



Negotiating Industrial Leases: What Should You Ask?

No matter if you're a lessor or lessee, there are several important aspects to bear in mind when negotiating industrial leases. Consider these questions before entering negotiations:

Where does your broker stand? If you automatically assume that your broker is dedicated to standing by your side and defending your best interests, you could wind up getting the short end of the stick in negotiations. Never make assumptions – they're usually a shortcut to disappointment. In order to be sure your broker has your best interests at heart, don't be afraid to ask blunt and probing questions. Find out if they're paid on performance or commission. Working with a broker that's paid according to their performance is a sure way of finding someone who'll work tirelessly for your benefit.

What kind of negotiation training does your broker have? Don't guess, ask. If the answer you receive is insufficient to help you determine that they're educated in negotiation tactics, look for another broker. Remember, just because a broker has a license doesn't mean he or she will be capable of negotiating terms to your satisfaction. If you feel they don't have adequate training in negotiations, keep looking.

Is your broker a lone ranger type? Regardless of how you view "lone wolf" types, your broker has to be a dedicated team player. If you begin to notice that your broker isn't good at building the necessary relationships to be the best possible advocate for you, you should seriously consider finding a replacement that is.

What is base rent? Rent for industrial space can vary depending on factors. These factors include usable square feet versus rentable square feet and the availability of common areas and amenities. Working with a realtor is a must when negotiating base rent because they have the knowledge about the local area to provide fair market value estimations on base rent.

What do I get for base rent? It's important to know exactly what it is you're paying for each month. Expenses like utilities, taxes, landscaping and other services may or may not be included in your monthly payment.

Are there any additional costs? Fees vary greatly in type and amount – and often slip right under the radar when negotiating industrial leases. Be sure that you know exactly what fees in what amount are expected – and who's expected to pay them.

What about rent and fee increases? Be sure you know exactly what percentage rent can be raised by and if there are any limitations on fee increases. Sometimes, caps on fee increases can be counterbalanced with rent increases.



How is area calculated? There are many different ways to determine the size of an industrial space. Because rent is often determined per square footage, knowing exactly how the area of the space is calculated can protect you.

How long is the term of the lease? There are advantages and disadvantages for both the landlord and the tenant depending on the length of lease negotiated. Longer leases tend to avoid loss of time and money with repeated renegotiations.

How will the cost of improvements be handled? Renovations, improvements, and alterations are common when leasing an industrial space. Cost sharing between the landlord and tenant for these alterations also common. Be sure to know who's responsible for what ahead of time.

What environmental issues are there? Environmental clauses within industrial leases have become much more important in recent years. It's important to determine who's responsible for any potential environmental issues.

What's negotiable? When negotiating industrial leases, it's crucial for both sides to be knowledgeable about what aspects of the lease are negotiable and which aren't. Working with an industrial realtor can be especially helpful in this regard.

Is there an offer to lease? A thoughtful, well-drafted offer to lease can be an effective tool for smoothing industrial property negotiations. Knowing what both sides want ahead of time is beneficial for everyone.

The above list of questions is by no means all-inclusive, but it's a great place to start when you're undertaking industrial lease negotiations.

ABOUT THE AUTHOR

Cardinal Real Estate Partners

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