

# 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
    - Private restrooms
    - Postal center
    - Elevators
    - Kitchen
    - Other
    - Windowed offices
    - WiFi
    - Conference room
    - Daycare on premises
- 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](http://CityFeet.com), [LoopNet](http://LoopNet) and [Commercial Search](http://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

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- 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.)
- What are the traffic numbers? The agent should have car counts and community demographics.
- Is there room for expansion or the option to move to a larger space in the same building/center if it becomes available?
- What is the parking situation for both employees and customers?
- Can you secure a non-compete clause to ensure no similar business can open in the building/center?

## KNOW THE LINGO

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**“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 the rent over the term of the lease (escalation rent)

**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 below)

**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:** Additional actual expense items shared among all tenants, such as CAM charges, building insurance, trash collection and property taxes

**RENTABLE SQUARE FEET:** Total square feet used to calculate the rental rate. May include percentage of lobby, hallways and other shared areas

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

**ALSO: LOW-RISE** - Fewer than seven stories above ground level

**MID-RISE** - Between seven and 25 stories above ground level

**HIGH-RISE** - Higher than 25 stories above ground level