



Part of the Washington SBDC Podcast Series

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Commercial Lease Tips:

- Do your homework before signing that commercial lease!
- Small business owners can be enthusiastic, but this can lead to huge mistakes if not tempered by a sound decision making process.
- This is particularly true when the owner finds a new location.
- “The Perfect Spot” can mean that you will rush into signing on a space without all the knowledge you will need.

Tips:

- 1) **Get your lease in writing:** some small business owners do not get a written lease if they personally know their landlord. For legal reasons, this is very important.
- 2) **Read your lease.**
- 3) **Have your attorney read the lease** and make suggestions concerning changes.
- 4) **Check the term:** the length of time you will be leasing the space. Remember that the space you are renting may not work out, try to obtain a short lease with an option to renew when you are starting out. Try to negotiate scheduled rent increases so you can predict rent expense increases.
- 5) **Know what the rent covers:** do not assume that all you will have to pay is the base rent. Common area maintenance may be included and you should know exactly what this is, it can include a variety of things. There may be an additional charge based on a percentage of your sales.
- 6) **Understand landlord-tenant responsibilities:** You may assume that since you don't own the building that the landlord is responsible for all repairs. Some leases specify tenant responsibility for all repair and maintenance, or just for certain things like heating and air conditioning, plumbing, etc. These responsibilities are sometimes negotiable. Remember that you can never withhold rent.

- 7) **Know what happens when you are in default:** the landlord may go to court and start the eviction process or simply lock the doors on you. Time limits and late fees should be spelled out in the lease. You may be able to negotiate a requirement that the landlord needs to give you written notice before eviction.

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