



Small Businesses Struggle to Buy Office Space

Rising office rents and a strong economy have fueled owner-user demand, but with limited supply, there aren't many options for small businesses to purchase office space.

By **Kelsi Maree Borland** | December 13, 2018



Barry Saywitz

In this economy, small businesses want to own their office space, and this year, owner-user demand has grown alongside office rental rates throughout Southern California. However, there is dearth of small office for-sale opportunities that has limited options for business owners looking to buy. Small business owners looking seriously to buy an office space under 10,000 square feet need to begin looking 12 months in advance and be competitive, which could mean an all-cash offer.

“With rental rates rising and the economy doing well, small business owners would prefer to own rather than lease. For smaller businesses that aren't in a

high growth industry, like insurance or accounting, that aren't going to double their workforce but they might outgrow the space," **Barry Saywitz**, president of **The Saywitz Co.**, tells GlobeSt.com. "It is better for them to try and own rather than dealing with increasing rents. While interest rates are up overall, they are still at a reasonable price to the point where it makes sense. The average business owner's mentality is to own."

The dearth of supply has—no surprise—driven up pricing when properties do become available. Often, investors have renovated small office buildings on the market, further inflating the pricing. "The dilemma that we have over the last 12 months is that there is not a lot of inventory for smaller owner-user type buildings," explains Saywitz. "When those buildings do become available, they go quickly. There are two sides to that: there is high demand for the property, and that, unfortunately for the buyer, runs the price up even more. Typically on these owner-user buildings, the building itself has been remodeled, in which case the price is on the higher end of the spectrum."

While there is strong demand for owner-user buildings, it isn't enough to develop new product, especially considering the steep prices for land and construction today. Next year, it is unlikely that this supply-demand dynamic will change. "There is hardly any new product of small owner-user office buildings," says Saywitz. "The highest and best use of a particular parcel of land is not usually office space. Today, you see developers coming in and converting the property into a higher and better use. So, there is not a lot to pick from."

While there are limited options, small business owners are managing to find properties to buy—but need to be prepared for an arduous process. "It is a balancing act between determining the differential in cost between owning and

leasing,” says Saywitz. “Start early, be prepared, hire experts to help you and be informed before making a decision.”