



# SHEAR KNOWLEDGE

MAXIMIZING YOUR INCOME

## Lease Negotiation

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Once you've found the ideal location for your new salon, the next step is to negotiate the lease terms with the landlord. The process starts with a **Letter of Intent (LOI)**. Key points of an LOI are location/address, square footage, the legal entities, the rent, the term/duration, and the condition of the space. An LOI is signed by both you and the property owner, but it's not a legally enforceable document. It's merely the basis from which the lease will be drafted.

Key points in a lease are:

- **Lease Term:** The most common lease has a 5-year term. Make sure you ask the landlord to include a couple of 5-year "options" allowing you to extend your lease.
- **Rent:** Usually in dollars per square foot. Example: \$30/sf on a 1,200 sf space would be \$36,000/yr which is \$3,000/month.
- **CAM:** In addition to rent, the landlord will charge you CAM (Common Area Maintenance) to cover the upkeep of the shopping center. Example: If CAM is \$5/sf on the example above, your total rent + CAM would be \$3,500/month.
- **Guarantee:** The landlord will require you to sign a personal guarantee. This is a legally enforceable document that requires you to pay the full rent for the entire term of your lease even if you close your salon.

When negotiating your lease, be sure to ask for what you want. Some suggestions:

- **Tenant Improvement Allowance:** Will the landlord share in the buildout costs?
- **Non-Compete:** This prevents the landlord from leasing space in the center to a direct competitor.
- **Assignment language:** If you ever sell your business, you'll need verbiage that ensures the lease can be assigned/transferred to the new buyer.

A lease is legally binding; read and understand each term. Propose changes if needed, and always have a lawyer review before signing for added security.