

## Don't get fleeced when negotiating a commercial lease

Written by Australian Business

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Starting a new business is a difficult process. However, due to the slowing of the economy in recent years, one thing that is in the small business owners' favor is plentiful commercial real estate to choose from. Although it is a buyer's market for commercial property, it can still be expensive to buy the building that houses the business. As a result, many small business owners choose to lease their space.

As commercial leases lack the protections given to residential tenants, negotiating a favorable lease is vital to the continuing survival of the business. However, since the law governing commercial leases is complicated, the lease negotiation process requires the business owner to do their due diligence.

### Rent

Of course, one of the most important aspects of a lease is how much you will pay each month. On the one hand, the business owner wants the lowest price. On the other hand, the landlord wants to maximize revenue and lock in the tenant for as long as possible. It is recommended that business owners negotiate a one or two-year lease that includes an option to renew. This prevents the business from being locked in to a space for a long period, an important benefit should the space no longer suit needs of the business.

Additionally, it is important to include terms in the lease addressing rent increases over the term, so the business is not hit with an unexpected increase, which can significantly impact the bottom line.

### Expenses

Besides rent, there are additional expenses that the commercial tenant can be on the hook for

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such as, utilities, property improvements, maintenance and common area expenses. In most leases, these expenses are rarely the responsibility of the landlord. Before signing the lease, it is important to ensure that the lease addresses how these expenses are determined and who is responsible for them.

### Protection clauses

As commercial leases are typically more flexible than residential ones, it is possible to negotiate for clauses that can protect your business. For example, if your business falls on hard times and you need to break your lease, an assignment or sublet clause can allow you to sublet your space to another business. This would also give your business flexibility if your business needs change.

In addition, an exclusivity clause can help the vitality of your business by preventing the landlord from renting nearby space to competitors.

### A real estate attorney can help

When looking for commercial property and negotiating leases, many businesses use a broker. Although a broker can be helpful in identifying the best locations in a given market, they cannot give legal advice.

If your business is considering leasing, it is invaluable to have the advice of an experienced real estate attorney. An attorney can work with your broker and assist you throughout the negotiation process, ensuring that you receive a fair lease that protects the long-term concerns of your business.