

CAREER EDUCATION SCHOOLS: Hidden Costs

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Career schools know that their facilities play a key role in enrollment, but are they paying close enough attention to the cost of their facilities? By looking at the real estate portfolio as a whole, a career college can increase profitability in an often overlooked place. Occupancy costs always reflect one of the largest total expenditures for a career college; therefore, potential pitfalls should be considered when selecting a site and negotiating a lease.

In today's ever changing market, career colleges need to understand how to protect themselves when negotiating a lease. Key items to be considered in the negotiations include:

- The type of lease a career college considers will in turn determine its amount of expense and vulnerability. A school will generally be presented a NNN-triple net, full service or double-net lease for consideration. For example, in a NNN-triple net lease, the school would be responsible for all expenses, insurance, taxes and common area maintenance. This is especially relevant if the building does not meet local or governmental standards, such as for ADA, or if it needs major improvements or repairs. If you sign a lease where you have to maintain the roof and HVAC, then you would be responsible for their maintenance or even replacement. During the lease negotiation, specific timeline and dollar information in the lease can protect the school from an exorbitant amount of repairs and repair dollars in a given year. The price for such repairs could have a huge impact on the bottom line.
- *"What are the demographics for the successful sites?"* By using GIS mapping, a career college can analyze everything from population, wages, educational background, ethnicity and other variables all broken down by ZIP code in a given area. This helps a career college determine if a site will bring the most prospective students to the location. The facility should emulate the focus of the programs and set a foundation for growth for its students.
- Parking is one of the most important things to consider when looking at a site for a career college. Generally 10-15 spaces per 1,000 square feet leased is a good rule. Finding sites with underutilized parking is desirable since most buildings are not built to satisfy such requirements. A secure and safe parking lot is also important for students attending night school. Schools need to determine if there is adequate lighting and security on the site.
- When negotiating a lease, a career school should consider having its name on a building as a way to advertise. A large tenant can have the landlord cover this expense at no cost to the school, which frees up money allocated for advertising by the career school.
- The location of the property in relation to major thoroughfares is also very important. Easy on and off highway access is great to have, but schools should stay away from high retail rent spaces. The key here is to find either an office space that will work with all the variables or a retail site that has office type rent.

Choosing the right site with proper demographics, parking, signage and highway access will increase a career college's ability to attract and retain students. Negotiating a lease with this in mind can limit a career college's exposure to unexpected expenses and increase the bottom line.

