

Important Considerations for Commercial Leases

As a landlord, it is important to choose the right tenant for your property. Hiring an experienced commercial agent who specializes in that area and property type is imperative. The commercial agent should advise you on the correct market rent for your property through their own completed transactions as well as providing information on other transactions that have occurred recently. It is also crucial to choose a commercial agent that has all of the commercial resources to provide your property maximum exposure to all potential tenants. This includes several listing services such as CoStar, LoopNet, AIR, CREXI and several smaller services.

It is important for the commercial agent to advise landlords on the best lease form and structure to use such as a modified gross or NNN lease. The recommendations can vary based on the landlord's property type, accounting strategy, expenses, etc. For commercial leases, the more widely used lease form is the AIR contract form. It provides extensive landlord protections that have been improved and expanded on for over several decades by lawyers as well as commercial brokers and agents who specialize in commercial lease contracts.

During the process of choosing a tenant, it is critical to ensure your commercial agent is properly qualifying the tenants based on their financial viability to determine their business is solvent and will likely pay timely based on their history. Typically a commercial agent will have a list of financials required for tenants to provide as well as a completed commercial lease application form to run a complete credit report from an approved bureau. There are also additional safeguards that can be instituted in lease agreements to help ensure landlords are protected from businesses dissolving and/or transferring ownership.

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It is also important in today's litigious environment to provide the proper disclosures for commercial properties to ensure that tenant's have been properly advised on their rights as a tenant and occupancy of their business. These disclosures inform tenants on issues relating to ADA compliance, city and government requirements, hazardous substances, agency agreements, etc. These disclosures benefit both the landlord and tenant to explain each of their rights and duties to disclose and investigate matters related to business and property operations.

If you have questions or would like more information on leasing commercial property, please contact me and I will be happy to help

**Current SBA 504
Effective Rate for
September 2020 is 2.274-2.408%**

Why Proposition 15 is Bad for California

The favorable advertisements for Prop 15 tell voters that this law will only affect large property owners. However, this is not the case. Commercial leases typically have a clause that allows any increase in property taxes to be passed along to tenants/small businesses. This will increase their costs during a period where their businesses have been severely hurt by the shutdown from the pandemic, increases in minimum wage and other laws and regulations that have already increased their business expenses. Subsequently this will likely cause more store closures and vacancy which leads to blighted buildings, vandalism and reduced property values.

Prop 15 promises to pass tax dollars to local schools and communities. The funds to local communities and the schools after the State and County takes their share is fixed at 60% and 40% respectively. The possibility that goes unmentioned is that the State could grab more of the funds if they determine that their harm is much greater. There is also no assurance those funds will not go to paying for higher salaries and pensions for CA employees that are among the highest paid in the nation. This law effectively takes more money from the private sector and deploys more money into the public sector which has shown its inability to control

Spending. It can also stifle investment into the state and create uncertainty for businesses causing less ability to control costs on occupancy. These added expenses will likely have to result in increased costs to the end consumers. Fair market value does not necessarily reflect the real value of the property. For example, many properties that have long term leases have below market rents. Therefore, the assessor office could elect to base the value on current rents which are much higher than the actual rents the property is collecting resulting in higher valuations. This bill can set a precedence for residential to be the next sector impacted.

Source: Brad's Blog 9/14/2020

Industrial Building for Lease in Inglewood



Located only 1.5 miles away from New Rams SoFi Stadium!

Approx 7K SF building with prime frontage along highly trafficked La Brea Ave w/ close freeway access.

Zoning allows retail, automotive, light industrial, manufacturing, etc.

Large fenced yard with dock high loading and ramp. Bonus Metal overhang.

401 N La Brea Ave Inglewood, CA

Please contact me for more information and pricing.

Linda Vidov (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.



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