

When negotiating commercial lease, consider company's future

There are generally three types of commercial leases: retail, industrial and office. Though each type of lease has its own issues, many of the same issues need to be addressed in each lease.

It is important to remember that a lease is like any other contract. It should be properly negotiated by both parties. Too often, negotiations center only on the amount of rent, the length of term and the move-in dates. From the tenant's perspective, it is important to remember the lease was drafted by the landlord — with the landlord's protection in mind. The wise tenant



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will look at the lease as an opportunity to help the business succeed in the future.

From the landlord's perspective, a lease will require the tenant to pay rent and "additional rent," provide insurance, comply with certain restrictions, engage in only certain activities, and follow the landlord's operating rules. The lease will usually address possibilities such as what will happen if the

premises or building cannot be used, or what will happen if the tenant defaults.

Though some leases can be short — only five or 10 pages — more often, leases will be lengthy documents that set forth in detail the relationship between the landlord and tenant. Often leases will be written in technical language that require legal counsel to help interpret and negotiate the terms of the lease.

During the lease negotiations, a tenant should ask the landlord for whatever concessions are necessary for the business to succeed. For example, does the lease provide adequate parking and

signage rights? Are competitors allowed to rent space in the same building? How are construction expenses and delays handled? How much is the "additional rent"? Is the lease assignable? What happens if the business is sold?

For example, I represented four clients who sold their business and who has assigned leases. Because the lease was not negotiated well up front, these clients continued to be personally responsible under the lease for the next seven years, even though they no longer occupied the premises or owned the business. It is important to look not only at what can go wrong,

but also at what can go right in the business.

For example, many tenants try to limit the term of the lease to avoid liability if the business fails. But, it is also wise to plan for success by providing options to renew the lease after the original term expires. This allows a business to

continue operating in the same location without interruption or moving expenses. These and numerous other issues should be addressed before signing a lease. Once the lease is signed, there is little bargaining power and often little chance of changing the lease. A good lease is one where both parties are

informed of what they are getting and have set themselves up to succeed in the future.

If you're interested in listening to a radio interview where I discuss commercial leases in more detail, visit www.MyDreamBiz.Net/markusmay.