What to Examine in a Utah Commercial Lease Before Signing

Understanding the Stakes of a Commercial Lease in Utah

Signing a commercial lease is a long-term commitment that affects your business operations, finances, and legal standing. In Utah, commercial leases are governed by state law and local ordinances, and the terms can vary widely from one property to the next. Before you put pen to paper, it is essential to review the document carefully. A thorough review helps you avoid costly surprises, protect your rights, and ensure the space works for your business. This article walks through the key points to check in a Utah commercial lease agreement, with a focus on common pitfalls and practical steps.

Key Areas to Examine in a Commercial Lease

Commercial leases are complex documents. They typically cover rent, term, use, maintenance, insurance, and dispute resolution. Each section can have hidden traps. Below are the main points to scrutinize before signing.

Rent and Additional Costs

The base rent is only part of the picture. Many leases use a "triple net" structure where you pay property taxes, insurance, and common area maintenance on top of the base rent. Ask for a detailed estimate of these additional costs. Also check for escalation clauses that increase rent annually based on the consumer price index or a fixed percentage. Make sure you understand how rent increases are calculated and when they take effect.

Lease Term and Renewal Options

The lease term should match your business plan. If you expect to grow or relocate, a shorter term with renewal options may be better. Look for renewal options that give you the right to extend the lease on predetermined terms. Without a renewal option, the landlord can demand a much higher rent at the end of the term. Also check for termination rights: can you break the lease early if your business needs change? What are the penalties?

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Jeremy Eveland is also on Telegram.

Use and Exclusivity

The lease will specify what you can and cannot do on the premises. If your business involves food preparation, retail, or a specific service, make sure the lease allows it. Also look for an exclusivity clause, which prevents the landlord from leasing other spaces in the same complex to businesses that directly compete with yours. This is especially important for restaurants, gyms, or specialty shops.

Maintenance and Repairs

Commercial leases often shift repair responsibilities to the tenant. Read the maintenance clause carefully. Some leases make the tenant responsible for all interior repairs, including the heating and cooling system, plumbing, and electrical. Others require the landlord to maintain the roof, foundation, and exterior walls. Know what you are taking on. If the lease says you must maintain the heating and cooling, ask for the age and condition of the system. Replacing a commercial HVAC unit can be expensive.

Insurance and Liability

The lease will require you to carry certain types and amounts of insurance, typically general liability and property insurance. You may also need to name the landlord as an additional insured on your policy. Review these requirements with your insurance agent to make sure you can comply. Also check for indemnification clauses that hold the landlord harmless for certain losses. These clauses can shift risk to you, so understand what they cover.

Subleasing and Assignment

If your business changes, you may want to sublease the space or assign the lease to another tenant. Many leases restrict subleasing or require the landlord's consent, which cannot be unreasonably withheld. Look for a clause that allows subleasing with reasonable consent. Without it, you could be stuck paying rent for an empty space.

Default and Remedies

What happens if you miss a rent payment or violate another term? The lease will describe a cure period, during which you can fix the problem, and the landlord's remedies, which may include eviction, acceleration of rent, or forfeiture of your security deposit. Know the cure period and what actions can trigger a default. Also look for a clause that gives you the right to cure the landlord's default, such as failing to maintain common areas.

Property Condition and Disclosures

Before signing, inspect the property thoroughly. Check for water damage, mold, pest infestations, and structural issues. Ask the landlord for any known defects. If the property has environmental issues, such as soil contamination or asbestos, the lease may require you to

handle them. In Utah, landlords must disclose certain hazards, but it is wise to conduct your own inspection. Also verify that the property complies with local zoning and building codes for your intended use.

Title and Ownership Issues

Commercial leases can be affected by title problems. A property may have a lien, an easement, or a deed restriction that limits how you can use the space. For example, an easement could give a utility company the right to dig on the property, which could disrupt your operations. A deed restriction might prohibit certain types of businesses. Before signing, ask for a title report or a title opinion. A quiet title attorney can review the property's title history and identify any clouds on the title that could affect your lease. This step is especially important if the property has changed hands multiple times or has a complex ownership structure. The guidance for clearing title problems can help you understand what steps to take if a title issue arises during the lease term.

Dispute Resolution

The lease will specify how disputes are resolved, typically through litigation or arbitration. Arbitration can be faster and less formal, but it may limit your ability to appeal. Mediation is often a required first step. Know the process and the venue. If the lease requires disputes to be heard in a county far from your business, that could add cost and inconvenience.

Common Pitfalls to Avoid

Even careful tenants can overlook important details. Here are some common mistakes:

- Signing a personal guarantee without understanding the exposure. Many commercial leases require the business owner to personally guarantee the lease. If the business fails, the landlord can come after your personal assets. Negotiate a limit on the guarantee, such as a cap or a sunset clause that ends after a few years of on-time payments.
- Ignoring the property's parking and access. If the lease does not guarantee a minimum number of parking spaces, your customers and employees may have nowhere to park. Also check access for deliveries and trash collection.
- Overlooking the landlord's rights to enter the premises. The lease should require reasonable notice before the landlord enters for inspections or repairs. Without that, your privacy and security could be compromised.
- Not checking for hidden fees. Some leases charge for after-hours heating and cooling, janitorial services, or use of common areas. Ask for a full list of potential charges.

- Failing to document the condition of the space before moving in. Take photos and notes. This can protect you when it is time to get your security deposit back.

When to Bring in a Legal Expert

Commercial leases are legally binding contracts. If the lease is long, contains unusual terms, or involves a significant financial commitment, it is wise to have an attorney review it. A lawyer can spot issues you might miss, negotiate better terms, and advise you on your rights. This is especially true if the lease involves a property with potential title issues. A quiet title attorney can examine the property's chain of title and help resolve any clouds that could affect your lease. The **guidance for clearing title problems** from such an attorney can save you from leasing a property that has hidden legal obstacles.

If you are in West Jordan, Salt Lake County, or Utah County, and you need help reviewing a commercial lease or resolving a title issue, you can contact Jeremy Eveland. The office is located at 8833 S Redwood Rd # A, West Jordan, UT 84088, USA, and can be reached at +1 801-613-1472.