts, and accessibility clearances. These requirements are especially significant for food service and other customer-facing businesses.

base rent

The rental rate for a space, quoted per square foot per year, before additional operating expenses (NNNs) are added. Total rent = base rent + NNNs.

See also: *NNN / Triple Net, Rent Commencement Date*

BLTS (budget, location, timeline, site criteria)

Pedal's acronym framework for defining the four core real estate criteria that guide a retail space search.

Establishing BLTS before entering the market helps brokers identify spaces that realistically align with the business model.

See also: *Site Criteria, Trade Area*

broker

A licensed professional who represents either the landlord or the tenant in a retail leasing transaction. Landlord brokers market available space and work to maximize occupancy and revenue for the property owner; tenant brokers represent the business seeking space and guide the search, negotiation, and leasing process. The landlord's broker does not represent the tenant's interests.

Note: The term "broker" technically refers to a senior type of real estate license, but colloquially it is the norm to refer to all commercial real estate leasing professionals as brokers, regardless of whether they technically hold a "Broker" or "Salesperson" license

See also: *Commission, Letter of Intent (LOI)*

build out / buildout

The process of transforming a space from its delivered condition into an operational retail business — also called tenant fit-out or leasehold improvements. For most brick-and-mortar businesses, the buildout is the single largest line item in the startup budget.

See also: *Delivery Condition, Hard Costs, Soft Costs*

business plan

A structured process — not just a fundraising document — for testing, refining, and validating a business concept before significant time or capital is invested. The business plan clarifies the concept internally and helps external stakeholders (landlords, lenders, investors) evaluate the opportunity.

See also: *BLTS*

cam cap

A negotiated limit on how much Common Area Maintenance charges can increase each year, commonly ranging between 3–5%. A non-cumulative cap limits annual increases to a fixed percentage with no carryover; a cumulative cap allows landlords to carry forward unused portions of prior allowable increases; a fixed increase raises CAM by a set percentage regardless of actual costs. Non-cumulative caps are the most tenant-friendly.

See also: *Common Area Maintenance (CAM)*

capital budget

An estimate of the total one-time cost to get a business open — through opening day — with extra cushion for overruns and reserves to stabilize the business afterward. Distinct from the ongoing P&L, it covers transaction costs, construction, professional fees, FF&E, inventory, and working capital.

See also: *Working Capital, Contingency Funds, Hard Costs, Soft Costs*

cold dark shell

The most unfinished delivery condition — typically raw concrete floors, open ceilings, and no HVAC, electrical, lighting, or plumbing infrastructure. Requires the largest buildout investment but offers the greatest flexibility for customization.

See also: *Delivery Condition, Warm Lit Shell, Vanilla Box*

commercial real estate (CRE)

Property used for business or income-generating purposes, typically owned as an investment. CRE is generally divided into four categories: office, industrial, multifamily, and retail.

commission

The standard method of broker compensation in retail leasing — usually a percentage (often 6%) of the annual base rent over the first ten years of the lease, typically paid by the landlord on behalf of both the landlord's and tenant's brokers.

See also: *Broker*

common area maintenance (CAM)

The operating expenses associated with maintaining and managing the shared areas of a commercial property — landscaping, cleaning, security, property management, and insurance among them. CAM charges are passed through to tenants as part of total occupancy cost and typically can't be negotiated, though the annual increase can be capped.

See also: *CAM Cap, NNN / Triple Net*

concessions

Incentives a landlord offers a tenant during LOI negotiation to support the deal's economics — commonly a Tenant Improvement Allowance, direct landlord construction work, free rent or rent abatement, or brokerage commissions paid by the landlord.

See also: *Tenant Improvement Allowance (TI), Landlord's Work, Rent Abatement*

contingency funds

Money set aside within the capital budget specifically to cover cost overruns during construction — a good target is 10% of the budget. Contingency funds protect the working capital reserve when opening costs run over.

See also: *Working Capital, Capital Budget*

delivery condition

The physical state in which the landlord turns a space over to the tenant at the start of the buildout process — one of the most important factors affecting construction cost, timeline, and lease negotiations. The four common conditions are Cold Dark Shell, Warm Lit Shell, Vanilla Box, and Second Generation Space.

See also: *Cold Dark Shell, Warm Lit Shell, Vanilla Box, Second Generation Space*

delivery date

The date the landlord officially delivers possession of the space to the tenant. This is a distinct milestone from the rent commencement date and should be negotiated with enough runway to complete permitting and construction before rent begins.

See also: *Rent Commencement Date, Possession Date*

escalations

Scheduled increases to rent over the lease term, most commonly around 3% annually. Escalations typically apply to base rent, while operating expenses (NNNs) fluctuate with actual property costs.

See also: *Base Rent*

exclusive use clause

A lease provision that protects a tenant from direct competition within the same property or shopping center by granting the exclusive right to operate a particular type of business or sell certain product categories in the project.

See also: *Radius Restriction*

FF&E (furniture, fixtures & equipment)

Operational and customer-facing items purchased separately from the core construction scope — furniture, shelving, seating, display fixtures, decorative lighting, and equipment. FF&E procurement should begin early given lead times for commercial-grade or custom items.

See also: *Soft Costs, Build Out / Buildout*

full guaranty

A personal guaranty structure that makes the guarantor personally responsible for all of the tenant's obligations under the lease — rent, damages, and other liabilities — if the business defaults. Most landlord form leases will include a Full Guaranty, which can often be negotiated down by the tenant.

See also: *Personal Guaranty, Limited (Rolling) Guaranty*

general contractor (GC)

The professional who oversees the physical construction of the space and manages day-to-day execution of the buildout — coordinating subcontractors, managing the schedule, sourcing materials, and supervising site work.

See also: *Build Out / Buildout, Retail Construction Project Manager*

hard costs

The physical construction expenses required to build out a space — demolition, framing, flooring, plumbing, electrical, HVAC, millwork, and installed fixtures. Hard costs are managed through the general contractor and tied directly to the construction plans. TI Allowances are often restricted to cover hard costs and exclude soft costs.

See also: *Soft Costs, General Contractor (GC), TI Allowances*

landlord's work

A concession in which the landlord directly completes a portion of the tenant's buildout, outlined in a negotiated work letter that specifies which improvements the landlord will finish before turnover.

See also: *Concessions, Work Letter, Tenant Improvement Allowance (TI)*

lease

A legal contract that grants the tenant the right to occupy and operate within a property for a defined period — the lease term — governing rent obligations, maintenance, construction requirements, insurance, permitted use, default remedies, and more.

See also: *Lease Term, License Agreement*

lease term

The defined period of time a lease covers. Retail lease terms commonly range from five to ten years.

See also: *Renewal Option*

leasehold interest

A legal ownership-like interest in a property created by a lease, which — unlike a license — comes with special legal rights and protections, including exclusive use of the space and a formal legal process required to remove the tenant.

See also: *License Agreement*

letter of intent (LOI)

A short (typically 3–5 page), legally non-binding document — also called a proposal or term sheet — that establishes the major business terms of a deal before either party incurs the legal cost of negotiating the lease. The LOI functions as the blueprint for the lease.

See also: *Term Sheet, Concessions*

license agreement

A short-term, often cancellable right to use a space (typical for pop-ups or events), distinct from a lease. Licenses are less detailed, can usually be cancelled by the property owner, and do not carry the legal protections or exclusive-use rights of a lease.

See also: *Lease, Leasehold Interest*

limited (rolling) guaranty

A guaranty structure that caps a tenant guarantor's personal liability rather than guaranteeing the full lease term. "Rolling" means the guaranteed rent amount rolls forward and increases as rent escalates, but only within a set forward-looking period.

See also: *Personal Guaranty, Full Guaranty*

MEP (mechanical, electrical, plumbing)

The engineering drawings that follow the architectural plans, providing the technical instructions subcontractors use to price and perform plumbing, electrical, HVAC, gas, and structural work.

See also: *Build Out / Buildout*

NNN / triple net

The landlord's actual costs to operate the property — property taxes, insurance, and common area maintenance — passed through to the tenant alongside base rent. Most retail deals are NNN, meaning total rent = base rent + NNNs.

See also: *Base Rent, Common Area Maintenance (CAM)*

occupancy cost

One of the most important metrics in retail real estate: the percentage of a business's gross revenue consumed by rent and occupancy expenses ($\text{Total Rent} \div \text{Total Gross Sales}$). Product-based retailers generally target under 10%; service-based retailers can typically support up to around 20%.

See also: *Base Rent, NNN / Triple Net*

percentage rent

A rent structure common in retail leasing in which the tenant pays additional rent once sales exceed a predetermined threshold. The amount of percentage rent and breakpoint are negotiable.

See also: *Base Rent*

permitted use

The lease language defining what type of business activity a tenant is legally allowed to conduct in the space.

personal guaranty

A legal promise by an individual — typically the business owner and spouse — to honor the lease obligations if the business defaults. Usually larger in exposure than the security deposit, commonly structured as a 1–3 year rolling guaranty.

See also: *Full Guaranty, Limited (Rolling) Guaranty, Security Deposit*

possession date

See Delivery Date — the date the landlord legally turns the space over to the tenant.

See also: *Delivery Date*

proforma profit & loss statement (P&L)

A financial projection that models expected revenue, expenses, and profitability over time to test whether a business model is financially viable. Year one is typically modeled month-by-month; years two through five are projected annually.

See also: *Occupancy Cost, Capital Budget*

radius restriction

A lease provision limiting a tenant's ability to open another location of the same concept within a specified geographic area during the lease term.

See also: *Exclusive Use Clause*

renewal option

A negotiated right allowing a tenant to extend the lease under predetermined conditions if the business performs successfully in the location.

See also: *Lease Term*

rent abatement

A period of free or reduced rent, often negotiated as a concession to offset the cost of buildout or improve a deal's economics.

See also: *Concessions, Rent Commencement Date*

rent commencement date

The date rent obligations formally begin — ideally negotiated to occur as close to opening day as possible so the tenant isn't paying rent before the business is operational. Distinct from the delivery date.

See also: *Delivery Date*

retail construction project manager

The professional who serves as the central coordinator of a buildout — managing timelines, overseeing consultants, facilitating communication between architects, engineers, contractors, and permitting agencies, and tracking the budget.

See also: *General Contractor (GC), Build Out / Buildout*

second generation space

A delivery condition in which the space was previously occupied and may still contain existing fixtures, finishes, or infrastructure from a prior tenant. Can offer cost savings, but inherited layouts can also create hidden costs.

See also: *Delivery Condition*

security deposit

Money held by the landlord for the duration of the lease, typically paid as a check or letter of credit at signing. The landlord is usually entitled to keep it in the event of a tenant default; the amount is generally smaller than a personal guaranty, most often 1–4 months of rent.

See also: *Personal Guaranty*

site criteria

The physical characteristics a space must have for a business to operate successfully — size, utility capacity, ceiling heights, loading access, ventilation, storefront exposure, and similar operational requirements. One of the four elements of BLTS.

See also: *BLTS*

soft costs

The professional services, planning expenses, and indirect costs associated with getting a business open — architectural and engineering fees, permitting, legal fees, consultants, design, insurance, project management, branding, and FF&E. Often underestimated relative to visible construction (hard) costs. Soft costs are often carved out of the allowable uses for TI Allowances.

See also: *Hard Costs, FF&E (Furniture, Fixtures & Equipment), TI Allowance*

tenant improvement allowance (TI)

A landlord concession structured as reimbursement toward approved tenant construction expenses. TI is paid after the work is completed and paid for by the tenant — meaning the tenant must have the liquidity to carry the full cost of construction upfront.

See also: *Concessions, Landlord's Work, Hard Costs, Soft Costs*

term sheet

See Letter of Intent (LOI) — an alternate name for the short, non-binding document that establishes a deal's major business terms.

See also: *Letter of Intent (LOI)*

trade area

The geographic area from which a business draws its target customers — a foundational concept in real estate strategy and site selection.

See also: *BLTS*

vanilla box

A delivery condition in which many core building systems and basic finishes are already in place — finished walls, lighting, HVAC, flooring, and often completed restrooms — allowing tenants to focus more on cosmetic upgrades and branding.

See also: *Delivery Condition, Warm Lit Shell*

value engineering (VE)

The process of revising designs, materials, finishes, or construction approaches to align the design vision with the realities of the budget — aimed at preserving what matters most to the customer experience, not simply cutting cost.

See also: *Hard Costs, Soft Costs*

warm lit shell

A delivery condition that generally includes HVAC, basic electrical distribution, lighting, and a completed storefront, but lacks most tenant-specific finishes and buildout elements.

See also: *Delivery Condition, Cold Dark Shell, Vanilla Box*

windshield tour

A preliminary site visit — simply observing a site and its surrounding area before a formal tour — used to assess parking, access, pedestrian flow, neighboring uses, and overall neighborhood fit.

See also: *Site Criteria*

work letter

The negotiated document specifying which improvements a landlord will complete before turning a space over to the tenant.

See also: *Landlord's Work*

working capital

Money kept in reserve, separate from the opening budget, used to support cash flow and stabilize a business as it gains footing in its first couple of years.

See also: *Contingency Funds, Capital Budget*

is this guide right for me?

If your business needs a sign out front and customers walk in the front door, you're a retailer.



startup retailers of all types

Soft goods, apparel, home furnishings, salons, day spas, boutique fitness, coffee shops, foodservice, restaurant, experiential concepts, eatertainment, and more



existing retailers

Considering expansion or relocation



pop-up or mobile businesses

Existing businesses operating as a pop-up or in a mobile environment



shared space operators

Existing businesses operating in shared spaces like permanent markets or incubators



consignment or visiting arrangements

Existing businesses operating inside someone else's business in a visiting or consignment arrangement



aspiring business owners

Seeking guidance on leasing retail space and building out a retail store

Does this sound like you? If this resonates, then welcome. This guide is for you!

let's set some ground rules

We have two mottos at Pedal Retail Advisors — they work together, so keep them in mind as you navigate this process.

real talk, always

where there's a will there's a way

Opening a brick and mortar store is hard. It's risky, it's time consuming, it's emotional, and at times, the process can feel downright impossible to overcome. But, it's rewarding. It's a chance for you to bring what you're passionate about most into the world, and share it with your community on your terms. Every day people open the store of their dreams. How? They have to overcome obstacles, they have to navigate set backs, they have to make tough financial decisions, and they have to be focused on their end goal.

Throughout this guide, we will be forthright about the challenges that come with opening a brick-and-mortar, but know, these are not meant to be discouraging! We know firsthand what it takes to open a brick-and-mortar, and know that if we can do it, so can you.

 **Pro Tip #1:** This guide will help a lot, but nothing can replace representation by a retail real estate broker. Brokers help you navigate leasing space that's right for you and your business, and represent your interests in lease transactions. Retailers, no matter if it's your first brick-and-mortar or your 300th, you should always use a retail broker for tenant representation. Notice we said retail broker and not office broker or residential real estate agent? Specialization matters!

① **Pro Tip #2:** You need to use a retail leasing attorney to review your lease. A lease is a legally binding contract, and the attorney's job is very different from the broker's job. Specialization matters here too!

① **Pro Tip #3:** Even with proper representation, you need to know how the retail leasing process works. This guide is intended to be a tool for you to reference to feel more confident beginning your brick-and-mortar journey.

① **Pro Tip #4:** This guide is not a replacement for a retail broker and a retail leasing attorney! Being prepared, and having a team of professionals is key for any successful retailer.

① **Pro Tip #5:** Before you even start searching for space, you need to be fully prepared to transact. We'll tackle the many steps that are necessary, but know there is a lot of prep work to do before you even start looking at potential spaces, let alone negotiating a lease.

one final note...

Throughout this guide we will use a few terms interchangeably, so for clarity:

retailer = business owner = tenant

landlord = property owner

what to know before you start

what even is commercial real estate anyway?

Commercial Real Estate (CRE) refers to property used for business or income-generating purposes. These assets are typically owned as investments and generate value through rental income, appreciation, or both.

CRE is generally divided into four major categories:

office

industrial

multifamily

retail

Each category has its own operational nuances, leasing structures, terminology, and industry specialists. This guide focuses specifically on retail real estate — spaces designed for businesses that serve the public directly and rely on customer foot traffic, visibility, and accessibility.



who are brokers and how do they fit into cre?

Retail leasing transactions typically involve brokers representing both the landlord (property owner) and the tenant (retailer). Landlord brokers market available spaces and work to maximize occupancy and revenue for the property owner, while tenant brokers represent the businesses seeking space and help guide the search, negotiation, and leasing process.

If you are a business owner looking for space, the landlord's broker does not represent you and your business interests.

Because retail leasing is highly specialized and involves significant operational and financial complexity, experienced representation can affect the outcome of the transaction to the tune of hundreds of thousands of dollars as well as the long-term success of the business.

will any broker do?

Retail specialty is critical; retail leasing differs substantially from office or residential transactions and requires familiarity with retail operations, occupancy costs, buildout considerations, landlord expectations, and market-specific leasing practices. In addition, new retailers should select a broker with experience in representing tenants, not just landlords, ideally first-time retailers and/or retailers in a similar concept category (i.e. fitness, restaurants etc.).

what do brokers do?

A tenant broker's role extends far beyond simply sourcing available spaces. Brokers help retailers develop and execute a real estate strategy, identify viable properties, coordinate tours, negotiate Letters of Intent (LOIs), support lease negotiations, and guide the broader transaction process.

During negotiations, brokers advocate for the tenant's business and operational needs while helping evaluate deal structure, timing, concessions, occupancy costs, construction obligations, and landlord requirements. They also coordinate with attorneys, architects, contractors, and other consultants as the transaction progresses.

start-up retailers should be represented by a broker who:

- Specializes in retail leasing
- Represents tenants often (if not exclusively). In other words, not a broker who only represents landlords
- Has successfully transacted with start-up retailers (not just established businesses)
- Has successfully transacted with retailers in a similar concept category (i.e. boutique fitness, restaurants, etc.)
- Is active in your target market and/or neighborhoods (remember, location, location, location!)

how are brokers compensated and how does commission work?

Commercial brokers are most commonly compensated by commission, just like residential brokers. Generally, the landlord pays both brokers' commissions (landlord and tenant), which is a percentage (usually 6%) of the annual base rent over the first ten years of the lease.



In this structure, a tenant doesn't pay their own broker, except indirectly as they repay the landlord over the years in the form of rent.

The traditional commission system has its advantages for tenants – in such a costly buildout process, retailers are always looking to trim expenses – but it has some major disadvantages. The incentives for a commission-only tenant rep broker are misaligned with the tenant's goals in many ways. This can be problematic and fundamentally undermine the trust a tenant has in its broker, which is vital to a successful real estate transaction, especially for first time retailers. For example, if a broker is paid by commission only, there is inherent pressure on the tenant to sign a lease since the broker runs the risk of spending months on a deal without compensation if it falls through.

As a result of these misaligned incentives, alternative compensation structures are increasing in popularity.

Though a fee-based model is not yet common, it can alleviate the inherent tension between the way commission-only brokers are compensated and the best results for the tenant.

all about leases

what are they and what do they cover?

A commercial lease is a legal contract governing the relationship between a landlord and tenant over the duration of the tenancy. Unlike purchasing real estate, where ownership transfers permanently, a commercial lease grants the tenant the legal right to occupy and operate within the property for a defined period of time. This defined period of time is referred to as the lease term.

Commercial leases are comprehensive agreements designed to address both standard day-to-day operations as well as unusual circumstances over the course of the lease term. Topics addressed include rent obligations, maintenance responsibilities, construction requirements, insurance, permitted use, assignment rights, default remedies, operating requirements, and procedures for handling unforeseen events. We'll cover each of these in detail later.

	THE RETAIL MARKETPLACE	
	RETAIL	
	LEASE	
	between	
	THE OWNER, LLC, a Delaware limited liability company	
	("LANDLORD")	
	and	
	CAPITAL RETAIL LLC, a limited liability company	
	("TENANT")	
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Because commercial properties frequently change ownership, leases are structured to remain enforceable regardless of whether the property is sold during the lease term.

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why are leases so serious?

The decision to sign a commercial lease is a very serious one. It sounds dramatic, but at Pedal we say that on the continuum of "serious life events," signing a retail lease falls between getting married and having a baby! It's easier to exit most marriages than to exit a long-term commercial lease. Leases aren't forever (like kids), but they are legally binding regardless of whether the signers wish to continue or not.





You have the right to remain silent (and let your broker handle it)

It's flipping freezing outside, and that means we've been spending plenty of quality time at home with our friends Netflix and Hulu thinking about Miranda. No, not *Sex and the City* Miranda — we're watching true crime and thinking about Miranda Rights. You know,

"You have the right to remain silent. Anything you say can and will be used against you in a court of law. You have the right to an attorney. If you cannot afford an attorney, one will be provided for you. Do you understand the rights I have just read to you? With these rights in mind, do you wish to speak to me?"

We got to wishing there were Miranda Rights for retail space tours. Don't get us wrong — there is no shortage of laws designed to protect consumers in real estate transactions. But most of those laws are meant for residential transactions...and, most of these laws are not common knowledge to regular people.

So, if you're going to go out and tour space without a broker of your own, before you walk in the door, remember your retail Miranda Rights —

You have the right to remain silent. Anything you say can and will be used against you in [your negotiation].

Remember, the broker who shows you the space doesn't represent you — she represents the landlord. And while she may be super nice, she is sizing you up to see whether she feels comfortable recommending that her client, the landlord, sign a lease with you. You can't opt out of making a first impression — and literally being silent is pretty awkward — but be mindful of oversharing. Once you've said that you're planning to fund your buildout with future Powerball winnings, it's going to be a real challenge to get anyone to forget you said it.



You have the right to an attorney [and a broker]. If you cannot afford [a broker, that's ok because Landlords pay their commissions. You do need to figure out how to pay an attorney].

You have the right to be represented by a retail real estate broker who negotiates deals like yours for a living. And guess what? The landlord pays their commission — not you. You may come out of pocket for additional consulting, education and resources, but the commission, which can run anywhere from \$20–60K+ depending on the deal, is paid by the landlord. You do need to hire and pay for an attorney — but investing in a good lawyer now is going to save your @\$\$ in the future. Trust us on that.

Do you understand the rights I have just read to you? With these rights in mind, do you wish to speak to me?

If you don't understand something the landlord's broker says, ask questions! Commercial real estate speak is like a completely new language, so it's better to ask for clarification in the moment than base your rent assumptions off a misunderstanding. Once again, a broker of your own is super valuable here, because they can play translator with you later without making you look inexperienced.

Touring a retail space isn't exactly like being questioned by the police — but your interaction with the landlord's broker will be consequential in the trajectory of opening your business, so take it seriously!

the business plan is where you start

Finding the right retail space begins long before touring properties. Successful site selection requires a clearly defined business plan including the operational strategy, financial model, and real estate criteria before entering the market.

The real estate search process is ultimately about identifying the intersection between the business's operational needs, financial realities, customer behavior, and available market opportunities. Spaces are evaluated not simply on aesthetics, but on whether they support the business operationally, financially, and strategically over the long term.

business planning

A business plan is more than a fundraising document — it is a structured process for testing, refining, and validating a business concept before significant time or capital is invested. Making the plan forces retailers to think through core areas of the business, including the competitive landscape, operational model, customer base, long-term goals, and financial feasibility.

The process also builds confidence and clarity – the business plan becomes your north star and guidepost through the leasing process and even into business operations.

By working through the details in advance, retailers become better equipped to communicate their vision, answer difficult questions, and advocate for the business with lenders, landlords, investors, and other stakeholders.

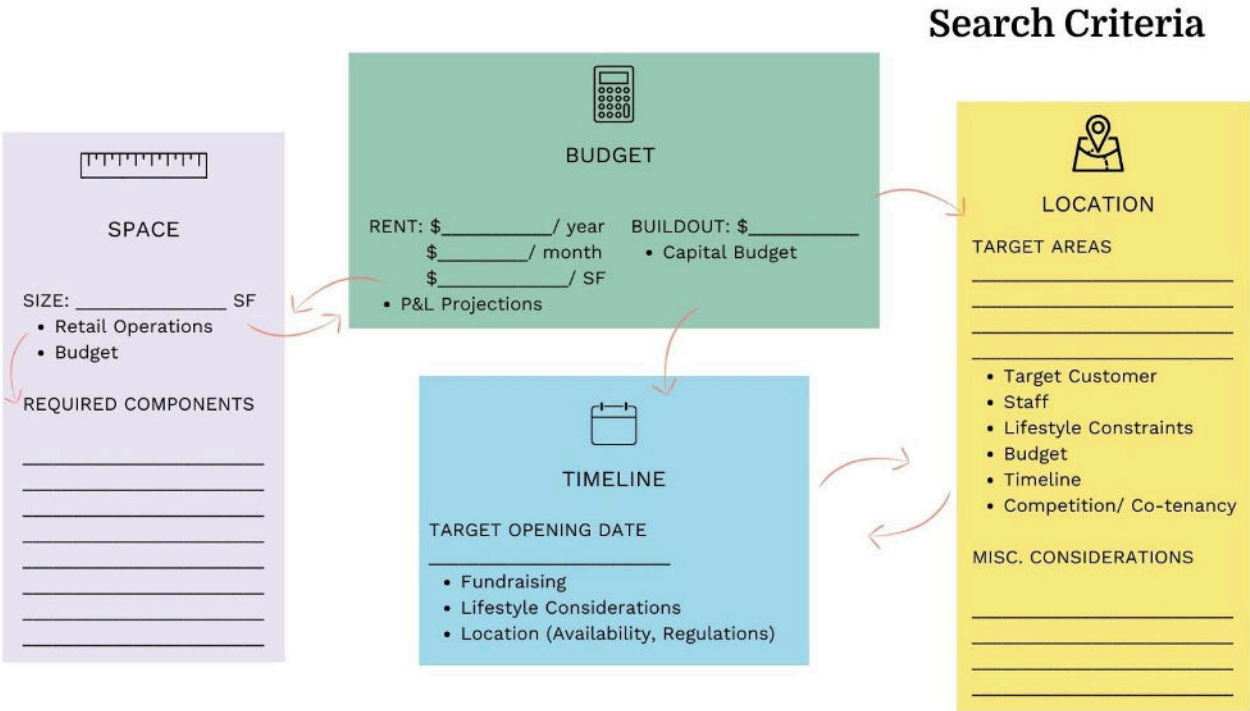
the business plan plays a central role

A strong business plan serves two purposes simultaneously:

it helps the retailer clarify the business internally

it helps external stakeholders evaluate the opportunity

For landlords, a well written business plan demonstrates that the concept has been thoughtfully developed and that the retailer understands both the business and the market. For lenders and investors, it provides the operational and financial context needed to assess risk and viability.



A well-executed plan can also materially improve lease negotiations. Landlords are often more flexible on rent, concessions, and deal structure when they believe a tenant will strengthen the overall project and contribute positively to the tenant mix and long-term value of the property.

Pro tip! Take the time and effort to establish a thoughtful, polished business plan. Many retailers start looking for spaces or negotiating leases before the business plan is set. Don't be that retailer! You cannot pass go until the business plan is done. It will save you time, money, and heartache to establish your business fundamentals up front.

defining the business concept

At its core, the business plan answers a foundational question: what is the business, and why should it exist?

The Concept section of the plan articulates the retailer's vision, the customer problem being solved, the unique value proposition, and the broader purpose behind the business. This process often helps retailers sharpen their messaging and better define what differentiates the concept from competitors.

The business plan also establishes long-term direction by considering future growth and an exit strategy early in the process — whether the goal is building a single community-focused location, creating a scalable multi-unit brand, or eventually franchising or selling the business.



Sample pages from a business plan.

understanding the customer & market

Retail businesses depend heavily on physical location and customer behavior. Performing a thorough market analysis one of the most important components of the business plan.

That process includes identifying target customers, developing customer personas, analyzing demographics, evaluating competitors, and understanding where customers live, work, and spend time. This analysis ultimately informs both the location strategy and the operational model of the business.

Customer personas can be used to illustrate the different motivations, needs, and behaviors of the business's target audience, helping clarify how the concept serves multiple customer segments.

real estate strategy

The business plan also defines the real estate strategy by identifying where the business should be located and what type of space it requires.



This includes establishing a target trade area, identifying operational requirements for the physical space, estimating the ideal square footage, and clarifying any site-specific needs such as parking, accessibility, visibility, loading, or customer flow considerations.

These criteria become the foundation for the broker's space search process and help ensure that potential locations align with both the operational model and the financial realities of the business.

the BLTS: budget, location, timeline, site criteria

We may be biased, but the most important sandwiches are BLTS. The "BLTS" framework is used to define the four core real estate criteria that guide a retail space search:



These categories help establish clear decision-making parameters before entering the market and allow brokers to identify spaces that realistically align with the business model.

budget

The budget establishes both the amount the business can afford to spend on occupancy cost (aka rent) and the amount available for buildout and startup expenses.

Defining the budget early helps retailers know what they need to negotiate, and prevents them from pursuing spaces that may appear attractive but are financially unrealistic long term.

location

Location strategy is driven primarily by customer behavior. The goal is to identify trade areas where the target customer already lives, works, shops, spends time or, in the case of more destination uses, locations that are reasonably convenient and accessible to the target customer and employees.

Location decisions also consider factors such as accessibility, visibility, surrounding tenant mix, neighborhood identity, staffing considerations, convenience, and how the business fits into the retailer's broader lifestyle and operational goals.

timeline

Timeline considerations help determine when the business intends to open and how quickly the retailer needs to secure space.

Certain opportunities may offer strong long-term potential but require delayed delivery timelines, while others may allow for faster openings but involve operational or financial tradeoffs.

Construction timelines, permitting requirements, fundraising schedules, and personal considerations all influence the ideal transaction timeline.

site criteria

Site criteria define the physical characteristics the space must have in order for the business to operate successfully.

These requirements vary significantly by concept and may include size, utility capacity, ceiling heights, loading access, ventilation, storefront exposure, delivery logistics, customer flow, or operational infrastructure.

Establishing clear site criteria early helps narrow the search process and ensures potential spaces are evaluated against the actual operational needs of the business rather than purely aesthetic preferences.

operational flow & space planning

Before evaluating potential spaces, retailers must clearly understand how the business will function day-to-day. One of the earliest planning exercises is identifying all required operational areas and determining how they need to relate to one another spatially.



This process often includes mapping customer flow, storage needs, shipping and receiving, back-of-house operations, employee areas, service functions, and operational adjacencies. For example, restaurants may require dishwashing areas near service entrances, while retail businesses with e-commerce components may need dedicated inventory and fulfillment space.

Clarifying these operational requirements early helps inform site selection, architectural planning, and budgeting while reducing the likelihood of costly oversights later in the process.



Supermarket sweep

Last weekend I had some time to kill while my daughter was at a birthday party, so I took advantage of the party's location and went to Trader Joe's. The good news is that I made perfect use of 90 minutes. The bad news is that I violated one out of two cardinal rules of grocery shopping: always have a list, and never go hungry.

While I did have a general list, I was starving...and boy did it show at the checkout. *Do you know how hard it is to spend \$200 at Trader Joe's?* My grocery bill at regular ol' Harris Teeter never hits \$200, *even when I use Instacart*, my small family just doesn't consume all that much. So this was an eye-popper.

Had prices unexpectedly increased at Trader Joe's?

No. I just bought a LOT of stuff, including corn chips and queso, frozen Fiery Chicken Vindaloo, champagne mangoes, and cheese straws.

When I unpacked back at home, I was relieved to see that this wasn't the worst hunger-shop I've ever done. But even if it were, the consequences are pretty mild. Yes, I would have wasted money on stuff that would sit in my pantry or in my freezer for eternity, but that's about it.

There is, however, another situation where showing up without a list is a lot riskier, and where letting hunger drive your decision making is downright dangerous.

Yep. You guessed it. Retail space search and site selection.

The List — Your BLTS

First let's talk about the list — the articulation of your needs and requirements. The "BLTS" as we like to call them.

● **Budget**

How much you can spend getting the business open, and how much can the business afford in rent each month?

● **Location**

Where does your target customer need you to be?

● **Timeline**

How long must/can you wait before opening?

● **Space Criteria**

What are the physical attributes that a space must have for you to operate your business?



This is what proper BLTS list might look like:

- **Budget**

No more than \$362,000 on buildout, No more than \$8,254 per month all-in.

- **Location**

Georgetown, DC, north of Q St NW.

- **Timeline**

No earlier than September 2027.

- **Space Criteria**

Must be at least 1,800 square feet and have abundant natural light and parking.

Without these criteria clearly identified, space search can look a lot like wandering the aisles putting various appealing things in your cart. *Ooh, freeze dried raspberries! Trader José's tomatillo sauce! Peppermint Joe-Joes, I missed you!* See what I mean? Each on their own is appealing, but if I just keep putting things in my cart because I like the way they look, I end up back at home a lot poorer and without a plan for dinner.

The BLTS keep us focused and provide a reality check to our natural enthusiasm.

Enthusiasm is a wonderful thing — until it starts costing you time and money. Without the BLTS to anchor us, it's easy to get swept up in the excitement of a space that looks right but doesn't actually work.

Take the cute spot with the roll-up doors. Enthusiasm says, *"Ooh, I saw the cutest space with roll-up doors! Maybe that's the one!"* But the BLTS answer clearly: there's no parking. We gotta pass. Time wasted? Zero. Money wasted? Zero.

Or consider the corner spot next to the library. Enthusiasm says, *"That corner spot next to the library would be a perfect location for me!"* And maybe it really would be — but it's 3,200 square feet. The BLTS say we gotta pass. Again: time wasted, zero. Money wasted, zero.

That's the power of having clear criteria before you start your search. The BLTS don't dampen enthusiasm — they protect it, channeling it toward spaces that can actually work.

A Growling Stomach in Retail Real Estate

You get the point, so let's layer on a growling stomach.

In retail real estate, a growling stomach is a (usually first-time) retailer's sense of extreme urgency — the burning feeling that *if I don't get this business open **RIGHT NOW** it will never happen*. It's a deep hunger to begin the "real" part, as if everything before opening day doesn't really count.



It's consuming, it's painful, and like any other hunger, it'll lead you right toward bad decisions. This is how otherwise smart, thoughtful people make short-sighted leasing decisions. In the ravenous haze, they grab whatever looks good enough right now.

Experienced retailers always have a list

If you think about it, existing retail businesses always have a list, and if they have an appetite to expand, they never feel like they're starving; their existing businesses confirm their BLTS, and they know that (a) there's too much at stake to rush the process, and (b) there will *a/ways* be another opportunity. That's not to say that experienced retailers don't make bad decisions — they do — they're just not usually due to poorly defined criteria or an existential feeling that if they don't sign *this lease at this moment* they'll never achieve their dreams.

Emotions Have a Seat at the Table

For small and independent retailers, real estate decisions are very much personal decisions. Emotions have a seat at the table. That's because they *a/ways* sit at the table, whether we make space for them or not. They're obnoxious that way. Experiencing brokerage for the first time is overwhelming, and there are consequential choices around every corner.

determining what you can afford

the financial basics

A major function of the business plan is determining what the business can realistically afford — both in terms of startup costs and ongoing occupancy expenses.

This includes estimating the capital required to secure the build out and open the business, as well as modeling ongoing operating expenses, rent obligations, staffing costs, and projected revenue. Financial planning also helps establish appropriate rent thresholds and occupancy cost targets before entering the market.

By aligning financial projections with the operational model and real estate strategy, retailers can more confidently evaluate whether a potential space or deal structure is sustainable.

 **Pro tip!** Don't freak out when you see the numbers! Remember retail businesses typically require significant upfront investment, and profitability often takes time to achieve. Discussions about money and what a business can and cannot afford can often feel emotional, but understanding financial constraints upfront helps ensure long-term profitability.

Because of the long pay-back period and long-term lease obligations, retailers need to understand not only the startup costs, but also how occupancy costs, staffing, operating expenses, and debt obligations interact over the full lease term. This is where financial models come into play. Projections are critical to evaluate whether the business model works, not just for opening, but over time as rent escalates and operating costs evolve.

in depth: profit & loss projections

The proforma profit and loss statement (P&L) is a financial projection that models expected revenue, expenses, and profitability over time.

The purpose of the P&L is to test whether the business model is financially viable.

It evaluates whether projected revenue — based on pricing, customer demand, and sales volume — is sufficient to cover occupancy costs, labor, operating expenses, debt obligations, and other business expenses.

Typically, year one is modeled month-by-month to account for the volatility and ramp-up period of a new business, while years two through five are projected annually.

Year 1 Proforma P&L													
SALES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YEAR 1
Memberships	32,767	35,811	38,865	40,877	42,889	44,142	45,406	46,608	47,750	48,834	49,865	50,843	524,579
Class Packs	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	51,840
Single Drop In	128	128	128	128	128	128	128	128	128	128	128	128	1,536
Intro Offer	55,120	7,120	7,120	7,120	7,120	7,120	7,120	7,120	7,120	7,120	7,120	7,120	133,440
Retail	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Revenues	93,335	48,479	51,233	53,545	55,379	56,710	57,874	58,176	60,318	61,402	62,433	63,411	723,395
COST OF SALES													
1099 Casual Trainer Labor	6,536	6,536	6,536	6,536	6,536	6,536	6,536	6,536	6,536	6,536	6,536	6,536	78,432
Retail	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Total COGS	7,036	7,036	7,036	7,036	7,036	7,036	7,036	7,036	7,036	7,036	7,036	7,036	84,432
GROSS PROFIT	86,299	41,443	44,197	46,509	48,343	49,674	50,938	51,140	53,282	54,366	55,397	56,375	638,963
EXPENSES													
Labor	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	2,851	34,209
Payroll Taxes	257	257	257	257	257	257	257	257	257	257	257	257	3,079
Rent - Property Lease	0	9,215	9,215	9,215	9,215	9,215	9,215	9,215	9,215	9,215	9,215	9,215	101,389
CAM + MNH	4,608	4,608	4,608	4,608	4,608	4,608	4,608	4,608	4,608	4,608	4,608	4,608	55,292
Utilities	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Business Insurance	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Repairs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Operational Services	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Professional Services	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Tech Subscriptions & Upgrades	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	33,600
Paper Supplies & Packaging	467	467	467	467	467	467	467	467	467	467	467	467	5,600
Marketing & Comps	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	38,400
CC Processing	2,520	1,309	1,363	1,446	1,495	1,531	1,565	1,598	1,629	1,658	1,686	1,712	19,532
Staff Meals & Rewards	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Miscellaneous	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Royalties (7% of gross sales)	6,533	3,394	3,586	3,748	3,876	3,970	4,058	4,142	4,222	4,298	4,370	4,439	50,638
Brand Fund Contribution (2%)	1,867	970	1,025	1,071	1,108	1,134	1,159	1,184	1,206	1,228	1,249	1,268	14,468
F58 Service Fee (\$700)	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Conference & Travel	617	617	617	617	617	617	617	617	617	617	617	617	7,403
Music Licenses	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Total Expenses	32,069	36,636	36,358	36,629	36,843	36,999	37,147	37,288	37,421	37,548	37,668	37,783	439,799
EBITDA	54,230	5,407	7,839	9,880	11,499	12,675	13,792	14,853	15,861	16,818	17,728	18,582	199,174

Example 12-month P&L statement

Revenue projections are generally broken into separate income streams to account for differences in margins and cost structures. Product sales, memberships, services, events, and merchandise may all behave differently financially, making detailed revenue modeling important for understanding the health of the business overall.

Keep in mind that stakeholders – like potential investors or lenders – will expect detailed explanations of all of the assumptions that make up projections, so the more detailed and granular your projections are, the easier it will be to explain and defend them.

occupancy cost

Occupancy cost is one of the most important metrics in retail real estate because it measures how much of a business's gross revenue is consumed by rent and occupancy expenses.

$$\text{Occupancy Cost \%} = \text{Total Rent} / \text{Total Gross Sales}$$

"Total rent" typically includes both base rent and additional operating expenses such as taxes, insurance, and common area maintenance charges (often referred to as NNNs or triple nets).

Checking occupancy cost is like "taking the temperature" of a business – it's one indicator of the business' overall health. Just as taking someone's temperature and seeing 104°F on the thermometer signals that there's a problem in the body, occupancy costs above the target thresholds indicates that the sales are not high enough to support the rent.

Pro tip! A space may appear attractive operationally or aesthetically, but if occupancy costs consume too large a percentage of revenue, the business model may become difficult to sustain long term.

Different retail categories support different occupancy cost ranges depending on margins, sales volume, and operating structure. Lower-margin businesses generally require lower occupancy percentages, while higher-margin concepts may tolerate higher occupancy costs.

Generally speaking, product-based retail businesses should aim for occupancy costs under 10%. Service-based retail businesses can push higher toward 20%, but staying as low as possible is always best.

rent calculations

Commercial rent is typically calculated using a per-square-foot annual rental rate. Total occupancy cost generally consists of:

- Base Rent
- Triple Net Expenses (NNNs), including: Property taxes, landlord insurance, and common area maintenance (CAM)

When evaluating affordability, retailers model occupancy costs across the entire lease term rather than focusing only on year one. This helps ensure the business can continue supporting rent obligations as expenses increase over time.

escalations

Most commercial leases include annual rent escalations, commonly around 3% per year.

Escalations typically apply to the base rent portion of the lease, while operating expenses fluctuate based on actual property costs. Modeling rent escalations in financial projections is critical because a deal that works financially in year one may become unsustainable later in the lease term if revenues do not grow at least proportionally.

Retailers also negotiate limitations on certain controllable operating expense increases to help manage long-term occupancy costs.



common area maintenance (CAM)

Common Area Maintenance charges ("CAM") are the operating expenses associated with maintaining and managing the shared areas of a commercial property. CAM charges are typically passed through to tenants as part of overall occupancy costs and may include expenses such as landscaping, cleaning, security, property management, insurance, and common area maintenance.

While CAM expenses are passed through directly and typically can't be negotiated, retailers are often able to negotiate a limit on the amount these expenses increase each year – a "CAM cap." These caps help create predictability for budgeting and protect tenants from significant year-over-year operating expense increases.

Annual CAM caps commonly range between 3–5% and may be structured in several ways:

- **Non-cumulative caps:** annual increases are limited to a fixed percentage above the previous year's CAM charge. Unused increases from prior years cannot be carried forward.
- **Cumulative caps:** landlords may carry forward unused portions of prior allowable increases.
- **Fixed increases:** CAM increases by a predetermined percentage annually regardless of actual operating cost fluctuations. With fixed CAM, the retailer doesn't get the benefit of savings if a Landlord's operating expenses are less than budgeted, but, let's be honest, when has anything ever come in under budget?

From a tenant perspective, non-cumulative caps provide greater predictability and protection. Regardless of structure, however, negotiating some form of CAM limitation is better than no cap at all.

in depth: the capital budget

The capital budget estimates the total cost to get a business open all the way to opening day with extra cushion for cost overruns and money still in the bank to stabilize the business during its early operating period.

Unlike the ongoing P&L, the capital budget focuses on one-time startup expenditures, including transaction costs, construction expenses, professional fees, equipment, inventory, pre-opening expenses, and working capital reserves.

Typical capital budget categories include:

- Professional fees
- Architectural and engineering costs
- Construction and buildout costs
- Inventory and supplies
- Marketing and branding
- Working capital reserves
- Lease transaction costs
- Permits and approvals
- Furniture, fixtures, and equipment (FF&E)
- Technology and POS systems
- Pre-opening payroll and training

The budgeting process also serves as a planning exercise by identifying operational needs and surfacing costs that may otherwise be overlooked. In the following sections, we'll go into much more detail about the costs associated with building out a retail space.

common delivery conditions

Most retail spaces need some level of construction to be suitable for opening. As you begin searching for spaces, you'll notice the wide variety of space conditions, which can be summarized into four common conditions:

cold dark shell

A cold dark shell is the most unfinished condition — typically raw concrete floors, open ceilings, and no HVAC, electrical, lighting, or plumbing infrastructure in the space.

warm lit shell

A warm lit shell generally includes HVAC, basic electrical distribution, lighting, and a completed storefront, but lacks most tenant-specific finishes and buildout elements.

vanilla box

A vanilla box includes many of the core building systems and basic finishes already in place, such as finished walls, lighting, HVAC, flooring, and often completed restrooms.

second generation space

A second generation space has been previously occupied and often includes existing improvements, fixtures, finishes, and infrastructure from a prior tenant.

Each condition affects the scope of work required and the level of customization possible. Each delivery condition is explained in full detail in Part 5, including what it means for your construction scope, timeline, and landlord negotiations. This section introduces the terms so you can factor them into your capital budget early.



working capital funds & contingency funds

Conservative budgeting and contingency planning are critical during this stage – unforeseen expenses and cost overruns are nearly guaranteed, so budgeting conservatively and planning for contingency funds is essential. Businesses require many months to stabilize, meaning that having extra cash in the bank at opening is critical.

working capital funds

money in the bank kept safe from the opening budget used to support cash flow and stabilize a business as it gains its footing in the first couple of years

contingency funds

extra money in the budget earmarked for cost overruns, 10% is a good target

When opening costs go over budget, contingency funds protect the critical working capital funds. It takes months, and sometimes years, for businesses to recoup their initial start-up expenses, so plan accordingly!

financing

Retail businesses are commonly financed using a combination of debt, equity, personal savings, and supplemental funding sources.

Debt financing includes loans or lines of credit that must be repaid over time, while equity financing involves exchanging ownership interest in the business for capital investment.

Common funding sources include:

-  SBA-backed loans
-  Home equity lines of credit
-  Construction loans
-  Working capital lines of credit
-  Friends and family investment
-  Equity investors
-  Crowdfunding and grants

Because different costs arise at different stages of the project, timing and liquidity are critical considerations when assembling financing. Many startup expenses occur before lenders release long-term financing proceeds, requiring retailers to maintain accessible cash reserves for transaction costs and early-stage expenditures.

For example, most SBA loans require that building permits be issued before releasing loan funds; this means that the business owner must pay for all costs before that point – architecture fees, legal work, security deposits, etc. – long before the bank will make the loan money available.

 **Pro tip:** It is absolutely essential that 100% (or near 100%) confidence that retailers have access to all of their capital budget funding (including contingency and working capital) before signing the lease. The best approach is to wait until funding is secure before beginning brokerage altogether.



\$42 and a dream

Last month, my sister and I had the distinct pleasure of taking our girls – ages 11, 10, and 6 – to Sephora. On a Saturday. At 4pm. These last two details are irrelevant to my story, but I'm trying to set the scene here.

In walking up to the store from the parking lot, my sister (a mental health professional and exceptional mother) gave her girls a clear budget – \$42 each, before tax. Firm.

The store was, as expected, a zoo, but the girls were undeterred. They charged in and got down to business; lip balms, perfume rollers, eye creams...everything was a possibility.

Through the chaos, I saw my niece Amelia, the 10-year-old, IN THE ZONE. She was laser focused – swapping a lip gloss with bronzer, adding one - no, two! – undereye patches, now swapping the bronzer for a facial mist. It was ten minutes of wheeling and dealing, all in service of leaving the store with the BEST and MOST she could get for \$42.

She settled on the two eye patches for \$4 each, a liquid highlighter for \$16, and a facial mist for \$18. That girl spent every last dollar and walked away happy.

In watching her flying around the store, doing A LOT of math in her head and aloud, and trying to figure out every which-a-way she could optimize her budget, I was transfixed. **She reminded me of so many aspiring retailers – highly motivated hustlers, convinced they can open their business within their constrained budget and not interested in being told otherwise.**

Opening a business, however, is a lot more serious than going to Sephora, and my sister's not footing the bill.





Everyone who intends to open a retail business knows that there's a big investment up front, and they know they've got limits on how much they can personally spend. Try as they might, it's impossible for the aspiring business owner to research their start-up costs objectively; the "fact-finding" is inherently filtered and influenced by two lenses:

 **I want to do this.**

 **I can do this.**

And these lenses explain why in five+ years of reviewing startup budgets, no one has ever, EVER, overestimated. And very few have even come close to a realistic number on their own.

One factor is that first-timers rarely know allll of the expenses they'll encounter on the road to opening. But even if they did, they'd *still* underestimate the amount.

They are not dumb or naive or lazy. They are human, and their brains are functioning exactly as they are supposed to. So please join me, a self-credentialed psychologist*, as we dig into the specifics.

 **Lens #1 — We approach the question with a pre-determined goal in mind. *I want to do this.***

 **Motivated reasoning**

We unconsciously research and interpret information in ways that support the conclusion we *want* to be true — namely, "I want the answers to support my plan to open this store." We aren't evaluating costs neutrally; we're filtering reality through our desire to realize our goal. When we're spending time researching startup costs, we're doing it because we're *motivated* to move the project forward. We literally want the numbers to clear a path forward.

 **Identity-protective cognition**

People who set out to open retail businesses tend to have a decent sense of self-esteem (or else how would they be able to be so vulnerable to the general public?), so admitting that opening costs may be beyond their reach can threaten their self-image. "I'm smart and capable," can rapidly spiral into "I'm lame and poor," which is very sad. So our ride-or-die brain protects our identity by constructing a version of reality that fits the image of who we believe we are and what we think we should be able to achieve.



🧠 **Optimism bias & survivorship bias**

As evidenced by my sister's current home renovation, we naturally assume things will go smoother, cheaper, and faster for us than is statistically likely. We never expect problem A or delay B, because *they are unexpected*, and when we're on a budget, it feels like we can't afford to plan for them. At the same time, we're influenced by visible success stories set to trending audio, while the many shuttered or underfunded businesses that never got off the ground are invisible to us.

🔍 **Lens #2 — We look for the answers that make our goal feel possible. *I can do this.***

🧠 **Constraint-based forecasting**

Instead of estimating what a project objectively costs, we unconsciously start with what we *could possibly* access financially, then build a budget backward from that constraint. The budget becomes a reflection of affordability, not reality. Someone with access to \$900k and someone else with access to \$90k will come up with very different startup estimates for the exact same business. I know this sounds ridiculous, like, *Sheila, I'd never do that!* But here's how I know it's true — in five+ years of reviewing startup budgets, no one has ever, EVER, said to us, "*Here's the budget. I can't afford it.*"

🧠 **Anchoring**

It turns out that an early number — often emotionally driven — becomes our reference point for all later thinking. Once someone sees some dumb TikTok about how easy it is to open a vegan ice cream day spa for \$50k, all subsequent research gets unconsciously adjusted to support or stay near that number. Anchoring is why you'll find a \$36 glass of Pinot Noir on the menu. Does the restaurant expect you to order it? Probably not, but it sure does make it easier to sell you a \$22 glass.



Now, it's natural to be judge-y here. I myself am a self-appointed judge, so I get it, but if people had perfect perception and only made perfectly rational decisions, a whole lot of very cool and very successful businesses would never have come into being.

Just as these biases of *motivated cognition* are true, so is the fact that all successful businesses require a tremendous amount of *delusional optimism*...especially at the beginning.

Ultimately, too little optimism leads to paralysis, and too much leads to undercapitalization — the #1 killer of retail businesses.

So the trick is finding the balance. Whether they're opening their first or third location, our job is to temper optimism with "real talk, always" and to fan its flames by insisting that "where there's a will, there's a way."

**Okay, you're right. I'm not a psychologist, but these are real concepts developed by smart people with "Yale" and "Princeton" in their bios:*

<https://informalscience.org/identity/Dan-Kahan/>

<https://kahneman.scholar.princeton.edu/publications>

<https://www.sciencedirect.com/science/chapter/bookseries/abs/pii/S0065260110430014>

<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.30.3.133>

getting the best deal on the right space

📌 **Note:** *If you're reading this section first: Part 4 assumes you have already defined your BLTS (Budget, Location, Timeline, Site Criteria) and have a completed business plan and financing in place. These are covered in Parts 2 and 3. If you haven't worked through those yet, it's worth doing so before entering the market — your BLTS is the filter through which every space will be evaluated.*

Once the business plan, funding strategy, and real estate criteria are finalized, the space search can begin in earnest.

Entering the market too early creates unnecessary pressure and wasted effort — retail real estate moves quickly, so spaces that seem promising early on may not be available by the time a business is truly ready to transact.

A clear strategy and defined requirements are essential to identifying spaces that are genuinely viable.

The available real estate options are also broader than what is publicly visible. While some vacancies are advertised with leasing signs or online listings, many opportunities are sourced through broker relationships, off-market conversations, and direct outreach. The initial search is best approached as a process of elimination rather than trying to immediately identify "the one." Reviewing options against budget, location, timeline, and operational needs helps narrow the field efficiently before touring begins.

enlisting a broker

A retail leasing broker acts as both advisor and advocate throughout the transaction process. Their role typically includes identifying opportunities, coordinating tours, negotiating letters of intent, supporting lease negotiations, and helping navigate the many moving parts of the deal process.

Strong retail real estate brokers provide three key advantages:

market information

transaction
experience

industry relationships

Retail inventory and comparable lease terms are not publicly transparent like residential real estate, so access to reliable market intelligence is critical. Experienced brokers also help evaluate what constitutes a fair deal, identify risks early, and guide negotiation strategy.

Because tours and negotiations are often the first introduction a retailer makes to the broader commercial real estate market, brokers also help establish credibility with landlords and leasing teams. Particularly for first-time retailers, professional representation strengthens leverage and helps communicate seriousness, preparedness, and operational readiness.

Pro tip! Retailers need a broker that specializes in retail real estate specifically. Commercial real estate brokers and residential real estate brokers are very different! Retail real estate brokers have the experience, market knowledge and relationships to help you successfully secure a great space and negotiate a deal that positions your business for success. A retail real estate broker is not qualified to sell your house, and a residential realtor is not qualified to represent you in a retail lease transaction.

site survey & tours

site survey

Before touring a space, an initial screening process helps determine whether a site is worth pursuing. Spaces should first be evaluated against core real estate criteria established during business planning, including size, location, budget, operational requirements, and timeline.

A preliminary "windshield tour" — simply visiting the site and observing the surrounding area — is an important next step. This visit allows retailers to assess factors that may not be obvious in marketing materials, such as parking, access, pedestrian flow, neighboring uses, delivery logistics, visibility, or overall neighborhood fit. Seeing a site through the lens of day-to-day operations often reveals opportunities or concerns that would otherwise be missed.

The goal at this stage is not to make a final decision, but to identify spaces that could realistically support the business before investing time in formal tours and negotiations.



tours

Space tours are both an information-gathering exercise and the beginning of the landlord evaluation process. Tours are typically attended by the tenant, broker, and landlord representative, and they often set the tone for the broader negotiation process.

Preparation matters. Retailers should arrive familiar with the site, prepared to speak confidently about their concept, and ready to ask thoughtful operational questions. Topics often include signage opportunities, loading and trash access, neighboring tenants, buildout considerations, and any business-specific operational needs.

Tours are best approached with curiosity and flexibility rather than urgency. Maintaining multiple viable options throughout touring and LOI negotiations often leads to stronger leverage and better overall deal terms.

Pro tip! Think of space tours like job interviews – professionalism matters! Only the business owner(s) and their broker should attend the first space tours. If the space is a real contender, there will be more than enough time for family and friends to check it out before a lease is signed.

elevator pitches

A concise and polished elevator pitch is an important part of the touring process. Landlords and leasing teams are not only showing prospects their space, they are also evaluating the concept and the retailer behind it during site tours. A strong pitch clearly communicates the business vision, target customer, operational readiness, and why the concept is a good fit for the location.

The retailers' goal is not to oversell, but to present the business professionally and confidently.

Particularly for independent retailers, the ability to articulate the concept clearly can help establish credibility and differentiate the business from other prospective tenants.

negotiating the LOI

The Letter of Intent (LOI) negotiation phase is where the most important business terms of a lease are negotiated. While an LOI (also called a "proposal" or "term sheet") is legally non-binding, it is critically important as it functions as the blueprint for the lease. The point of LOI negotiations is to align on the major deal points before either party (landlord or tenant) incurs the legal expenses of negotiating the lease.

LOI negotiations have a substantial long-term financial impact on brick-and-mortar businesses, and even relatively small changes to key terms can translate into significant savings over the life of the lease. Negotiating lower base rent, reducing annual rent escalations, increasing tenant improvement allowances, or securing periods of free rent can materially improve the economics of a deal.

Dear Abby:	
We are pleased to present the following proposal to lease. This proposal is intended to outline the material business points upon which agreement could preface the preparation, review and execution of a mutually acceptable lease.	
Landlord:	[REDACTED] Portfolio) LLC on behalf of [REDACTED]
Tenant:	[REDACTED] LLC d/b/a [REDACTED]
Guarantor:	Personal guaranty by [REDACTED] and spouse. <u>Guaranty to be limited to the first three years of the Lease Term followed by a rolling 24-months for years four thru six, then down to a rolling 12 months thereafter.</u> Deleted: , if applicable
Shopping Center:	Westbard Square, located in the City of Bethesda, in the County of Montgomery, in the State of Maryland.
Premises:	Future unit #180-3 in Phase I of the redeveloped Shopping Center, comprising approximately 1,556 square feet, within the specified area as generally depicted on the attached Exhibit "A". Deleted: 684
Lease Term:	<u>Ten (10) Years</u> Deleted: Five (5) years.
Minimum Rent:	<u>\$61.75 per square foot with three percent (3%) annual escalations beginning in Year 4.</u> Deleted: 68.00
Rent Abatement:	<u>Minimum Rent shall be abated by 50% for the first twelve months following Rent Commencement Date and by 25% for the following six months. Tenant shall pay CAM, RE Taxes, and Insurance.</u> Deleted: and shall increase by
CAM, RE Taxes and Insurance:	Tenant pays, as Additional Rent, its share of full pro rata expenses currently estimated at \$11.96 per square foot (CAM \$5.47 psf, RE Taxes \$5.66 psf, Insurance \$0.83 psf). <u>Annual increases on controllable CAM shall be capped at 4% on a non-cumulative basis.</u> Deleted: annually

Example LOI mark-up

As a retailer, it's okay to negotiate multiple LOIs at once! In fact it's encouraged and standard. Negotiating multiple LOIs simultaneously can create leverage and reduce pressure to accept unfavorable terms too early in the process. Maintaining optionality often leads to stronger negotiating positions and more competitive landlord concessions.

The LOI in a nutshell:

- Short: 3-5 pages
- Marked up by brokers (not lawyers)
 1. Broker handles communications, pacing, documentation
 2. Broker makes recommendations relative to "market"
- Trades back and forth approximately 6x (3x each)
- Takes 1-4 months to negotiate
- Key business issues of deal-breaking importance
- Legally non-binding
- Customary to negotiate multiple at a time

Once a prospective space is identified, the next step is to commence LOI negotiations. During this phase, brokers lead negotiations while coordinating with the broader team — including consultants, architects, contractors, and lenders as needed.

The purpose of the LOI process is to figure out a deal that supports the long-term health of the business that also aligns with the landlords' goals and parameters. Financial projections, operational requirements, construction costs, and timing all need to align before proceeding to lease negotiations.

what gets negotiated in the LOI?

Although LOIs are relatively short documents, they cover the major economic and operational terms of the deal. Typical topics include rent structure, tenant concessions, lease term, buildout timelines, permitted use, security requirements, maintenance responsibilities, parking, signage, exclusivity rights, and other business-specific operational needs.

LOIs are highly negotiable, and small changes can have a meaningful financial impact over the life of the lease.

After LOI terms are finalized, attorneys draft and negotiate the lease itself. The lease expands on the agreed business terms while adding significant legal detail regarding responsibilities, risk allocation, remedies, timelines, and operational requirements.

📌 **Note:** If you skipped Part 3: The rent concepts below — NNNs, occupancy cost percentage, escalations, and CAM — are explained in detail in Part 3 (Determining What You Can Afford). Before negotiating rent, it's worth understanding how these components interact with your financial projections.



rent, concessions & term

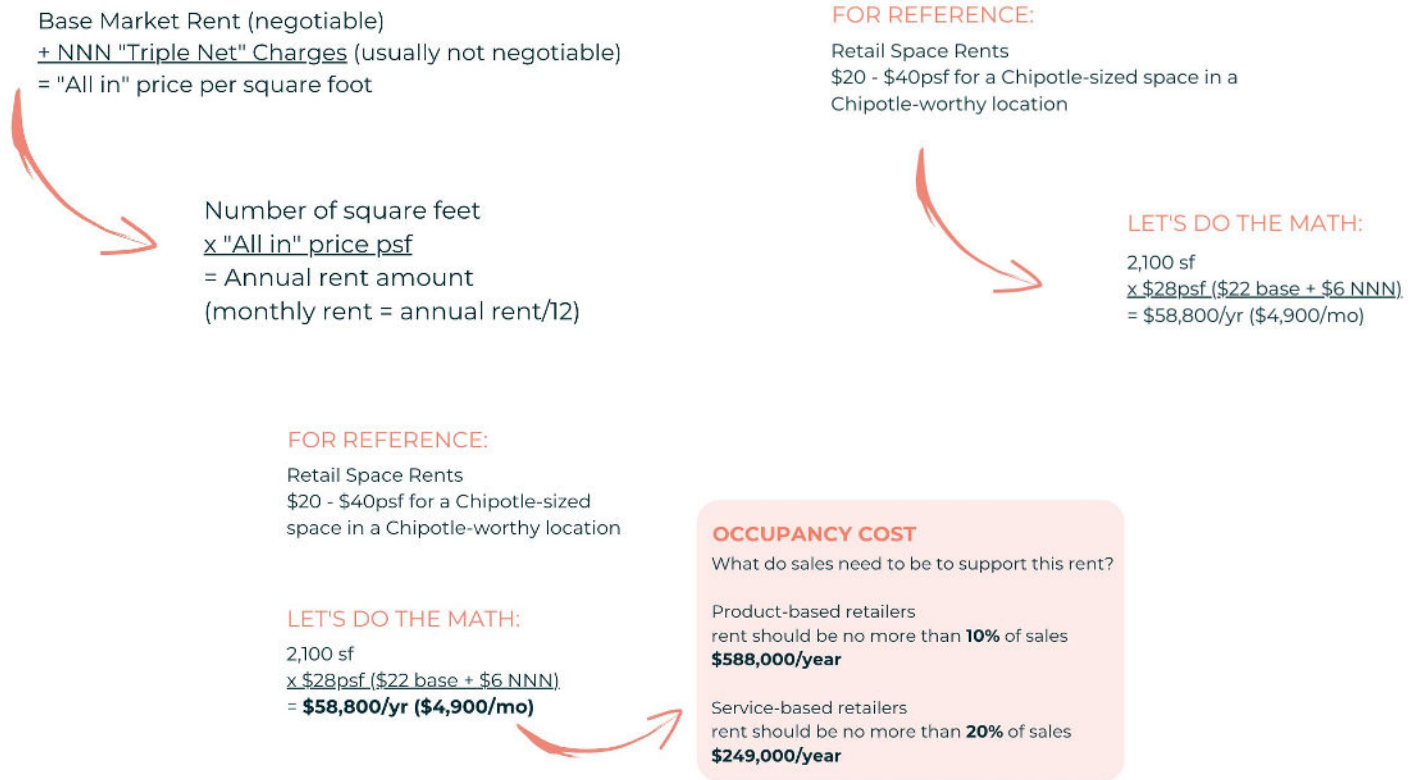
rent

Commercial rents are typically quoted on a per-square-foot, per-year basis. Most retail deals are NNN, meaning the rent includes both base rent and additional operating expenses, often referred to as "triple nets" or "NNNs," which includes property taxes, insurance, and common area maintenance costs.

Your total rent = base rent + NNNs

LOIs also establish rent escalations over the lease term, which may occur annually or at set intervals. In some retail leases, landlords may also request percentage rent, where additional rent is paid if sales exceed a predetermined threshold. While percentage rent provisions are common in retail leasing, the structure and breakpoint are negotiable and should be evaluated against the business's projected sales performance.

retail rents: how are they calculated?



concessions

Concessions are negotiated in the LOI process and can include **Tenant Improvement Allowances (TI)**, landlord construction work, free rent or rent abatement periods, and brokerage commissions paid by the landlord.

Many landlords offer concessions to attract tenants and support the economics of the deal. These incentives can significantly reduce upfront costs and improve project feasibility.

TI is a common concession and is structured as reimbursements for approved construction expenses, while landlord's work is a concept where the landlord handles some portion of the tenant's buildout.

The combination and value of concessions varies widely by market conditions, landlord strategy, and the strength of the tenant's concept and financial profile.

term & timeline

The LOI also defines key timeline elements, such as when rent begins and how much time a retailer can occupy the space. These business terms include:

-  Term (length of time lease is valid)
-  Renewal Options (rights to extend the lease)
-  Delivery Date & Delivery Condition (when and how the space is turned over)
-  Rent Commencement Date (when the first rent check is due)

Timeline provisions are some of the most important — and most overlooked — components of a lease negotiation. Key dates often include the delivery date of the space, construction timelines, permit periods, rent commencement, lease term length, and renewal options.

Retail lease terms commonly range from five to ten years, although shorter or longer terms are possible depending on the market, business type, and negotiation strategy.

Longer lease terms provide operational stability and protection against market rent increases, while shorter terms offer greater flexibility. Many retailers negotiate renewal options that allow them to extend the lease under predetermined conditions if the business performs successfully in the location.

Because buildout costs and startup investments are often substantial, lease term length is closely tied to the retailer's timeline for recovering those investments and achieving long-term profitability.

important buildout timeline concerns

One of the most important principles in LOI negotiations is ensuring that rent obligations align with the realities of construction and opening timelines. Ideally, rent should not commence until the tenant is operational and generating revenue. For tenants completing a buildout, ensuring sufficient time between lease signing and rent commencement is critical.

Because permitting, construction drawings, landlord approvals, inspections, and buildout timelines can take months, negotiating adequate pre-opening time is critical. Negotiating adequate pre-opening time can materially impact project costs and cash flow.

Construction-related obligations are especially important to review carefully. Landlord work letters, contractor requirements, signage approvals, insurance provisions, and delivery conditions all become much more detailed in the lease phase and can materially affect project cost, schedule, and operational flexibility.

 **Pro tip!** You should never pay rent before opening for business. Not paying rent during construction is a basic expectation (but still something that needs to be negotiated by tenants).

operational concerns

Operational concepts that impact what your business is allowed to do are also negotiated in the LOI. These issues impact how the business will function day-to-day and typically include:

- Permitted use
- Hours of operation
- Parking (customer and employee)
- Maintenance responsibility
- Outdoor seating
- Sound
- Signage rights
- Trash and loading logistics
- Exclusive use
- Radius restrictions

Operational terms should be negotiated with enough flexibility to accommodate future business evolution while still satisfying landlord requirements. For example, overly narrow permitted use language can unintentionally restrict future merchandising or service offerings without landlord approval.



what are lease exclusives & radius restrictions anyway?

lease exclusives

An **exclusive use clause** protects a tenant from direct competition within the same property or shopping center. It grants the tenant the exclusive right to operate a particular type of business or sell certain categories of products within the project.

For example, a retailer may negotiate the exclusive right to operate as the only children's play space, boutique fitness studio, or specialty coffee concept in the center.

radius restrictions

A **radius restriction** limits a tenant's ability to open another location of the same concept within a specified geographic area during the lease term. Landlords often use radius restrictions to protect the uniqueness of the tenant mix and reduce the risk of a tenant cannibalizing its own sales nearby.

The size and scope of the restriction are negotiable and should be evaluated carefully based on the business's long-term growth strategy. For expanding brands, overly broad radius restrictions can unintentionally limit future opportunities in key trade areas.



lease security

Most leases are secured by both a security deposit and a personal guaranty. Landlords generally evaluate both business and personal financials to assess the tenant's financial strength and determine the amount of security required. For independent retailers and startups, personal guaranties are common. However, the scope and duration of those guaranties are negotiable.

Lease security requirements should be evaluated carefully alongside the overall financial structure of the deal, as they can materially impact both startup capital needs and personal financial risk.

security deposit

- Money held by the landlord for the duration of the lease - most often paid as a check or Letter of Credit
- Due at time of lease signing
- In the event of a default, the landlord is usually entitled to keep the Security Deposit
- Total amount burn down over time (negotiated by your broker)
- Usually a smaller amount than the personal guaranty - most often 1 - 4 months

personal guaranty

- Legal promise to honor your lease obligations
- In the event of a default, the amount of the guaranty is the amount the landlord is legally entitled to pursue
- You and your spouse will sign
- Usually a larger amount than the Security Deposit - 1-3 years rolling is most common

full guaranty

A full guaranty makes the guarantor personally responsible for the tenant's obligations under the lease, including rent, damages, and other financial liabilities if the business defaults. Full guaranties are common for startups and independent retailers with limited operating history, but they can create significant personal financial risk if not carefully negotiated.

limited, rolling guaranty

A limited, rolling guaranty restricts the amount of personal liability a tenant guarantor assumes under the lease. Rather than guaranteeing all lease obligations indefinitely, the guaranty is capped based on specific terms negotiated between the landlord and tenant, helping reduce personal financial exposure while still providing the landlord with additional security. "Rolling" simply means that the rent a tenant is responsible for rolls forward and increases as the rent does.

Don't be alarmed when you're asked to share sensitive documents! Landlords will complete a careful review of your personal financials and business financials.

- Personal - personal financial statement and tax returns
- Business - balance sheet and tax returns



negotiating the lease

Once both parties (landlord and tenant) have agreed to the business terms in an LOI, each side retains attorneys to help negotiate a much longer and more detailed lease agreement. While it can feel to first-time retailers as though they're starting all over again when they begin negotiating the lease, you and the landlord are already in alignment on the key business issues of the deal, which means you're most likely able to negotiate a lease both sides find mutually agreeable.

Pro tip! It's very important to hire a retail real estate attorney to negotiate the lease. These specialists spend all day negotiating leases, so they know how to protect retailers better and more efficiently than general corporate attorneys or attorneys with other specialties. Trying to save money here by using the wrong attorney puts the entire deal at risk. More information to follow.

The goal of negotiations is not simply to "win" every point, but to secure terms that support the long-term health and sustainability of the business.

The Lease in a nutshell:

- Long - 30-50+ Pages
- Markup by lawyers
- Trades back and forth 2-4 times, usually on the Landlord's form
- Takes 2-3 months to negotiate
- Detail on business issues from LOI, new legal issues
- Customary to negotiate one at a time

lease negotiations: order of operations

Once LOI negotiations are complete, the transaction moves into formal lease negotiations. At this stage, attorneys draft and revise the lease document, while brokers remain involved to preserve the business terms negotiated during the LOI phase and help navigate strategy and communication between parties.

The landlord usually provides the initial lease draft using its standard form lease agreement. Negotiations then proceed through several rounds of revisions, with each side refining language related to business terms, legal protections, operational requirements, timelines, and remedies.

Because both parties are incurring legal fees and investing significant time into the process, lease negotiations carry a much higher level of commitment than the LOI stage.

While major business terms should already be settled, the lease phase often reveals additional operational and legal details that require clarification or adjustment.

Lease negotiations establish the operational "ground rules" for the tenancy, including how and when rent is paid, maintenance responsibilities, construction obligations, insurance requirements, and what happens if either party fails to meet their obligations. Many of these provisions expand significantly on the business terms originally negotiated in the LOI.



leases vs. licences

In our work with independent businesses, we've learned that many retailers who think they have a lease actually have a temporary use license. Both types of contracts convey the right to use a space, but they have a number of key differences:

license agreements are used for short-term arrangements

A temporary use license is typically used for an event or pop-up. They are less detailed because the range of things that can go wrong is smaller with a shorter term. Leases are usually longer term arrangements because they are more detailed and contain more protections for both parties – especially the business using the space. Since they're longer and more detailed, they are more expensive to negotiate.

license agreements can usually be cancelled by the property owner

Temporary use licenses can often be cancelled by the landlord (like if they find a long-term tenant) and may not survive the sale of a property. Landlords can't just cancel leases without cause, unless the lease explicitly gives them permission (which is rare). Even if they sell the property to someone else, the lease – with the terms you negotiated – survives.

leases give you special legal rights and protections

A leasehold interest is technically a form of ownership in a piece of property - there is a legal process to throw you out. A license agreement is just a contract where the owner is giving you the right to use the property, but you have no ownership stake or legal claim to the space of any kind. That means it's much easier to kick you out if the property owner wants to do so.

leases give you exclusive use of your space

A leased premises is controlled by you, the lessee - you have 24 hour access, and you control access to the space. Generally, the landlord is allowed to enter ONLY with permission, notice, or in the event of emergencies. With a license, the owner of the property generally retains the right to access it throughout the term, and you may not necessarily have 24 hour access.



retail leasing lawyers

Retail leasing attorneys play a critical role in protecting the tenant's interests throughout lease negotiations. Commercial leases are lengthy, highly technical legal documents, and much of the negotiation centers not just on the substance of terms, but on how those terms are defined and enforced.

Experienced retail leasing counsel helps limit legal exposure, negotiate market-standard protections, and ensure the final lease accurately reflects the negotiated deal. Tenants should also coordinate with contractors, insurance brokers, and other consultants as needed to review construction obligations, insurance requirements, timelines, and operational provisions, all of which gets codified in the lease.

you need a specialist!

Using attorneys who specialize specifically in retail leasing is particularly important. Retail leases contain industry-specific concepts, evolving market standards, and operational nuances that general practitioners may overlook, which can increase both legal costs and long-term business risk.

Working with a retail leasing specialist reinforces a new retailers' savviness in the eyes of her prospective landlord, whereas working with an attorney who isn't intimately familiar with retail leases makes a poor impression and can prolong and even sometimes threaten a negotiation.

your professional team plays a major role in lease negotiations

Lease negotiations often require input from specialists beyond the broker and attorney, particularly when construction or operational complexity is involved.

Architects and contractors should be consulted during both the LOI and lease negotiation process to review delivery conditions, building systems, code requirements, and landlord work obligations. Their input can help identify hidden costs, construction limitations, or scope gaps before the lease is finalized.

Insurance brokers may also need to review lease insurance requirements to confirm that required coverages are commercially reasonable and financially feasible. Signage vendors, engineers, and other operational consultants may become involved depending on the nature of the business and the complexity of the space.

 **Pro tip!** Coordinating these advisors early in the process can help avoid costly surprises later in construction or operations.



Run your own race

If you're like me and 90% of my friends, your new years resolutions involve some version of: "getting to the gym more," "eating healthier," or "running a marathon" -- fun crowd we are, I know. But we're also committed, and training for and running a marathon will keep us motivated all year long.

What do we do first? We develop *personalized* training plans. Getting "marathon ready" is anything but standard, so how long it takes to be "ready" varies according to the individual. We each have to factor in time to build up endurance and pace plus time to cross train for strength all while building in recovery time and days off.

Not to #humblebrag, but since I've run multiple marathons in the past, I know how long it'll take me to be race-ready. Once I begin training in earnest, within three months I'll knock down 10Ks. By month six I'll be conquering 13 miles. At month eight, I'll end up cancelling weekend plans to squeeze in final long runs (I told you I was fun). Then I'll enter the home stretch – tapering down with a Theragun and way too many energy chews. In other words, I can be prepared to run all 26.2 miles in nine months.

We have a Pedal Retailer who is also an ultramarathoner; he can be race ready a lot faster. We have two cofounders who would take a whole lot longer than nine months; partly because they're not distance runners, but mostly because they'd stop running as soon as they reached an intriguing "For Lease" sign, liquor license application, or any location of Call Your Mother – whichever they came upon first.

The time between signing your lease and getting open is just like training for a marathon. Every business has a different timeline to opening "race" day, so every business has a different timeline for when they can open and start paying rent. The amount of time *your business* needs to get open is entirely dependent on *your business*, the complexity of your buildout, the physical conditions of the retail space, and your pre-opening work like staff training and marketing will determine exactly how many months, weeks, and days you'll need to get open.

👟 So back to the race...I think we can agree that given my training schedule, it would not be a good idea for me to legally commit to running a marathon in three months, right? If my body needs nine months to get ready, forcing myself to start the race after only three is a recipe for disaster.



Here's the connection –

A rent commencement date that doesn't allow you enough time to get open properly is the equivalent of showing up to run a marathon with insufficient or incomplete training.

Best case, it's painful (hello blisters and strained hamstrings), and worst case, it's downright dangerous -- no one wants heat exhaustion or a cardiac event. And unlike a race where you can pull out before the big day, you can't do that with a lease.

⚡ *Negotiating a rent commencement date that is tied to your buildout and pre-opening timeline is critical, and it's your responsibility.*

When a landlord sets the rent commencement date in the first draft of the LOI, they choose a date that works for *them*. Their priority is getting rent from tenants as soon as possible, but that's not the only reason. They *literally do not know how long it'll take you to get ready to open*. They don't know the specifics of your business plan, your design criteria, or your pre-opening work. It's *your* job to know how long all of this will take and your broker's job to negotiate the date accordingly.

💡 And on that note -- your broker knows lots of things, like how to structure and negotiate your rent commencement date, but she doesn't know your specific timeline needs.

At negotiation time, it's normal to encounter resistance when we push back on rent commencement dates, but ultimately, planning sufficient time to build out benefits all parties. Your landlord doesn't want you to limp into opening day or to flame out with a hamstring strain at mile six. The goal is for everyone to get to the finish line in as good of shape as possible – uninjured and just a little tired.

retail buildouts... they are a whole thing

📌 **Note:** If you're reading this section first: Part 5 builds on concepts introduced earlier in the guide. Delivery conditions (cold dark shell, warm lit shell, vanilla box, second generation) are defined in Part 3. Tenant improvement allowances (TI), rent commencement dates, and landlord work obligations are covered in Part 4. Understanding those terms will help you get more out of this section.

time to build out the space

You're so close. You have a vision, a signed lease, and a lot of momentum. Now comes the part that surprises almost everyone: the buildout. The buildout process is when your store vision comes to life. It's highly collaborative and involves intense coordination between landlords, architects, engineers, contractors, permitting authorities, and consultants. It takes longer than you think and costs more than you expect.

The process generally begins during lease negotiations, when retailers work with architects, contractors, or project managers to estimate construction costs and timelines. These early estimates help inform negotiations around tenant improvement allowances (TI), landlord work obligations, and rent commencement timing.

📌 **Pro tip!** Because buildout costs directly affect project feasibility, early professional guidance is critical to understanding whether a space can realistically support the business operationally and financially.



what exactly is "building out" a space

When you take possession of a retail space, it will not look like your business...yet. So the process of turning the physical space from what it is into what it needs to be goes by many names:

build out

tenant fit out

**leasehold
improvements**

Buildout costs include all modifications made to the physical space to transform it into an operational business. This generally refers to improvements attached to the building itself, such as walls, flooring, lighting, plumbing, HVAC, electrical systems, millwork, and built-in fixtures.

For most brick-and-mortar businesses, the buildout is the single largest line item in the startup budget. As a result, managing construction costs effectively is often one of the most important determinants of overall project success.

Retailers can typically negotiate tenant improvement allowances, landlord construction contributions, or delivery obligations to help offset these costs. However, because TI reimbursements are generally paid after expenses are incurred, tenants must still maintain sufficient upfront liquidity to fund construction before reimbursement.

Buildout costs vary significantly based on three primary factors:



scope of work

What needs to be done in the space?



level of finishes

How "nice" must the visible elements be (flooring, lighting, wall coverings)?



delivery condition

What does the space look like when construction begins?

All amounts are shown in price per square foot

		Scope of work				
		No operational requirements	I need walls in certain places and spaces of certain sizes	I need plumbing and/or electricity in certain places	I need Type-1 or Type-2 ventilation	I need 3+ sinks and/or 5+ electrical outlets
Level of finishes	Low	\$150	\$175	\$200	\$225	\$250
	Low/Med	\$175	\$200	\$250	\$300	\$350
	Med	\$200	\$250	\$300	\$400	\$475
	Med/High	\$225	\$300	\$325	\$475	\$575
	High	\$250	\$350	\$400	\$550	\$750

Per square foot construction costs from "cold dark shell" condition

! Renovations of second-gen space rarely go below \$50psf

All amounts are shown in price per square foot

		Scope of work				
		No operational requirements	I need walls in certain places and spaces of certain sizes	I need plumbing and/or electricity in certain places	I need Type-1 or Type-2 ventilation	I need 3+ sinks and/or 5+ electrical outlets
Level of finishes	Low	\$150	\$175	\$200	\$225	\$250
	Low/Med	\$175	\$200	\$250	\$300	\$350
	Med	\$200	\$250	\$300	\$400	\$475
	Med/High	\$225	\$300	\$325	\$475	\$575
	High	\$250	\$350	\$400	\$550	\$750

Dog Groomer
1,700 sf x \$200/sf
\$340,000

Dog Groomer (2nd gen)
1,700 sf x \$85/sf
\$144,500

Coffee Shop
1,300 sf x \$475/sf
\$617,500

Coffee Shop (2nd gen)
1,300 sf x \$175/sf
\$227,500

delivery conditions

A space's [delivery condition](#) refers to the physical state in which the landlord turns the space over to the tenant at the beginning of the buildout process. Delivery condition is one of the most important factors affecting construction cost, timeline, operational flexibility, and lease negotiations.

Because construction costs can vary dramatically between spaces, financial models are often built assuming a "cold dark shell" condition so retailers can understand the maximum potential work required, and as a result the highest buildout cost expected.

cold dark shell

A cold dark shell is the most unfinished delivery condition. Typically, there is no HVAC distribution, electrical system, lighting, plumbing, finished flooring, or completed storefront infrastructure. Walls and ceilings are generally unfinished or open.



While cold dark shell spaces require the largest investment to become operational, they also offer the greatest flexibility for customization and operational planning because the space is essentially built from scratch around the tenant's needs with no demo required.

warm lit shell

A warm lit shell includes some core infrastructure improvements, such as installed HVAC systems, distributed electrical service, basic lighting, and a completed storefront enclosure. Plumbing may be partially stubbed into the space, although restrooms are often not yet constructed.



This delivery condition can offer a balance between customization, flexibility and reduced infrastructure costs, particularly for businesses without highly specialized mechanical or electrical requirements.

vanilla box

A vanilla box is a more finished delivery condition where many core systems and basic finishes are already in place. HVAC, lighting, electrical distribution, finished walls, basic flooring, and restrooms are usually included.



Vanilla box spaces often allow tenants to focus more heavily on cosmetic upgrades, branding, and operational customization rather than core infrastructure work, potentially reducing both cost and timeline.

second generation space

Second generation spaces were previously occupied and may still contain existing fixtures, finishes, or infrastructure from the prior tenant. While these spaces can provide cost savings if the existing layout and systems align with the new retailer's needs, it's very unusual that major cost savings are found due to changes in building code and specific permitting requirements.



Pro Tip! Second generation spaces can be dangerous budget traps. Experienced retailers know that second-gen spaces can easily end up costing more than building out a cold dark shell. It's critical to get professional construction guidance during the LOI process to ensure that budget estimates are appropriate.





landlord construction requirements & contingency

landlord construction requirements

Many landlords — particularly institutional owners and large commercial properties — maintain detailed construction rules and approval processes that govern tenant buildouts. These requirements may include:

- Contractor approval requirements
- Restrictions on construction hours
- Rules governing deliveries and construction vehicles
- Waste removal procedures
- Building access protocols
- Coordination requirements with landlord contractors

Understanding and communicating these requirements early is important for avoiding delays, maintaining positive landlord relationships, and ensuring the construction process runs smoothly.

contingency funds (extra cash on hand)

Construction and startup costs evolve during the project making contingency reserves essential. Unexpected space conditions, permitting delays, design revisions, material price increases, or scope changes can meaningfully affect the budget. Not only is it a good idea to set aside at least 10% of construction budget for contingencies, but most commercial lenders require that borrowers do this.

will the landlord help pay for a buildout?

In many retail projects, buildout costs are shared between the landlord and tenant. These contributions are typically negotiated during the LOI and lease stages and form an important part of the overall financial structure of the deal. Landlord participation generally occurs in two ways:

Direct landlord construction work
("landlord's work")

Tenant Improvement Allowances
("TI")

Landlord's work is usually outlined in a negotiated work letter that specifies which improvements the landlord will complete before turnover or "delivery." Improvements may include work like adding bathrooms, demo'ing existing partitions, adding walls, etc.

Tenant Improvement Allowances provide reimbursement toward approved construction expenses, although landlords often place restrictions on eligible uses, documentation requirements, and reimbursement timing.

TI is always a reimbursement. This means that the tenant must pay its contractors in full *first*, then the landlord will reimburse them for a set amount.

This structure requires that tenants have the cash to carry the full cost of construction. Landlord concessions like TI are factored into the economics of the lease and should be viewed as part of the broader deal structure rather than "free money."

Every Landlord has their own capabilities and limitations on how much or in what way they can contribute to the buildout. The point is that if you can't get TI in a lease deal, maybe that's OK if you can get rent abatement. It's all cash in the end.

the professional team

The quality of your team materially affects both the outcome of the project and the overall construction experience.

While it may appear tempting to DIY parts of the buildout process, or to hire a friend or family member, hiring professionals with extensive experience in retail construction is the most effective way to ensure that your project stays on schedule and on budget. Construction cost overruns can spiral fast, so experienced guidance pays for itself very quickly.

retail construction project managers

Retail buildouts involve dozens of moving parts, including architects, engineers, landlords, contractors, permitting agencies, vendors, and inspectors.

While retailers remain responsible for major decisions, a retail construction project manager serves as the central coordinator throughout the process.

They manage timelines, oversee consultants, facilitate communication, track budgets, and help keep your project on schedule.

A strong project manager allows business owners to focus on preparing the business for opening rather than managing the day-to-day complexities of construction. By serving as the primary point of coordination between all project stakeholders, the project manager helps identify issues early, maintain momentum, and guide the project from lease execution through opening day.



designers, architects, engineers & building permits

designers, architects, and construction plans

Designers are responsible for translating the business vision into a functional and customer-facing environment. This includes layout planning, finishes, furniture selections, lighting concepts, décor, and overall customer experience.

Architects convert those concepts into technical construction drawings required for permitting and construction. In some projects, the designer and architect are the same person or firm, while in others they work collaboratively as separate consultants.

Projects involving construction work that requires permits require stamped architectural drawings prepared by a licensed architect. Simpler cosmetic renovations in turnkey spaces may require only design support rather than full architectural services.

engineering & mep drawings

After the architectural plans are completed, the engineers get to work. Most retail buildouts require some level of engineering work, particularly when modifying plumbing, electrical, HVAC, gas, or structural systems.

Engineering drawings are commonly referred to as "MEP" plans — Mechanical, Electrical, and Plumbing — and provide the technical instructions subcontractors use to price and perform their work. Depending on the project, additional engineers may be required for fire suppression systems, structural modifications, sound, lighting, or low-voltage systems.

ada & regulatory requirements

Retail spaces are also subject to accessibility requirements, building codes, health regulations, and local jurisdictional rules that can significantly influence space planning and construction.

Federal ADA requirements, along with local code and permitting standards, often dictate aspects of circulation, restroom design, occupancy layouts, accessibility clearances, and operational infrastructure — particularly in food service and customer-facing businesses.

Understanding these requirements early in the planning process helps retailers avoid redesigns, permitting delays, and unexpected construction costs later in the project. Architects with retail buildout experience will be familiar with the requirements and incorporate them into their designs automatically.



the permitting process

Once the architectural and engineering plans are finalized, the tenant must apply for and obtain building permits. Permitting timelines and complexity vary significantly by jurisdiction, project scope, and business type, particularly for food service uses that require health department review.

The permitting process involves submitting the full plan set to the local jurisdiction for review by various departments, which may include:

- Zoning
- Structural
- Mechanical
- Plumbing
- Electrical
- Fire & Life Safety
- Green & Energy
- Health
- Transportation

Because permitting requirements can be highly technical and jurisdiction-specific, retailers often rely on architects, contractors, or outside permit expeditors to help manage submissions and revisions. Permit fees, plan review fees, building permit fees, and occupancy fees should also be anticipated as part of the overall project budget.

Once plans are submitted, plan reviewers may request clarifications, revisions, or additional information before permits are approved.

Pro Tip! Because contractors rely heavily on these plans to determine labor, materials, and installation requirements, accuracy and coordination between the architect and engineers are critical. Small errors or miscommunications in the plans can result in costly change orders or construction delays later in the project.

the general contractor

The general contractor (or "GC") oversees the physical construction of the space and manages the day-to-day execution of the buildout. Their role typically includes coordinating subcontractors, managing construction schedules, sourcing materials, supervising site work, and ensuring the project is completed according to approved plans and permits.

selecting the right GC

Choosing the right general contractor requires more than simply comparing pricing. Retailers should work with contractors who:

- Are properly licensed and insured
- Have experience with commercial retail or hospitality projects
- Understand local permitting and construction practices
- Communicate clearly and professionally
- Demonstrate reliability and responsiveness

Smaller or mid-sized firms may also offer advantages over larger firms for certain projects, particularly when they provide stronger communication, more hands-on involvement, or better alignment with the scale of the project.

vetting & building relationships

The contractor selection process is also an opportunity to evaluate communication style, professionalism, and overall working compatibility.

Initial calls, walkthroughs, meetings, and site visits often provide important insight into what the working relationship may feel like during construction. Because buildouts inevitably involve challenges, revisions, and problem-solving under pressure, retailers benefit from selecting a GC they trust and feel comfortable communicating with openly.

Requesting references from similar projects is an important part of due diligence, particularly for projects involving significant capital investment or operational complexity.

the bidding process

Once permit-ready plans are complete, retailers may invite several qualified contractors to bid on the project. Contractors review the drawings, visit the site, coordinate with subcontractors, and prepare detailed pricing estimates based on the scope of work.

A professional construction project manager will manage the entire process and help the owner make critical decisions.

Bidding generally requires several weeks because contractors must gather pricing across multiple construction trades such as plumbing, electrical, drywall, HVAC, and finish work. Site walkthroughs during bidding are often attended by the architect, engineers, and contractor teams so questions can be clarified before pricing is finalized.

comparing contractor bids

Comparing contractor bids requires careful review because contractors may organize and categorize costs differently even when pricing the same plans.

While major categories like plumbing or electrical are relatively straightforward, more specialized elements may be grouped differently between firms. As a result, retailers and consultants often spend significant time reviewing bids line-by-line to ensure scope assumptions are aligned and pricing comparisons are accurate.

Pro Tip! The bid process itself can also help identify gaps or ambiguities in the construction documents. Large differences in pricing between contractors sometimes indicate that portions of the plans require clarification or further refinement. A construction project manager is invaluable in this process.

managing the construction process

Construction projects involve constant decision-making, clarifications, approvals, and unexpected conditions that require ongoing communication between the owner, project manager, contractor, architect, and consultants.

Unexpected issues are common during construction — from hidden infrastructure conflicts to field conditions that differ from the plans. Maintaining a strong working relationship and clear communication with the GC helps teams navigate these challenges efficiently while minimizing delays and cost overruns.





soft costs vs. hard costs

hard costs

Hard costs refer to the physical construction expenses required to build out the space itself.

These costs typically include demolition, framing, flooring, plumbing, electrical work, HVAC systems, lighting, millwork, construction labor, and installed fixtures that become part of the building. Hard costs are usually managed through the general contractor and are directly tied to the scope of construction shown on the architectural and engineering plans.

soft costs

Soft costs refer to the professional services, planning expenses, and indirect project costs associated with the buildout. These costs include architectural and engineering fees, permitting costs, legal expenses, consultants, designers, insurance, project management.

Soft costs also often include furniture, fixtures, and equipment (FF&E), signage, décor, and specialty operational equipment that fall outside the contractor's direct construction scope.

Both soft and hard costs play a critical role in determining overall project feasibility. While retailers often focus heavily on visible construction expenses, soft costs can represent a substantial portion of the capital budget and are frequently underestimated during early planning.

time & money management

In retail buildouts, both the timeline and the budget have to be very tightly controlled; they can both go off the rails quickly. Project managers are the best insurance here — their job is to keep the project on schedule and on budget...as best as possible.

value engineering & budget alignment

Unfortunately, most of the buildout budget is consumed by infrastructure costs such as HVAC, electrical, plumbing, and code compliance work — leaving less flexibility for aesthetic upgrades than initially expected. As a result, design decisions should be evaluated through the lens of customer experience and operational impact. Retailers are best served by prioritizing aesthetic investments in the areas customers will experience most.

 **Pro tip!** One of the most important responsibilities during the design phase is communicating the budget honestly and consistently to the entire team.

One of the most important parts of the buildout process is aligning the design vision with the realities of the budget. This process — commonly referred to as "Value Engineering" or "VE" — involves revising designs, materials, finishes, or construction approaches.

Successful value engineering requires collaboration between the retailer, architect, contractor, and design team to identify opportunities for cost savings and creative solutions.

Every project has moments where desired finishes or design elements exceed the budget. The goal of value engineering is not simply to reduce cost, but to make thoughtful choices that support the customer experience, brand positioning, and operational goals of the business.

the buildout timeline

The buildout timeline begins well before construction itself, starting with operational planning, space design, and preliminary budgeting during the site selection and lease negotiation stages.

Once a space is selected, the workflow progresses through design development, architectural plans, engineering drawings, contractor bidding, value engineering, permitting, and finally construction.

Depending on the delivery condition of the space and the complexity of the business, the pre-opening and construction period may last anywhere from one month to a year or longer, with many independent retail projects falling within the six to ten-month range after lease signing.

01	02	03	04
space design & drawings	permitting	construction	pre-opening
2-4 months	2-3 months	2-5+ months	2-4 weeks

Throughout construction, regular coordination meetings between the retailer and their buildout team are common to review progress, address issues, and manage timeline adjustments. Buildouts involve constant problem solving and evolving conditions, so retailers must remain heavily involved throughout the process even when project managers are managing day-to-day construction.



watch those lease deadlines!

Commercial leases contain detailed construction-related deadlines that govern how the project moves from lease signing to opening day. These timelines often include:

- Plan submission deadlines
- Landlord review periods
- Permitting milestones
- TI reimbursement schedules
- Delivery deadlines
- Rent Commencement deadlines

Lease timelines must also align with the architect's timeline, contractor availability, permitting schedules, procurement lead times, inspections, and landlord approval processes.

Carefully negotiating and tracking these deadlines is critical because delays in permitting, approvals, or construction can directly impact cash flow and opening schedules. Retailers benefit from negotiating conservative timelines in the lease while simultaneously working aggressively to complete the project as efficiently as possible.

Pro tip! With input from construction professionals during LOI & lease negotiations, your broker can ensure that the deadlines in your lease are in alignment with the time required for each stage of the buildout, all in an effort to prevent you from paying rent before you open.



Save money and sanity: hire a project manager

Most of us grow up learning various life skills from our parents. Some of those skills are critically important, like a sense of humor or how to apologize. Some are more practical, like how to purify water from a stream or power wash vinyl siding.

In my family, my sister and I learned a lot of things growing up, but “practical” skills? Debatable. I’m not sure that anyone ever saved money or survived in the woods by knowing all the words to *Cats!* or where Vermeer lived (Delft!) So having grown up in a home where DIY projects were pretty much limited to framing pictures and re-covering dining room chairs, you can infer that the world of commercial construction was pretty unfamiliar.

Needless to say, I learned a *whole lot* building out my own restaurant, and while much of that knowledge got buried under layers of trauma, it stuck. Years later when I began managing retail build-outs for a living, my own experience, my boss' extensive construction experience, and 40 hours a week turned me into a pretty great project manager. With the aid of A+ executive functioning skills and Google, I managed seven projects over seven years so that my boss, the business owner, could focus on *his job*.

👉 **Fact: Commercial build-outs take many months. They also take many, many, many dollars and even more decisions.**

But Sheila, aren't the construction decisions made by the architect and the general contractor?

Great question. **Even when you have a top-notch buildout team, there are decisions that ONLY YOU as the business owner (and ultimate user of the space) can make.** But of course, as a business owner, you're busy doing one-billionty *other* things, and **it's quite impossible to effectively manage the project yourself. At least, not in the way it needs to be managed.**



Even in the best situation possible (negotiated lease deadlines, construction due diligence, sufficient resources, a great architect and GC), *every single construction project is hard and all-consuming*. It takes a lot of time and attention, and it's not something that you can pop in and out of when you've got time and/or bandwidth.

A project manager's primary job is to have the business owner's back from start to finish. They protect the budget and timeline, because both of those things can go off the rails really fast and really badly. Project managers can keep everything under control because (a) they've done it before, and (b) they are not busy trying to set up supplier accounts, hire staff, plan a grand opening, set up Quickbooks, write an SOP manual, and program a POS system.

👤 Managing a commercial construction project is not like hiring a party planner. You can't just offload the work and show up ready to cha-cha-slide. Your architect and general contractor do a ton of work, but there are important parts of the buildout that are *adjacent yet outside* their scope, like:

Reviewing and approving architectural plans. The architect and engineers draw the plans, but the business owner (their client) has to sign off on them.

- **Submitting plans for landlord review** and ensuring compliance with construction requirements in the lease. There are a lot of rules.
- **Submitting plans for permit** according to whatever specific requirements a particular jurisdiction has. They vary by city and county.
- **Monitoring the permit application** as it makes its way through all the departments and responding to reviewers' feedback.
- **Corralling competitive bids from general contractors** and answering all the questions from each GC's estimator.
- **Comparing the general contractors' bids.** Yes, they're looking at the same space and the same set of plans, but each bid has to be untangled so that you can really compare apples to apples.
- **Value engineering the buildout to fit the budget.** Everyone has to cut things down to size...and sometimes you have to cut \$50,000 or even \$100,000. It's pretty easy to shave off 5%, but once you've trimmed the fat, the rest is meat, so cutting down the rest of the budget requires tough decisions.
- And **other ongoing requirements** like attending weekly on-site meetings, responding to the superintendent's questions in the field, and evaluating change orders.



🦄 And *then* there are all the unexpected things that happen once construction starts. Truly, it's Pandora's box of surprises; some are minor but annoying, some are major and very problematic, and most cost money and time.

I'll share some non-repressed memories in a future newsletter, but for now, trust me when I say that dealing with every surprise issue sent from the underworld took a tremendous amount time, effort, and brainpower. **As the project manager, it was my job to ask the questions, clarify the confusion, identify the options, and present clear choices to my boss. I ate the entire buffet so that he only had to decide between the chicken and the fish.**

🗣️ *So let me say it loud and clear for those in the back...*

Hiring an experienced project manager is one of the best investments you can make, and it's your greatest insurance against runaway budgets and timelines.

It doesn't matter if your space is small or large, and it doesn't matter if your budget is Bud Light or Champagne. It's all the same – *you're doing construction, and you've got a budget.* And having a budget means having limits – limits on what you can spend on X in order to have enough money for Y. **Construction cost overruns can cause lasting financial damage that can hamstring a new business for years.**

I really can't even begin to calculate how much money my work as a project manager saved the company over those seven projects. Many hundreds of thousands? A million? Maybe. But one thing is for sure – the amount saved was many multiples higher than my salary...and I was paid just fine.

Is a project manager a magician? No, and their expertise does not absolve you, as the business owner, of being totally clued in on everything that's happening with the buildout. But alongside a realistic budget, an extra 10% earmarked for surprises plus a nice pot of working capital, your project manager can definitely make some major problems disappear.

pre-opening the last mile!

📌 **Note:** If these date terms are new to you: the delivery date and rent commencement date are defined and negotiated in Parts 4 and 5. The distinction matters because they determine when your rent clock starts and how much runway you have to build out and open.

You've made it through the buildout! While it may feel like you can take your foot off the gas, there's still a lot to do in order to get open prepared and on time!

setting up the space

While the major buildout is underway, retailers are responsible for buying all the "stuff" needed to complete buildout and set up for business:

- Tables, chairs and soft seating
- Art, rugs, décor, plants
- Smallwares and tools
- Cleaning, paper and production supplies
- Tech equipment
- Interior signage

...and so much more!

architectural plans & procurement

Architectural plans serve as the foundation for FF&E procurement by identifying the quantity, dimensions, and placement of furniture and fixtures throughout the space. These plans are used not only for design purposes, but also for code compliance, engineering coordination, and final inspections.

Some retailers choose to have their project manager handle FF&E procurement directly, while others source and purchase items independently using the architect's specifications as a guide.



furniture, fixtures & equipment (FF&E)

Furniture, Fixtures, and Equipment ("FF&E") refers to the operational and customer-facing items that are purchased separately from the core construction and buildout process. FF&E typically includes items such as furniture, shelving, seating, display fixtures, decorative lighting, and operational equipment.

Occupancy layouts and furniture counts approved during permitting are often reviewed during final fire inspections. While the specific aesthetic of furniture selections may be flexible, approved dimensions and spacing requirements generally must remain consistent with the permitted plans.

commercial grade considerations

Retailers must evaluate FF&E purchases through the lens of durability and commercial use rather than residential use.

Customer-facing furniture and fixtures experience significantly heavier wear and tear than items used in a home environment, particularly in high-traffic businesses such as restaurants, cafés, boutiques, and family-oriented concepts.

As a result, commercial-grade furniture and fixtures are often worth considering for heavily used areas, even when they involve higher upfront costs. Durability, cleanability, replacement timelines, and long-term maintenance should all factor into purchasing decisions alongside aesthetics and budget.

lead times, storage & deliveries

FF&E procurement should begin early in the construction process, particularly for commercial-grade, custom, or specialty items that may involve extended manufacturing and shipping lead times.

Retailers also need to plan carefully for receiving, inspecting, and storing deliveries prior to installation. Many FF&E items arrive well before they are needed onsite, making temporary storage and inventory management an important part of the pre-opening process.

 **Pro Tip!** Your friends do not want to help you move large equipment or furniture!

exterior signage

There are a few very important things to know about exterior signage. As discussed earlier, signage is so important that it's typically part of the LOI negotiation process. It's sometimes surprising to learn that:

Landlords have specific "Signage Criteria" that govern the quantity size, location, and design of tenant signs

Signs must be permitted by the local jurisdiction

Signs must be made by professional sign fabricators. They will handle the permitting

Signs can be very costly! Exterior illuminated, channel letter signs can run \$10k or more



ops planning, marketing, hiring & mental preparation

operational planning & documentation

Pre-opening is also the ideal time to establish internal systems, policies, and operational procedures before day-to-day operations become consuming.

Key operational preparations often include developing employee handbooks, documenting standard operating procedures, establishing scheduling and payroll systems, preparing onboarding and training materials, and organizing internal workflows. While many of these tasks may not feel urgent during construction, completing them early can significantly reduce operational stress after opening.

marketing & launch planning

Marketing efforts typically begin well before opening day. Retailers often use the pre-opening phase to establish social media accounts, claim online business listings, create branded materials, coordinate public relations outreach, and plan soft opening or grand opening events.

Building awareness prior to launch can help generate early momentum and establish community engagement before the business officially opens.

hiring & training

Staffing preparation typically includes developing an employee handbook, job descriptions, establishing compensation structures, planning interview processes, and creating onboarding and training procedures. Many retailers delay hiring hourly staff until opening timelines become more certain, while leadership or management hires may begin earlier to assist with setup, procurement, and operational preparation. Working with an HR consultant is an incredibly valuable way to start off on the right foot as an employer and to ensure alignment with applicable labor laws and workplace regulations.

mental & emotional preparation

The pre-opening phase is often longer, more complex, and more emotionally demanding than retailers initially expect. Construction delays, shifting timelines, staffing challenges, and constant decision-making can create significant mental strain.

Maintaining routines around sleep, nutrition, exercise, and personal relationships is critical throughout the process.

Many milestones — including lease signing and opening day itself — can feel surprisingly anticlimactic after months of sustained effort, making it important to intentionally recognize progress and celebrate meaningful moments along the way. Patience, resilience, and adaptability are just as important during pre-opening as operational and financial preparation.





The infatuation fades fast

If at any point you've been in a romantic relationship that lasted, let's say, a year or more, you are surely familiar with the idea that the head-spinning early days of infatuation don't last forever. In fact, legit scientific studies have shown that this period of "omg he's so cuuute chewing with his mouth open" lasts about six months.

Thanks to very real things like brains and human evolution, none of us can outsmart the chemical reactions that happen inside of us when we're staring down the promise of new, exciting, this-is-definitely-the-thing-I've-been-missing love.

😬 But we all know how this story goes. After that first period of flooding dopamine, the drugs wear off, life begins to return to normal, and we've got choices to make.

We can look at our partner with clearer eyes, realize that this version of the future has run its course and head out the door. OR we can double down and let the real attachment work begin. Some might even say that the "real" love starts here.

💕 Over the years Abby and I have realized that Pedal Retailers come to us in about month four of the infatuation stage. **Excitement is high. Confidence is high. Optimism is high.** The future's so bright, we all gotta wear shades.

😬 Theeeeeennnn a few weeks after we enter the weeds of business planning, the infatuation ends. **Frustration is high. Doubt is high. Annoyance is high.** *Was I high* when I signed up for this?

And just like any conversation that starts with, "hey, we need to talk," the moment of decision has arrived. Pedal Retailers explain that they used to be so excited about their business, but now they just feel defeated. They've put in so much effort, but it doesn't seem like anything is happening. *We used to laugh and go on dates, and now we just sit around in sweatpants working on spreadsheets and Pinterest pages.*

When they're finished expressing their feelings, can you guess what Abby and I do? Do we tell them they're wrong to feel this way? No. Do we tell them things will go back to how they were in the beginning? Also, no.



We tell them congratulations, because this is when the real stuff starts.

When the infatuation stage is over, it's very clear that a long-lasting, successful business is going to take a whole lot of hard work and commitment. The business will stop shaving regularly, and it will certainly, at some point, fart in your car. But it's okay.

✨ **Consistent care and attention *over time* is what creates something meaningful, rewarding, and valuable.** ✨

Not all business ideas make it past the infatuation stage, and that's exactly how it should be. Sometimes the timing just isn't right. Sometimes there's something else you want more. Even when the match is perfect, the luster *will* wear off, but if you stick with it, the good stuff grows over time.



The love that only brick and mortar gives

Tomorrow is Valentine's Day. So as a prepared parent, I ordered a “classroom” box of Ring Pop Tongue Painters for my daughter’s third grade class. Yes, I Amazoned the purchase. Yes, these “tongue painters” probably have some gross chemicals in them. Don’t judge me. Sometimes I eat Doritos, too.

These “classroom” Ring Pops come in packaging that allows you to Sharpie on each kid’s name, which I suppose makes the distribution more personal. I didn’t spend the extra \$8 on the matching cards that let your kid write individual notes. Alice had to write “unique and specific” notes to each of her classmates in second grade, and it was a reeeeeeeaaaaal challenge for a girl who inherited her grandmother’s eastern bloc shaped heart.

Preparing for the big day in our own home and being subjected to all of the consumer marketing online and at CVS telling me to buy something red and heart-shaped made me, naturally, think about brick-and-mortar retail and how **Valentine's Day is really a love letter to the in-person exchange that only happens in real life — it's energetic, it's exciting, and it just can't be replicated online.**

When you have a brick-and-mortar business, you engage with your customers face to face.

☀ Sometimes these engagements are quick and cheerful.

⚔ Sometimes they’re interminable and feel like hand-to-hand combat.

But whatever happens, it happens on a human-to-human level which is much, much more demanding than the human-to-Shopify interaction.

Yes, making sales online is hard. Shouting into the void of the internet is expensive and ever-changing, but there’s no requirement that you use your precious emotional energy.



I'm certain that all of us who do or have lived the brick-and-mortar life can attest to the fact that there are some customers who feel like trusted friends, whose presence feels like warm sunshine. And that there are SOME OTHER customers whom we see crossing the parking lot toward our door and make us decide that RIGHT NOW is the perfect moment to hide in the back and reconcile the checking account. Sometimes you can pull off the disappearing act, and sometimes you have no choice but to get on stage and act, because retail is theater.

Why is it that in 2024 classmates still exchange Ring Pops and carnations and (if you're my sister's children) some very cute homemade crafts that took time and attention? **Because in-person exchange, even among the frostiest of frenemies, feels better than an e-card. Just like good brick-and-mortar feels better than good e-comm.**

Think about it — if you're looking for the perfect outfit for your 30th high school reunion, there's a big difference between scrolling a website on your phone and filtering for occasion | color | silhouette and the feeling of walking into a store, meeting the eyes of another human being and saying, "I'm going to my 30th reunion and I have to look absolutely fierce and I hate patterns."

✨ **The former is *you trying to see*, and the latter is *you feeling seen*.**

Choosing to have a brick-and-mortar business is choosing to engage in a classroom Valentines exchange. Sometimes your connections are meaningful, sometimes they're not, and that's okay. The energy we get from the great exchanges really does feel like true love.

additional resources

For additional resources you can visit [DCSmallBizHelp](#) where you can find: Capital providers, small business support organizations, and government agencies that assist entrepreneurs and small businesses throughout the commercial leasing process and at other stages of business development.

Additional small business support can be found online at:

- [DC Bar Pro Bono Center](#)
- [The Department of Small and Local Business Development](#)
- [The Department of Licensing and Consumer Protection](#)

there's more online

