

UNDERSTANDING COMMERCIAL LEASES

Suggestions for avoiding conflicts
with your landlord

A good lease is a viable lease

- Read and understand the entirety of your lease. If you do not understand it, review it with an experienced commercial real estate attorney and your broker.
- There is no such thing as “meaningless” boilerplate. Every word has meaning.
- The lease is a risk management tool to allocate the risks of the landlord and tenant in an economic reality
- Understand the “landlord” and property manager have people to whom they are responsible.
- The tenant and landlord must remain viable for the term of the lease to remain viable. What does it matter in the long run, if we all are dead?

“Oral contracts ain’t worth the paper they are written on” Sam Goldwyn

- Reduce everything important to writing. If it is not written in the lease, assume there is no right
- Written terms override oral promises
- Handwritten terms overrides printed terms
- “Four corners” rule in litigation

Know the actual cost of the lease

- Understand the actual rental payment structure
- Include realistic “pass throughs” in your monthly budgets - 13 month rule
- Do not be afraid to ask for support for pass through charges
- Realize the property manager is responsible to the property owner for all that is collected and all that is spent

Maintaining the property

- Understand the maintenance and repair that the landlord and tenants are responsible for- Plate glass
- HVAC
- What are included in char services?
Difference between triple net and full service
- Neither party should want the premises' condition to diminish the value

Alterations

- Get approval before making any alterations and repairs
- “If I owned this property, would I want to know about this before action is taken?”
- What is the landlord’s property that must stay and what may the tenant remove or must remove?

Caveat

- This is not intended as legal advice for a specific circumstance. It is for informational and educational purposes. Seek the advice of an experienced commercial real estate attorney for your specific circumstances.
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