

Questions to Ask Before Signing a Commercial Lease

Whether you're moving your business out of your home or the office space you've been working in is too small for your growing company's needs, the prospect of looking for commercial space can be overwhelming. You can't be too careful when signing a lease for space. Choosing the wrong space could hurt your business if clients find it too difficult to access or you don't get the amenities you require. The following checklist will help you make the right decision.

BEFORE YOU TALK TO AN AGENT

- How large or small an area do you need?
 - Do you need walk-in traffic or simply industrial space?
 - Do you want an anchor store nearby?
 - What amenities do you desire?
 - Air conditioning/heating
 - Elevators
 - Windowed offices
 - Conference room
 - Private restrooms
 - Kitchen
 - WiFi
 - Daycare on premises
 - Postal center
 - Other
- Go online to find out the typical cost of leasing commercial space in the area you're considering, so you have a point of reference. CityFeet.com, LoopNet and Commercial Search are good resources for this.

BEFORE YOU HIRE A BROKER

- Does the broker have a specialization in a geographic area or in a specific type of commercial space?
- How much experience does the broker have with small businesses? With businesses in your industry?
- How many other clients does the broker work with at one time?
- What resources does the broker have for market research?
- What is the broker's strategy to find you a space?

WHEN TALKING TO THE COMMERCIAL AGENT

- What is the minimum lease requirement? Typically, commercial landlords require a one-year lease, but some require two to three years.
- Are utilities included? (They usually are not.)
- Will the landlord pay for fit-up changes to the space, such as layout, paint, new carpet or special electrical needs? (The tenant usually pays fit-up, but sometimes landlords will agree to amortize the fit-up costs over the term of the lease.)
- Can the landlord insist on changes you didn't budget for, such as soundproofing a space you plan to use as a restaurant or installing ventilation in a space you plan to use as a nail salon?
- Do you need a business license, a certificate of occupancy, or a building permit? What happens if you can't get a building permit?
- What are the traffic numbers? The agent should have car counts and community demographics.
- What is the parking situation for both employees and customers?
- Is there room for expansion or the option to move to a larger space in the same building/center if it becomes available?
- Can you secure a non-compete clause to ensure no similar business can open in the building/center?
- Under what conditions can you terminate the lease? For example, what if a major tenant you wanted to be near leaves the building/center? What if a fire or flood renders your space unusable? What if access to or visibility of your space is restricted by changes to the building/center?
- If you are subletting a space, are there any restrictions in the existing tenant's lease that might limit your intended use of the property?

KNOW THE LINGO

“AS-IS” CONDITION: The acceptance by the tenant of the existing condition of the premises at the time the lease is initiated, including any physical defects

BASE RENT: A set amount used as minimum rent in a lease, with provisions for increasing (escalation rent) the rent over the term of the lease

CAM CHARGES: Common Area Maintenance charges

FIT-UP: Costs associated with construction needs such as walls, fixtures, lighting, etc.

GROSS RENT: What the tenant pays if the landlord pays NNN charges (see to the right)

LEASE RATE: Yearly lease cost per square foot

LEASING AGENT VS. TENANT REPRESENTATIVE: The leasing agent has the listing of the property and represents the interest of the

owner of the building. A tenant representative (rep) represents the interest of the tenant in the lease. Some agents work exclusively on the listing while others take on tenant representation only. Other agents will work with both.

NNN OR “TRIPLE NET” CHARGES: Additional actual expense items shared among all tenants, such as CAM charges, building insurance, trash collection and property taxes. Triple net charges are typically based on your pro-rata share of common area space, such as lobby, hallways, etc.

RENTABLE SQUARE FEET: Total square feet used to calculate the rental rate; includes both your business space and your pro-rata share of common area space

USEABLE SQUARE FEET: Total square feet within the walls of the space being leased