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WHAT YOU NEED TO KNOW ABOUT LETTERS OF INTENT IN COMMERCIAL LEASES

Both landlords and tenants have legal and personal obligations to understand and abide by each of the terms in their commercial leases. Too often, aspects of these leases are misunderstood or neglected entirely. The following blog series outlines these aspects one-by-one, emphasizing key points and illustrating these concepts via real-life commercial lease tenancies. To start, let's take a look at what you need to know about letters of intent, or LOIs.

LOIs are non-binding.

Although most terms listed in a commercial lease document are considered part of a binding contract, LOIs lack the formality to be considered binding. An LOI is intended to act as a general guide to outline the terms of a proposed lease, offering statements of key terms to the more legal oriented provisions necessary in the final lease agreement.

The most basic terms in a LOI would include:

- the identity of the Landlord and Tenant
- the location of the building and size of the space
- the amount of rent
- term or length of the lease
- extension options beyond the initial term
- personal guarantor or guaranties
- what the space may be used for

LOIs are typically negotiated by brokers.

More often than not, LOIs are negotiated and drafted by brokers, rather than by attorneys. A lawyer typically drafts the final lease agreement. Brokers lack the legal expertise and credentials to independently create legally sufficient binding contracts, which is why LOIs are best-described as written business terms.

LOIs are usually written without input from attorneys.

Because LOIs are typically non-binding, attorneys are not consulted to offer input throughout their drafting. However, both parties involved in any negotiations should understand the

relevant legal aspects before engaging in the preparation and execution of LOIs.

For help with questions that come up during your research or negotiation, whether you're a landlord who wants to protect your interests or a tenant hoping to preserve your rights, call John Gehringer at O'Neil Cannon at 414.276.5000 for a strategic consultation about your next steps.