

# Negotiating a Restaurant Lease

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If you're thinking of [opening a new restaurant](#) <sup>[1]</sup>, leasing a space is a very important early step in the process. However, especially for small businesses, cost can be a major concern in this area.



In order to get the best possible value for your

lease investment, you need to know how to negotiate favorable terms with a potential landlord. As the president of [Restaurant Consulting Services](#) <sup>[2]</sup>, Kevin Moll has helped restaurateurs negotiate leases and run various other aspects of their businesses for decades. He recently spoke with Small Business Trends and shared some tips for negotiating restaurant lease terms.

## 8 Tips for Negotiating a Restaurant Lease

### Let Your Budget Guide Your Search

Before you actually start looking at spaces, you need to have a very strong sense for what you can afford. This means you need to create projections for sales, price out supplies, and consider any additional expenses that your business might incur. From there, you can come up with a general price that you can sustain long term. Don't bother looking at spaces that are significantly higher than that, as you aren't likely to be able to negotiate a huge change in the overall expense.

### Take Extra Fees into Account

You also need to know exactly what expenses go along with every specific lease and what's included with those expenses. For example, Moll says that many landlords charge what is called a "base rent" and then include "CAM (common area maintenance)

charges” on top of that, and some even charge property taxes and insurance separately as well. So when you’re comparing different spaces, you need to know what is included with each one so that you can get an accurate view of the options available to you.

## **Build a Strong Business Plan**

A property owner is a lot like any other business owner in that they want to attract strong “customers” who can sustain their business long term. If your business isn’t proven, then you need a way to show a potential landlord that you’d be a great tenant and capable of paying all of your expenses for a long time. Otherwise, they have no incentive to negotiate with you at all.

Moll explains, “Do not expect to get a great lease on favorable terms unless you have a business plan or something to show off your brand and concept in a positive light. Your landlord wants to know that you can pay the rent. And that means they need to have a qualified and capable tenant that is going to be a complementary tenant to add into their retail mix.”

## **Negotiate in Building Repairs**

One of the biggest mistakes that Moll sees with new restaurant owners is the compulsion to put tons of money into a space that they don’t own. Sure, you want your restaurant to look great. But you can probably make great strides by investing in quality equipment, furniture and decor. And any necessities that need to be added to a space, like vent hoods or grease traps for the kitchen, should be discussed with the landlord prior to signing a lease. Since these items are essential for any restaurant, they should be willing to pay for those items or reimburse you.

## **Look at Second Generation Spaces**

However, Moll cautions restaurateurs against going directly for spaces that need to be customized. Instead, he says that small restaurants especially can get much more value for their dollar by going with second generation spaces, or buildings that have already housed restaurants. They should already have the necessary equipment in place, so you have fewer upfront costs to consider.

## **Consider a Longer Lease Term**

Moll says that most lease terms for restaurants are about five years long, with additional five year options added on. If you’re looking for a better monthly rate or more money to cover renovations, you might need to consider signing on for a longer term.

Moll says, “The landlord needs to know that those repairs they’re paying for are going to be worth it. They’re not going to cover anything if you’re just going to be gone in a few years.”

## **Include Necessary Contingencies**

Another component of leasing that is sometimes overlooked is contingencies. You can ask for the lease terms to only be final in the case of a set of conditions being met. For example, you might be waiting on an investor to provide funding or an inspector to give the space the go-ahead. A big one, especially in certain states where you need a location before applying, is the ability to attain a liquor license.

Moll says, "You don't want to sign the lease and then find out that because the building is too close to a church and a daycare center you can't serve liquor. If your concept relies on that, you're completely stuck."

## **Do Your Due Diligence**

It's also important that you do enough research on the market as a whole and on the specific property. Ask the landlord plenty of questions, including why the previous tenants left. And always have the space inspected. You might find issues in the space that could lead to extra costs for you if you were unaware of them. But those same issues can potentially also help you get a better rate from the landlord.

*Photo via [Shutterstock](#) <sup>[3]</sup>*

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[2] Restaurant Consulting Services: <https://restaurantconsultingservices.com/>

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