



REAL ESTATE
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Single Tenant Buildings *Defining the Premises*



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- **Introduction** – The majority of commercial leases involve a tenant leasing a portion of a building that is occupied by others (a multi-tenant building). Occasionally, however, a tenant intends to occupy the entire rentable area in a building (a single-tenant building). In that case, how the Premises is defined has significant consequences.
- **What is the “Premises?”** – The Premises is the term used to describe what the tenant leases and many provisions in a lease (e.g., maintenance, insurance, restoration, etc.) impose obligations on the tenant regarding the Premises. In some single-tenant leases, it is appropriate for the Premises to be defined as the building and underlying land including any other improvements such as other buildings, loading docks, parking areas, and the like. In other cases, however, a tenant may want to specify that the tenant leases only the interior rentable area of the building. This serves to exclude the land, parking areas and other exterior areas, as well as portions of the building like the roof and structure, from the definition of the Premises.
- **Maintenance** – Leases typically require a tenant to maintain the Premises. If the Premises is defined to include the entire building and surrounding land, then the tenant would be responsible to maintain, repair and replace the building’s roof, exterior, structure as well as the parking areas, sidewalks, landscaping and drain lines. Single-building tenants who expect the landlord to maintain some or all of these areas should clearly address that in their lease.



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- **Insurance** – Many tenants typically insure their personal property and interior improvements with property insurance, and have liability insurance to address issues in their office or store. If, however, the Premises is defined to include the entire building and land, the tenant must make sure that its insurance covers property damage to the entire building (including roof, structure, etc.), as well as liability insurance that covers accidents that happen outside of the building. We also recommend the tenant send the part of the lease that defines the Premises, as well as the insurance section, to its insurance broker for them to review in detail and make sure the tenant will have all insurance the lease requires.
- **Indemnity** – Leases usually have an indemnity that requires the tenant to protect the landlord from all accidents and damage in the Premises except if they are caused by the landlord, its agents and employees. If the Premises is defined to include the land outside of the building, the tenant may be required to protect the landlord from unexpected situations such as accidents in the parking lot or the actions of third-party trespassers on the land. A single-building tenant (and all tenants for that matter) should make sure that its liability insurance covers contractual liability, like its indemnity under the lease, including having the tenant's insurance provider review the lease's indemnity provision.
- **Casualty** – In leases of multi-tenant space, the landlord is the party responsible to restore and rebuild the building after a major casualty. In a single-building lease, that responsibility may fall on the tenant. If the landlord has a lender, further complications may arise if a major casualty triggers the lender's right to call the loan. The tenant should review the lease's casualty and condemnation sections closely.
- **Restoration** – Tenants exiting their lease are often required to restore the Premises to the condition it was when the lease commenced. A single-building tenant should consider additional responsibilities if their leased premises includes the entire building and surrounding land.
- **Next Steps** – This is a brief overview of issues to be aware of for single-building tenants. An experienced commercial real estate attorney can best advise a tenant and protect its interests.



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