

Commercial lease covers it all – right?

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For those involved in leasing commercial real estate – whether

new to leasing or a seasoned industry pro – signing a lease can be a daunting endeavor.

The devil is in the details, and, more often than not, many standard forms omit critical considerations. Accordingly, a close examination of the terms is essential for a quality commercial lease.

Below are five important points to consider when leasing commercial property. These items are not intended to be exhaustive, but rather a starting point for the purposes of evaluation.

- Experience – Knowing the background and temperament of the other party is important. Is leasing commercial property the landlord's primary business? Will a management company operate the property? Is the tenant established or just starting out? A knowledgeable, cooperative working relationship is imperative for a successful commercial lease.

- Type of lease – Details of what costs are covered and how they are apportioned should be carefully reviewed. For example, leases often described as triple net, meaning that the tenant is responsible for all costs associated with the leased premises other than structural repairs, can actually be a blend of two types of leases, triple net and gross. A gross lease splits the structural repairs and operation expenses between the landlord and tenant.

- Identification of leased premises – Often the outline of the space and delineation of its parameters is an attachment that does not make it into the lease until the end of the negotiations. It is important to verify up front that what is provided meets both parties' expectations.

- Costs – Payments under a commercial lease can be categorized in several different ways, including rent, common area maintenance, assessments and dues. Awareness that a lower rental rate might be counterbalanced by a monthly fee for

maintenance of the property, which is set to automatically increase each year, is essential. The ultimate focus should be on the full monthly cost, regardless of what it is called under the lease.

- Insurance – Insurance coverage requirements will vary based on lease type. It is important to identify two things: what the lease requires and whether such coverage is available, and whether the cost associated therewith is factored into the overall lease costs.

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