



# **JOHNSTON BUSINESS LAW GROUP**

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# Understanding & Negotiating a Commercial Lease (Part 1)

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Johnston Business Law Group  
122 E. Patrick Street, #103  
Frederick, MD 21701  
(240) 415-8425  
[www.matthelawyer.com](http://www.matthelawyer.com)  
[matt@Johnston-legal.com](mailto:matt@Johnston-legal.com)

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- ▶ If you need confidential legal advice you should consult an attorney.

Like this Guy



BTW, That's me.

The gag works better in person.

# Topics in This Session

- ▶ Introduction and Trends
- ▶ Factors Affecting Rent and Your Options
- ▶ Budgeting Beyond Rent
- ▶ If It's Broke, Who Fixes it?
- ▶ Low Probability Events
- ▶ Personal Guarantees
- ▶ What Ifs (AKA Q&A)

# Introduction and Trends

- ▶ Commercial Leasing in flux
- ▶ Will be a renter's market
- ▶ Flex Space is your best friend
- ▶ Get a Broker
- ▶ Budget for legal review

# Factors Affecting Rent

- ▶ The Buildout—focus on interior and upgrades
- ▶ Term length-longer is not always cheaper
- ▶ Renewal or Option Terms
- ▶ Possession and Rent Commencement
- ▶ Premises, square footage, and rent per square foot
- ▶ The Security Deposit!!!

# Budgeting Beyond Rent

- ▶ Base Rent is only the beginning
- ▶ The Curse of Additional Rent or What the hell does Triple Net or NNN mean
- ▶ Required Insurances (fire, gen. liability, Worker's Comp, specialty insurances)
- ▶ In Maryland, beware the Snow Removal Clause
- ▶ Utilities and who pays what



# Maintenance Responsibilities

- ▶ General Rule—Inside the space is Tenant
- ▶ General Rule—the shell is the Landlord
- ▶ Make sure the responsibilities are clearly stated
- ▶ Be careful about A/C systems, fire suppression, and exceptions
- ▶ Required Contracts
- ▶ Substitute Performance of repairs
- ▶ “Used by or in connection with” clause
- ▶ Beware of Exculpation Clauses

# Low Probability Events

- ▶ Landlord Relocation Clause—Make sure you get all costs paid
- ▶ Fire, Flood, Natural Disaster
- ▶ Condemnation for space being unusable
- ▶ Eminent Domain
- ▶ Force Majeure Clause—not what you may think
- ▶ Tenant Defaults

# Personal Guarantees

- ▶ Likely be required for new businesses
- ▶ Understand impact and when it can be triggered
- ▶ Negotiate getting out
- ▶ Understand impact if lease is assigned
- ▶ Secondary guarantees

# Got Questions, Comments, or Want to Chat

Johnston Business Law Group

122 E. Patrick Street #103

Frederick, MD 21701

(240) 351-9944

[matt@johnston-legal.com](mailto:matt@johnston-legal.com)

<http://www.matthelawyer.com>

[www.linkedin.com/matthewsjohnston](http://www.linkedin.com/matthewsjohnston)

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