



LEASING COMMERCIAL SPACE?

10 Questions to ask landlords.
by Dale Willerton

If you're looking to start your own business or open a new franchise and need to lease property, you will want to prepare yourself for lease negotiations with a commercial landlord. As the Lease Coach, I have been consulting with commercial, franchise and retail tenants since 1993 and have amassed the following "Top 10 Questions" that all tenants must ask during the negotiating process either for a new or secondary location. In doing so, you will better protect yourself, your interests and your investment.

1 WHO IS THE LANDLORD?

Will you be dealing with a large institution, a bank or a small, independent "Mom and Pop" landlord? Depending on your opposition, you will be using a different negotiating approach.

2 HOW LONG HAS THE LANDLORD OWNED THE PROPERTY?

A long-time landlord will have gained a wealth of knowledge and experience regarding the property. Typically, a long-time landlord will also retain interest in continuing to own the property and have more realistic rent expectations. Conversely, a new landlord may have a high mortgage and may look to his or her tenants to help cover that cost with higher rent payments.

3 WHERE IS THE LANDLORD PHYSICALLY LOCATED?

A local landlord is often more accessible, thus making any dealings prior to and following signing the formal lease easier. One of my clients was trying to personally meet with his landlord, a 70-year-old doctor who not only continued to practice at his leisure, but also enjoyed sunny holidays and was often not around. Obviously, this created difficulty with scheduling a personal meeting.

4 IS THE PERSON IN CHARGE OF PROPERTY MANAGEMENT LOCAL?

Similar to the preceding point regarding absentee landlords, ensure that your property manager is readily available to deal with any concerns you may have. Property managers may well look after multiple sites (not always in the same city or town) and cannot remain at one location on a full-time basis.

5 WHAT IS THE BUILDING'S HISTORY?

An older building may require further upkeep and maintenance, which tenants pay for in Common Area Maintenance (CAM) charges. If there has been a high turnover of tenants in the past, for any reason, this should raise a red flag for you. Also, has a similar-use tenant previously leased space within the property and either closed the business or moved elsewhere within the past 10 to 20 years?

6 WHO IS DOING THE LEASING FOR THE PROPERTY?

Knowing who you are dealing with will help you better prepare for negotiations. Is this a big leasing brokerage, a real estate agent or a family member of the landlord? Real estate agents must follow a code of conduct, however, they often can only

share what the landlord has told them. A less-than-reputable landlord doing his own leasing may tell you anything to get you to sign.

7 WHO WERE THE TWO MOST RECENT TENANTS TO MOVE IN AND WHEN?

You will want to approach these tenants and ask them how their lease negotiations went. If the leasing agent claims he or she has only recently acquired the listing and does not know, push for the details.

8 WHO WERE THE LAST TWO TENANTS TO MOVE OUT?

When and why did they move out? Did they move across the street or did they close? As before, you will want to speak to these former tenants and ask for more details about why they left as well as their opinions of the landlord, property manager and the property itself.

9 WHO IS THE PROPERTY'S BIGGEST TENANT (THE ANCHOR TENANT)?

How secure is this anchor's tenancy? The anchor tenant(s) typically attract the most traffic to a property so you will want to confirm they will be staying. Tenants in a strip mall located near my home were recently caught unaware when Safeway,

the anchor tenant, moved out. Despite having a long-term lease, Safeway can often move their business but continue to pay the rent, thus disallowing any competitor to move in.

10 IS THE BUILDING FOR SALE?

Building owners looking to sell their building will have different motivations with prospective tenants. Also, consider that you may like the current landlord but dislike the new landlord.

You may feel uncomfortable asking these questions, however, landlords and property managers are typically open to providing answers. As a tenant, you have every right to know the entire picture. I strongly recommend that you type out these questions as a worksheet and refer to them before negotiating or renegotiating begins. ■

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