

Build-to-Suit vs. Spec: Which Building is Right For a Specific Company?

Businesses that are young and growing might lean toward spec; older, established firms could favor build-to-suits.

■ By K.J. Jacobs, AIA, LEED AP

When it comes to choosing the right building, there are several questions an organization must ask itself. Is the company at a place where it can invest in a building that will attract prospective employees? Is the company looking for a more temporary or flexible workplace? Is the facility able to support the organization's needs for production, research, collaboration or innovation?

Since each company's requirements, goals and operations are unique, as are each facility's offerings and characteristics, the answers will vary depending on who's asking.

Speculative, or "spec" buildings, are built by developers with the goal of attracting tenants during or shortly after construction. Typical spec building tenants can include professional services firms, call centers and other businesses.

Build-to-suit buildings are purpose-designed, built and typically owned by a specific organization to accomplish specific goals. Build-to-suit buildings can vary widely in size, function and design depending on the owner organization's needs. Owners of these custom buildings are usually well-established companies with long track records that have the capital and

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Derrick Simpson, McMillan Pazdan Smith

Hubbell Lighting's built-to-suit headquarters in Greenville, South Carolina, is an example of a highly customized building design.

staying power to make a long-term investment in a physical asset.

To determine which option is suitable for a particular organization, decision makers should understand the common design elements and limitations of each type of building.

Spec Buildings

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may provide an opportunity to create visually interesting architecture, but that can result in inefficiencies and underutilized space. Furthermore, a rectilinear shape is inherently flexible as space needs for an individual tenant change or as tenant turnover brings new users and space requirements.

In the vertical direction, the floor-to-floor height of a speculative office building should be optimized to be high enough for tenants to have ample space without driving up the cost of the building's exterior skin. A typical open office environment has acoustical tile ceiling heights of 10 feet, with adjacent private offices and other support spaces having 9-foot-high ceilings.

In recent years, there has been greater interest in a slightly more industrial aesthetic where ceiling tile systems are omitted, exposing the ductwork

and other overhead building systems. These open ceilings give each floor the feel of being more spacious and loftier without sacrificing building economy.

While the ideal spec office floor plate size used to be around 25,000 square feet, this has been reduced to 22,000 to 23,000 square feet in the last decade. The geometry of the smaller floor plate means the exterior of the building is more visible and accessible by everyone inside. However, the efficiency of a floor plate is diminished below 22,000 square feet because the amount of core space increases relative to the available usable office area, which translates to a tenant paying for more rentable square feet for the same amount of usable square footage.

A well-amenitized spec building should have a variety of conference

spaces, spill-over rooms, a fitness center and common spaces in addition to ample workspace area.

Custom Buildings

Since custom buildings are usually designed with a specific user and purpose in mind, the design elements can vary greatly. A custom corporate office headquarters is obviously going to be different than a custom manufacturing center. Across sectors, what custom buildings have in common is their purpose: to optimize the usefulness of the asset while attracting and retaining talent.

A call center could certainly be set up in either a spec or custom building, but a custom-built call center could make for a higher-performing space because the designers can eliminate the inefficiencies of more generic

speculative space for the use before ground is broken. Spec buildings are designed to have a wide appeal across industries and end users. By nature, they are *close* to what a lot of users need, but aren't *exactly* what anyone needs. The most efficient geometry of a given space can vary between applications, meaning some redundancies won't be able to be solved in an existing spec building. With build-to-suit, it is possible to customize to exact specifications.

For example, a manufacturing client of McMillan Pazdan Smith Architecture is creating a custom building for the sole purpose of attracting new employees and retaining existing talent. The manufacturing space in the building will be air-conditioned — an uncommon design element in industrial



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projects. Warehouse workers, assembly technicians and process engineers who are used to working in high-temperature environments, especially in the Southeast where the client is located, will be able to complete a full workday without being subjected to extreme heat.

The goal behind this relatively uncommon feature in a manufacturing space is to win the war for talent in a region where there is a severe shortage of qualified workers. Broadly speaking, the goal of most custom buildings is to create a high-performing environment that employees will want to spend time in.

Amenities such as fitness centers, coffee bars, meditation or spinning rooms, and outdoor activity and meeting spaces — which have become more desirable since the onset of the pandemic — can all serve as attractive recruitment tools.

Building location can also influence available amenities. For example, the site of a build-to-suit office in Greenville, South Carolina, was adjacent to the popular Swamp Rabbit Trail, a 22-mile-long multiuse path that provided a natural outdoor amenity that was useful in recruiting and relocating employees.

Which Real Estate Type Makes Sense?

Since no two organizations are exactly alike, the type of real estate chosen depends largely on the current state and future goals of a particular company.

An established organization with staying power is generally more suited to designing and constructing a custom building.

A company focused on short-term growth should lean toward spec buildings. Leasing a spec building doesn't require nearly the amount of up-front capital investment as commissioning a custom building. A lease has a shorter planning horizon, often just three to 10 years, compared to a build-to-suit office building designed for a 15- to 20-year commitment. Build-to-suit should be seen as a long-term investment. For a company that just needs a certain amount of workspace without specialized systems, layouts or utilities, spec buildings may be the wiser investment.

Simply put, spec buildings offer a place for a developing organization to keep growing their business without dipping heavily into operational budgets and other capital investments.

An established organization with staying power is generally more suited to designing and constructing a custom building. Depending on the size and scope, a custom building is usually a much larger capital investment than leasing a spec building. While a custom project is more expensive up front, it can yield long-lasting results that improve an organization's productivity, processes and culture.

For example, the air-conditioned manufacturing space will draw talent in a talent-scarce region, improving productivity, employee morale and quality of work. The space also enforces a culture in which employees feel cared for, comfortable and happy to work where they work. This sort of culture increases retention and employee engagement, which both factor in greatly to the performance of a company.

According to a study by the Queens School of Business, which examined medium-sized businesses (between 50 and 399 employees) over a 10-year period, "engaged" employees are those who are committed to the success

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of the organization. The study found that businesses with highly engaged employees see:

- 65% greater share-price increase.
- 26% less employee turnover.
- 100% more unsolicited employment applications.
- 20% less absenteeism.
- 15% greater employee productivity.
- up to 30% greater customer satisfaction levels.

Research by Gallup found that companies with a strong organizational culture saw 85% increases in net profits and 138% improvement in patronage over a five-year period.

While improving employee engagement and company culture is a multidimensional endeavor, a thoughtfully designed custom building can certainly create an environment for engagement to thrive.

Custom buildings also offer endless opportunities for specialization. If a company is in the business of research and development, they can design a building to house the specific equipment, laboratories and utilities needed. If a company's product relies on creativity, they can design a space specifically geared toward spurring creativity and innovation.

The question of whether to go custom or spec is an introspective one. An organization must first examine its goals, culture, capitalization and growth projections to find the right answer. ■

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