

10 TIPS



Small Business
Development Centers
www.californiasbdc.org

FOR NEGOTIATING A COMMERCIAL REAL ESTATE LEASE



California Small Business
Development Center
Network

You've got questions.
We've got answers.

www.californiasbdc.org



Are you thinking of moving or expanding your business? Data from commercial real estate listing site LoopNet shows commercial real estate prices in the Los Angeles area are slowly starting to rise. While the economic recovery is still uncertain, market research firm IBISWorld predicts competition for commercial space will grow in the next five years. Follow these 10 tips for negotiating a commercial real estate lease.

1. **Do your homework.** Know the average cost of the type of commercial space you're seeking—retail, office or industrial. A commercial real estate broker can show you historical data for the region, and you can research prices on websites such as CIMLS.com, CityFeet.com or LoopNet.com.
2. **Determine your needs.** Consider space, utilities, infrastructure, parking, storage, accessibility to major highways and more. Create a checklist of your needs and wants, specifying which are “nice to have” and which are essential.
3. **Get professional help.** Real estate brokers work for landlords and receive commission on the lease's value, so while they can offer a lot of useful information, it's also important to consult a lawyer. Get an attorney experienced in commercial real estate who can explain terms, advise you and help you negotiate.
4. **Ask what the total cost covers.** Cost per square foot is just the beginning. There may also be Common Area Maintenance (CAM) costs, property taxes, insurance, trash collection, repairs and utilities. Depending on lease terms, you may be expected to pay some or all of these costs directly, pay them to the landlord, or have them built into your rent.
5. **Know what is permitted.** Make sure you understand what uses the property is permitted for and that there are no zoning regulations or laws that could adversely affect your business.
6. **Discuss improvements.** If you need to remodel the property to suit your business (known as a “build-out”), be sure you understand what improvements can be made, who will pay for them, who will oversee the work and whether you're expected to restore the space to its original state if you move.
7. **Ask about subleasing.** Getting the rights to sublease part or all of your space to another tenant protects you from breaking the lease if you must move unexpectedly. It also helps you cover costs if you're leasing more space than you currently need in anticipation of growth.
8. **Consider timing.** You can generally negotiate better terms by signing a longer lease, but what if your business grows faster than expected and you need to move before the lease is up? A short lease with options to renew and a cap on future rent increases may offer the greatest flexibility.
9. **Put it in writing.** Before viewing properties, make a list of questions to ask the broker and landlord. Never negotiate based on a verbal offer. Get terms in writing and have your attorney review them. Commercial landlords generally expect you to make a written counter-offer, too.
10. **Ask for what you want.** In today's economy, tenants still hold the bargaining power—so now is the time to ask for the extras you want. Who knows? You just might get them.

By Rieva Lesonsky

Rieva Lesonsky is founder and President of GrowBiz Media, a media and custom content company focusing on small business and entrepreneurship. Before launching her business, she was Editorial Director of Entrepreneur Magazine. Follow Rieva at [Twitter.com/Rieva](https://twitter.com/Rieva) and visit her website SmallBizDaily.com to get the scoop on business trends and sign up for free TrendCast reports.



The Small Business Development Centers are funded by the U.S. Small Business Administration, host institutions of lead and service centers, state and local funds, and corporate partners. Funding is not an endorsement of any product, opinion, or service. All Federal and State funded programs are extended to the public on a nondiscriminatory basis. Special arrangements for individuals with disability will be made if requested in advance.