

## INDUSTRY INSIGHT



# Wisely negotiate your property lease

Have accurate information and ask the right questions before inking a deal

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*Special to Properties*

**N**egotiating a commercial lease is an intimidating and complex procedure that requires prior research and due diligence. Before signing a lease, you need to know what questions to ask, and how rent and other added fees are calculated. Armed with knowledge, you can negotiate the best deal possible. Below are some crucial terms to look out for when negotiating a commercial lease agreement:

**Terms of lease** – Commercial leases run for one to 10 years and even longer, with options to renew. Some landlords insist on longer commitments; however, you can add a clause in your agreement that allows you to exit the lease by giving the landlord sufficient notice.

**Rent hikes** – Landlords usually add an annual increase in rent in the lease terms. If he insists on keeping the clause, try and negotiate a cap on the escalation and spread it to every two to three years. When doing your research on available commercial rentals, look carefully at whether the landlord will pay for the utilities, maintenance, etc. With a "gross lease," your rent includes these costs. With a "net lease," you will pay for them separately. The best approach is paying a higher amount and getting the extra costs eliminated by the landlord.

**Flexible payment terms** – If you can pay in one cheque rather than four or six, you may be able to negotiate better terms.

**Fit-outs and fixtures** – Premises need fixtures, fittings and services installed before you start to operate your business. Responsibility for the fit-out cost will be determined by you and the landlord.

**Tenant rights** – The lease agreement spells out your rights as a tenant, including provisions on what you can do or change in the premises or common areas. Some items to cover are signage, additional partitioning, use of common areas and facilities, additional parking space, etc.

As there are others things that need to be considered, these suggestions do not replace the critical need for a tenant to get full legal, financial, property and business advice before entering into a commercial lease.

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