

The Importance of Understanding Leases

Leases should never be overlooked when it comes to buying or selling a business. After all, where your business is located and how long you can stay at that location plays a key role in the overall health of your business. It is easy to get lost with “larger” issues when buying or selling a business. But in terms of stability, few factors rank as high as that of a lease. Let’s explore some of the key facts you’ll want to keep in mind where leases are concerned.



The Different Kinds of Leases

In general, there are three different kinds of leases: sub-lease, new lease and the assignment of the lease. These leases clearly differ from one another, and each will impact a business in different ways.

A sub-lease is a lease within a lease. If you have a sub-lease then another party holds the original lease. It is very important to remember that in this situation the seller is the landlord. In general, sub-leasing will require that permission is granted by the original landlord. With a new lease, a lease has expired and the buyer must obtain a new lease from the landlord. Buyers will want to be certain that they have a lease in place before buying a new business otherwise they may have to relocate the business if the landlord refuses to offer a new lease.

The third lease option is the assignment of lease. Assignment of lease is the most common type of lease when it comes to selling a business. Under the assignment of lease, the buyer is granted the use of the location where the business is currently operating. In short, the seller assigns to the buyer the rights of the lease. It is important to note that the seller does not act as the landlord in this situation.

Understand All Lease Issues to Avoid Surprises

Early on in the buying process, buyers should work to understand all aspects of a business's lease. No one wants an unwelcomed surprise when buying a business, for example, discovering that a business must be relocated due to lease issues.

Summed up, don't ignore the critical importance of a business's leasing situation. Whether you are buying or selling a business, it is in your best interest to clearly understand your lease situation. Buyers want stable leases with clearly defined rules and so do sellers, as sellers can use a stable leasing agreement as a strong sales tool.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.

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