

The Often-Overlooked Importance of Leases

When buying or selling a business, it is critically important that you evaluate the lease. It is a strange phenomenon that otherwise savvy business people will treat leases as a secondary concern. However, problematic terms in a lease can literally force you to pack up a business and move. This would not only be a jarring experience, but a very costly one as well.



Finding a good location is of paramount importance to both the profile and profitability of your business. You may feel that there are more important issues when buying or selling a business. But by the end of this article, you'll see the wisdom in placing a lease near the top of your "to evaluate" list.

There are three different kinds and types of leases: a new lease, an assignment lease and the sublease. All three of these options are most definitely different from one another and can potentially impact your business in different ways.

The New Lease

A new lease, as the name indicates, is the result of a lease that has expired. That means that the buyer must work with the landlord to establish a new lease. Buying a business only to discover that you don't have a lease and the landlord isn't interested in keeping your business at its current location is most definitely a shock that no business owners want to encounter. Buyers should be one-hundred percent certain that they have a lease in place before they buy a business.

Assignment of Lease

The second type of lease is the assignment of lease; this form of lease is quite common. It involves the buyer of a business being granted the use of the location where the business is currently located and operating. Through the assignment of the lease, the seller is able to assign the buyer the rights associated with the lease. Of course, it is important to keep in mind that the seller is not acting as the landlord, but instead, simply has the ability to assign the lease.

The Sublease

The third option for lease is the sublease. The sublease is basically a lease within a lease, and it comes with some important distinctions that must be understood. A sublease generally requires the permission of the landlord and that permission should not be viewed as a "foregone conclusion" or "automatic."

The bottom line is that no new business owner wants to discover that their new business doesn't have a home. There are an array of very important issues to work out when buying a business, and it is critically important that buyers never overlook what kind of lease is involved. A savvy seller will highlight what kind of lease they have, especially if the terms are favorable. But buyers should always be proactive and ask questions about the status of the lease and make certain that lease terms are clearly defined.

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