



November 10, 2016

Uncovering the Next Hidden Gem Neighborhood for Your New Business Location

If you're looking to open a new location for your small to mid-sized business, you're likely finding that particularly trendy spots come with higher rental costs. Establishing a foothold in an up-and-coming neighborhood can help you develop a loyal customer base while avoiding inflated costs.

Guessing which neighborhood will be dubbed the next "hot" new area can be a risky business, but there are signs you can monitor to make an informed decision. Here are some tips to help you spot an emerging gem:

Follow the Artists

Watch where the creative folks set up shop. "The first wave is generally artists, musicians and writers seeking cheaper rent and a sense of community, while still remaining somewhat close to amenities," says New York City real estate agent Emile L'Eplattenier. They often live and work in the same area, and finding a low-cost locale is key.

Track Smaller Retailers

Often spawned by creative community members who are living there, the next stage to watch for is the influx of new small businesses, such as indie coffee shops, vintage stores and independent music venues, according to L'Eplattenier. He recommends looking for "businesses that don't require a lot of overhead or expensive equipment and permits to set up," but that will generate enough cash to cover the rent.

Proximity to Other Hot Areas

The closer a neighborhood is to an established trendy area, the easier the transition will be. Often, people and businesses want to be near the action but can't afford the sky-high rents, so they move down the block. As you move away from a trendy neighborhood, you can see the price per square foot decline, points out Bruce Ailion of RE/MAX Town and Country Commercial in Atlanta.

Watch Where New Development Is Occurring

"Monitor all new residential and commercial (office) development," advises Alex Cohen, lead commercial specialist with CORE of New York City. "Development projects take about 20–25 months from start to move-in and target the neighborhoods currently underserved by retail."

Sniff Out the New Bars and Restaurants

"Since they require more capital and more red tape to get through, bar and restaurant owners are generally pickier when choosing locations," says L'Eplattenier. "That said, many of the new restaurants will be quirky or focus on unusual cuisines or ingredients." At this phase, spotting an up-and-coming neighborhood gets easier, he says. "Just look for new bars and restaurants that seem out of place for the demographic of the neighborhood."

A New Nickname

As attention shifts to a new area, influencers and younger people will give it a nickname, says L'Eplattenier. The general public may not know it by that name, but the cool crowd will.

Pay Attention to Prices.

As prices in the neighborhood start to rise, that's a sign that there's more activity and competition. Cohen advises that the best time to negotiate a lease is 9–12 months before a large number of new units are occupied. Monitor development progress closely to commit to your next location as the neighborhood gains popularity, but before the price exceeds your budget.

Setting up shop in an up-and-coming neighborhood can save you money and expose your business to an entirely new community.