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5 considerations before you lease a building

I recently have written about “gotcha” clauses in a commercial lease, so today let’s take a look the factors you should consider before you are ready to ink that commercial deal.



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Contributing
Columnist

The location

Raise your hand

if you have never heard the three most important factors in real estate: location, location, location. Here is why location mat-

ters so much (in no particular order). Your customers may need to find you. I say “may” because some businesses have zero walk-in or destination customers and others rely on foot traffic. Access to qualified employees is important for the health of your business. Trucks must deliver your raw materials and transport your finished goods. Employee retention is critical. If you locate out of state, how many will follow? Proximity to your suppliers can save you money. Where do you live? After all, you are the boss. So, location does matter!

Lease term

Two common errors I see occupants make are committing to a long-term lease when times are frothy or a short-term lease when the market is crippled. Business activity fuels a business owner’s sense of wellbeing: Business is great, so I’ll commit to a 10-year lease. Little thought is given to where we are in the cycle, that lease rates are at their all-time high and that you would be better served with a five-year lease with a five-year option.

The opposite is true when business bosses are

uncertain. Even though landlords are handing out goodies, many opt for a shorter-term commitment — three years or fewer.

Leasing entity

Any owner of commercial real estate will require tax returns and financial statements from the corporation, individuals, LLC or partnerships signing the lease. Great! Got those. However, I suggest being pre-emptive by having your formation documents, information on your previous landlord, bank statements and history of your company at the ready.

Also, give some thought to the reason for the move and why you chose that location. I’ve witnessed this “story” as the determinant for a tenancy.

Type of owner

A pension fund adviser from New York will view your tenancy differently than a private investor who owns two buildings in Anaheim — and not always more discerning.

Speaking “owner” will cause the lease negotiation to proceed swimmingly.

The vibe

How quickly did you receive a response to your

lease offer? What other information were you required to provide from your initial offering package? What do other tenants in the building have to say about the owner? (Yes! you should talk to a few of them.)

The answers to these questions will provide a glimpse of your future as a tenant.

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