

Gross Lease Agreement Format – Commercial Building

By **AssetYogi.com**

Highlights

1. Gross Lease Agreement format for leasing an Entire Commercial Building.
2. In a Gross Lease Agreement tenant pays single monthly rent payment and landlord takes care of all operating costs such as utilities charges, maintenance charges, taxes and insurance etc. However, agreement terms can be modified as per negotiations between landlord and tenant.

Why this Lease Agreement format is useful?

1. **Draft by Experts** – Format prepared by Real Estate experts in consultation with legal experts.
2. **Comprehensive Agreement** – Clauses, written in simple and understandable language, cover all situations that may become issues between landlord and tenant.
3. **Clear Responsibilities** – Responsibilities of both landlord and tenant are clearly defined to avoid arguments and unhealthy relations later.
4. **Customized Format** - Customized to suit common types of commercial spaces and clause options.
5. **Greater Acceptability** – Landlord and tenant are at ease if a standard agreement format from a known third party source is used. We suggest that while printing, you retain the footer “Draft Format by AssetYogi.com” to ensure authenticity and greater acceptability.

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LEASE AGREEMENT

This Lease Agreement is made on this ___ day of _____ 20___ at _____ by and between

First Part

(In case the property is owned by a company)

_____, a company incorporated and registered under the Companies Act, 1956, and having its registered office at: _____, through its Authorized Signatory _____, having contact details:

Correspondence Address:

Email:

Telephone/ FAX:

hereinafter called "Lessor" (which expression shall unless it be repugnant to the context or meaning thereof be deemed and mean to include its members, shareholders, directors, successors-in-interest and assigns), party of the First Part and

OR

(In case the property is owned by an individual)

Mr./ Ms.

Permanent Address:

Correspondence Address:

Email:

Mobile:

Hereinafter called the "Lessor" (which expression shall mean and include his/ her heirs, legal representatives, administrators, executors, successors, and assigns etc.), party of the First Part and

Second Part

(In case the Lessee is a company)

_____, a company incorporated and registered under the Companies Act, 1956, and having its registered office at: _____, through its Authorized Signatory _____, having contact details:

Correspondence Address:

Email:

Telephone/ FAX:

hereinafter called "Lessee" (which expression shall unless it be repugnant to the context or meaning thereof be deemed and mean to include its members, shareholders, directors, successors-in-interest and assigns), party of the Second Part.

OR

(In case the Lessee is an individual)

Mr./ Ms.

Permanent Address:

Correspondence Address:

Email:

Mobile:

Hereinafter called the "Lessee" (which expression shall mean and include his/ her heirs, legal representatives, administrators, executors, successors, and assigns, etc.) party of the Second Part,

The Lessee and the Lessor, hereinafter individually referred to as "party" and together referred to as "parties".

Whereas the Lessor is the absolute owner of the immovable commercial property bearing No. (address of the property) , hereinafter referred to as the "property" or "premises", which is more fully described in the schedule below.

Whereas the Lessee is proposing to do the business of _____ and is desirous of taking the Said Premises on lease from the Lessor for its business for a period of ____ years commencing from _____ (commencement date) to _____ (termination date), which the Lessor has agreed to give in the manner and on the terms, conditions, covenants and stipulations as stated hereafter.

Now this lease agreement witnesses and it is hereby agreed by and between the parties hereto as follows:

1. RENT

- 1.1 The Lessor has given the said property on rent and the Lessee has taken the same on rent at a monthly rent of Rs. _____ (Rupees _____). The said rent shall be paid without any deduction or reduction but subject to Taxes Deducted at Source (TDS) under the provision of the Income Tax Act.
- 1.2 This Lease is what is commonly called a gross lease i.e. the operating costs such as utilities charges, common area maintenance charges, insurance charges, property tax etc. are incurred by the lessor as described in this agreement. The Lessor shall receive the rent set forth in Article 1.1 above, without offset or deduction, (except as otherwise provided) and free and clear of any and all impositions, property taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises.
- 1.3 The Lessee shall pay the said monthly rent to the Lessor by ____ day of each English Calendar month, in advance without any delay or default. The rent shall be deposited either in cash, by cheque or electronically in the Lessor's bank account, details of which are given here as under:

Lessor's Bank Details:

1.4 Monthly Lease Rent is subject to increase by ____% after expiry of every ____ years(s) and the said rent shall be paid as follows:

Year	From (Date)	To (Date)	Rent per Month (inRs.)
1			
2			
3			
4			
5			
(Add rows for more years)			

1.5 Failure on the part of the Lessee to effect the remittance in time will entail, without prejudice to other rights and remedies of the Lessor referred herein the said Deed, the Lessee having to pay interest @ 18% per annum calculated on day to day basis, and will also result into breach of this Deed, giving rise to the right of termination to the Lessor.

1.6 It has been agreed by the Lessee that under no circumstances the Lessee shall reduce or intimate the Lessor to reduce the lease rent of the said premises and further it is immaterial and irrelevant for the Lessor and / or for any of the terms & conditions of the said lease agreement that whether the Lessee doing loss and / or the market going through recession or whatsoever. Meaning thereby the Lessee shall continue to pay the lease rent during the entire lease period as agreed hereinabove without any reduction / revision in it. Further, the Lessee shall in no event reduce / intimate the lessor to reduce the area of said premise, meaning thereby the Lessee shall use / occupy the said premises in whole during the entire lease period and if any of such action is taken by lessee, the same shall not be accepted by the Lessor.

2. COMMENCEMENT, DURATION AND TERMINATION OF LEASE

2.1 Lease Period: The Lease has been granted for a period of ____ years (hereinafter referred to as "Lease Period"), effective from _____ (commencement date) to _____ (termination date). However, the said period can be further extended as mutually agreed between the parties otherwise the premises shall be vacated by the Lessee after the expiry of the said lease period. In case, if the period of lease is extended for a further period as mutually agreed between the parties on the terms and conditions as per this deed, then a fresh Lease Agreement shall be executed.

- 2.2 The Lessor has agreed to put the Lessee in actual physical possession of the entire schedule property on _____ and the Lessee hereby accepts to take possession of the schedule property from the Lessor.
- 2.3 Lock-In Period:
- i. It has been specifically agreed by the Lessee that this Deed has a Lock-in-Period of initial _____ months (hereinafter referred to as the “Lock-In period”) from the Lease Commencement Date. By any which case it means that the Lessee will continue to pay the Lease Rent for the first _____ months continuously and without any interruption.
 - ii. It has been specifically agreed by the Lessee that if the Lease is terminated by the Lessee during the lock-in period as stated above or the Lessee commits any default in observance of the terms and conditions on its part, on account of which the Lessor shall terminate this Lease during the lock-in period, then the Lessee shall without prejudice to the other rights and remedies available to the Lessor, be liable to pay lease rent for the balance period out of the lock-in period.
- 2.4 Termination Notice by Lessee: The Lessee shall have the right to terminate the Lease any time after the said Lock-In period, by giving not less than _____ months written notice in advance (hereinafter referred to as the “Notice Period”) to the Lessor of its intention to terminate.
- 2.5 Written Notice: Any notice which may be required to be served upon the Lessor and the Lessee shall be sufficiently served and given if apart from the registered post on the correspondence addresses, sent by e-mail to the email id of other respective party, to expedite the process. For the purpose of written notices through email id, the email ids mentioned in this deed shall only be considered and any notice given on these respective email ids of the Lessor and the Lessee shall be considered legally valid as per the terms of this deed.
- 2.6 Lessor’s Right to Terminate Lease: If the Lessee fails to pay the Lease Rent for ____ consecutive months or violates any of the terms stated herein and does not remedy such breach within ____ days of receiving written notice / intimation in that behalf from the Lessor, the Lessor shall be entitled to terminate the Lease executed on expiry of such notice period and as a result of that the said Lease shall automatically come to end and the Lessor shall become entitled to take the possession back from the Lessee on “as it was where it was basis” without giving any prior intimation to the Lessee and the said action of Lessor shall be binding to the Lessee and the Lessee shall not claim for any rights or damages against the Lessor for any of its belongings, goods, movables, furniture, fixture, interior, business loss etc. Further the Lessor shall also be entitled for and entitled to claim for the due amounts / arrears with 18% interest from the Lessee. Further the Lessor shall become entitled to sale / dispose off all or any of the belongings, goods, movables, furniture, fixture, interior of the Lessee that remain in the said property in custody of the Lessor to recover the out-standings towards the agreed amounts payable by the Lessee under the said agreement.
- 2.7 Consequences of Termination:

- i. Handing over of possession:- The Lessee shall upon expiry of the Lease or upon sooner termination/determination of this Lease, deliver vacant and peaceful possession of the Demised Premises to the Lessor.
- ii. Restoration of Demised Premises:- The Lessee shall restore the Demised Premises nearly to the same condition in which they were taken, repairing at its own cost any damage that may be caused by any act or default by the Lessee, its servants, agents or visitors. However, normal wear and tear and any improvements/interior decoration work done with the knowledge or consent of the Lessor shall be accepted.

3. SECURITY DEPOSIT

- 3.1 As security for the fulfillment of all the Lessee's obligations in terms of this Agreement, the Lessee shall deposit with the Lessor upon signature of this Agreement, an interest free refundable amount of Rs. _____ (Rupees _____ only), which is equivalent to _____ months lease rent, hereinafter referred to as the "security deposit".
- 3.2 The security deposit may not be applied by the Lessee as payment for any rental or any other payment due to the Lessor in terms of this Lease.
- 3.3 The Lessor shall be entitled to deduct from such deposit any amount payable by the Lessee hereunder unpaid and any amount owing by the Lessee for damages suffered by the Lessor, and in the event of such deduction during the lease period, the Lessee shall upon request by the Lessor, forthwith reinstate the deposit to its full amount.
- 3.4 It has been agreed that the security deposit, on the expiry of or in the event of termination of the Lease prior to the expiry of the Lease Period and against handing over of possession by the Lessee of the Demised Premises, shall be refunded to the Lessee in one lump-sum after deducting therefrom all amounts or other charges if any, outstanding to be paid by the Lessee simultaneously when the Lessee vacates and delivers the vacant and peaceful possession of the Demised Premises to the Lessor.

4. PROPERTY & ITS USE

- 4.1 Declaration by Lessor: That the Lessor is the absolute and exclusive Legal and Lawful owner and occupier of the Demised Premises and its title to the Said Premises is clear and marketable. The Lessor has full right and absolute authority to give the Demised Premises on lease to the Lessee.
- 4.2 The Lessor shall deliver the Premises to the Lessee in a clean condition on the commencement date (unless Lessee is already in possession) and Lessor warrants to Lessee that the plumbing, lighting, air conditioning and heating system in the Premises is in good working order. Lessee hereby accepts the Premises in its present condition as of the commencement date (or the date Lessee takes possession, whichever comes first) subject to all applicable zoning, municipal, county and state laws, regulations and ordinances governing and regulating the use of the Premises, and any easements, covenants or restrictions of record and accepts this Lease subject thereto. Lessee acknowledges that it has satisfied itself that the Premises is suitable for its intended use and that Lessor has not made any representation or warranty as to the present or future suitability of the Premises.

- 4.3 The Lessee shall at its cost and expenses be entitled to put its logo, nameplate and board at the demarcated area of the Demised Premises, provided however, that the Lessee shall be responsible to abide by all rules and pay for all charges, taxes or levies, if any imposed by any local body or authority or Municipal Corporation and the electricity bill, for such logo / nameplate / board.
- 4.4 The Lessee shall not be entitled to sublet or underlet the Demised Premises or part thereof or part with possession thereof nor shall create any charge, mortgage, lien or otherwise deal with the Demised Premises or any part thereof. However, the Lessee shall subject to rules and regulations of the Association, be entitled to use the Demised Premises for commercial / business purposes, for itself, or for any of its group companies, associates or subsidiary companies or assigns, currently existing or which may come into existence hereafter, with the prior written consent of the Lessor, which will not be unreasonably withheld. In the event of the Lessee being merged, acquired or amalgamated by any corporate entity anytime during the Lease Period, such corporate entity shall be deemed to be the Lessee under this Agreement with all the other terms and conditions of this lease remaining unchanged. The Lessor shall not have any objection whatsoever to any such merger, acquisition or amalgamation of the Lessee or the acquirer continuing in the Said Premises as the Lessee.
- 4.5 The Lessee shall abide by all bye-laws, rules and regulations of the Government, Municipal Corporation, and / or any other authorities and local bodies and shall attend, answer and be responsible for all deviations or violations as are committed by the Lessee of any of such bye laws, rules and regulations.

5. MAINTENANCE, REPAIRS AND ALTERATIONS

- 5.1 Except with respect to Lessor's obligations as set forth in this Agreement, Lessee shall, during the term of this Lease, keep in good order, condition and repair, the Premises and every part thereof, structural or non-structural, (including graffiti removal), and all adjacent sidewalks, landscaping, driveways, parking lots, fences and signs located in the areas which are adjacent to and included with the Premises.
- 5.2 Lessor shall keep the Premises in good condition and repair, provided however, that the Lessor shall not be obligated to paint, repair or replace wall coverings, or to repair or replace any improvements that are not ordinarily a part of the Premises. Except as otherwise provided, there shall be no abatement of rent or liability of Lessee on account of any personal injury or interference with Lessee's business with respect to any improvements, alterations or repairs made by Lessor to Premises or any part thereof. Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premises in good order, condition and repair.
- 5.3 Lessee shall make no alterations to the Premises without Lessor's written consent. Any alterations made shall remain on and be surrendered with the Premises on expiration or termination of the term, except, that Lessor can elect within thirty (30) days before expiration of the term, or within ten (10) days after termination of the term, to require Lessee to remove any alterations that Lessee has made to the Premises. If Lessor so elects, Lessee at its expense, shall restore Premises to the condition designated by the Lessor in its election, before the last day of the term, or within thirty (30) days after notice of election is given, whichever is later.

- 5.4 The Lessee shall permit the Lessor and / or its authorized representatives, with atleast 07 working days prior notice to enter the Demised Premises for repairs or inspection, during the normal working hours and in the presence of the representative of the Lessee.

6. UTILITIES

- 6.1 Facilities and charges: Lessor has provided electricity, water and telephone services in the property for exclusive use of the Lessee. The Lessor shall pay for said utilities charges provided however the Lessee consumes within the following limits:

Electricity – Bill upto Rs. _____

Water - Bill upto Rs. _____

Telephone – Bill upto Rs. _____

Any extra charges over and above these set limits shall be borne by the Lessee.

- 6.2 Interruptions: There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption, or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control.

7. INSURANCE

- 7.1 Liability: Lessee shall, during the entire term of the lease, pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements, for which the limits of general liability shall be in the amount of _____ combined single limit, naming Lessor as additional insured. Such coverage shall include a broad form general liability endorsement. The policy shall contain a clause that the Lessee will not cancel or change the insurance without first giving the Lessor ten (10) days prior written notice.
- 7.2 Other Coverage: Lessor shall maintain fire and extended coverage insurance on the Office Building Complex and the Premises in such amounts as Lessor shall deem appropriate. Lessee shall be responsible, at its expense, for fire and extended coverage insurance on all its personal property, including removable trade fixtures, located in the Premises.
- 7.3 Waiver of Subrogation: Lessee and Lessor each waives any and all rights of recovery against the other, or against the officers, employees, agents and representatives of the other, for loss or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage. Lessee and Lessor shall, upon obtaining the certificates or insurance required hereunder, give notice to the insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease.
- 7.4 Hold Harmless: Lessee shall indemnify, defend and hold harmless Lessor from all and any claims arising from use of the Premises by Lessee or any sub-lessee, assignee or permissive user of the Premises, or from the conduct of business or from any activity, work or things which may be permitted or suffered by Lessee in or about the Premises, and shall further indemnify, defend and hold Lessor harmless from and

against any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the provisions of this Lease, including the obligation to obtain and maintain liability and fire insurance, or arising from any negligence of Lessee, its agents, contractors, employees, sub-lessees, assignees, or invitees, and from any and all costs, reasonable attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. Lessee hereby assumes all risk of damage to property or injury to person in or about the Premises from any cause, and Lessee hereby waives all claims in respect thereof against Lessor, excepting where said damage arises out of the active negligence of Lessor.

- 7.5 Exemption of Lessor from Liability: Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or from damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises from any and all causes except the active negligence of Lessor.

8. DAMAGE OR DESTRUCTION

- 8.1 Damage to Premises: In the event the improvements on the Premises are damaged or destroyed, partially or totally, from any cause covered by an insurance required to be maintained under this agreement, the Lessor shall repair, restore, and rebuild the Premises to their condition existing immediately prior to such damage or destruction. Such repair, restoration and rebuilding shall be commenced within a reasonable time after such damage or destruction.
- 8.2 Abatement of Rent: In the event the repairs made by the Lessor to the Premises pursuant to this Article cause the Premises to be unusable for the intended purpose, the rent payable hereunder for the period during which such repair continues to take place shall be abated - provided that the damage to the Premises was not the result of the negligence of the Lessee.

9. PROPERTY TAXES

- 9.1 Municipal Property Tax: The Lessor shall pay Property Tax charged by Municipal body and any such taxes charged by any other government or public body.
- 9.2 Personal Property Taxes: Lessee shall pay prior to delinquency all taxes assessed against and levied upon leasehold improvements, trade fixtures, furnishings, equipment and other personal property of Lessee contained in the Premises.

10. RECEIPTS

- 10.1 The Lessor shall provide rent receipts or receipts for any other payments made by the Lessee to the Lessor on account of the said property. The receipt shall contain the date of receipt of payment, the address of the schedule premises, Service Tax Registration/ PAN No. of Lessor (if required), period for which the payment is made and the subject of payment i.e rental, deposit etc.

11. CHANGE OF OWNERSHIP

- 11.1 The Lessor at any time during the period of the lease may transfer, assign, sell, mortgage, encumber or otherwise dispose off the Demised Premises as it may deem fit and give written intimation thereof to the Lessee provided that such disposal shall not affect or impair the rights of the Lessee to continue to

occupy the Demised Premises until the expiry or sooner determination of this Lease in accordance with the terms hereof and the Lessor shall cause the transferee to recognize and accept the Lease hereby created.

- 11.2 The Lessor may at any time during the period of the lease ask the Lessee to do amendments in this Agreement in regard to the ownership of the property in part or in full, in case of change of the name of the Lessor or change in owning entity, in part or in full. On presentation of proper documents, the Lessee shall have generally no objection in accepting such change; subject to all conditions mentioned in this Agreement continuing with the new entity. All the costs of documenting any such transfer/amendment of ownership, shall be done at the cost of the Lessor.

12. HANDOVER OF PROPERTY

- 12.1 On the last day of lease (termination date) hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in good condition, broom clean, ordinary wear and tear, damage by fire, acts of God or any other cause within the scope of the fire and extended coverage insurance contemplated hereunder is excepted. All structural alterations, improvements or additions which may be made on the Premises, shall become the property of Lessor and remain upon and be surrendered with the Premises at expiration of the term. Lessee's machinery, equipment and other trade fixtures other than that which is affixed to the Premises so that it cannot be removed without permanent damage to the Premises, shall remain the property of Lessee and may be removed by Lessee.
- 12.2 In the event the Lessee fails to hand over possession as aforesaid, without prejudice to the other remedies available to the Lessor hereunder, the Lessee shall be liable to pay, by way of penalty, twice of the amount of Lease Rent payable by it at the time of such expiry or sooner determination, to be payable on daily basis.
- 12.3 The security deposit, after adjusting for any payments due to the Lessee, shall be refunded by the Lessor to the Lessee at the time of receiving back the vacant possession of the said property.

13. INDEMNITY

- 13.1 The Lessee hereby indemnifies the Lessor for any loss or damage to property or injury to persons suffered on the Premises as a result of any act or omission by the Lessor or its servants or agents.

14. GENERAL

- 14.1 Should two or more persons sign this Agreement of Lease as Lessors or Lessees, the said persons shall be jointly and severally liable in solidum for the due performance of the Lessees or Lessors obligations, as the case may be, in terms of this Lease.
- 14.2 Unless the context indicates a contrary intention an expression which denotes any gender includes the other genders, a natural person, a juristic person and vice versa, the singular includes the plural and vice versa.
- 14.3 No variation of, or addition or agreed cancellation to this Agreement shall be of any force or effect unless it is reduced to writing and signed by or on behalf of the Parties.

- 14.4 Irrespective of anything contained in this agreement, this agreement will become valid only once the security deposit and advance rent for first month as mentioned above are deposited in the Lessor's account.
- 14.5 This Lease Agreement shall be executed in duplicate and the Lessee shall retain the Duplicate and the Lessor shall retain the Original Lease Agreement. Both counterparts shall constitute one and the same Lease Agreement.
- 14.6 Stamp Duty payable on this Lease Agreement and registration charges have been borne equally by both the Lessor and the Lessee. Both the Parties also confirm that the liability, if any, arising in future on account of stamp duty as well as registration charges, will be shared equally.
- 14.7 Any dispute or difference arising between the Parties hereto in any of the matters under this Lease Agreement or interpretation or implementation of any of the terms and conditions herein shall be subject to the jurisdiction of the Court at _____.

In witness whereof the Lessor and the Lessee have executed this Lease Agreement at the place, day, month and year as first above written in the presence of the following witnesses.

WITNESSES

LESSOR

LESSEE

SCHEDULE OF PROPERTY

All that piece and parcel of Commercial Property known as _____ admeasuring about _____ square feet (Super Built Up Area) built-up space, built on piece of land admeasuring about _____ square feet and located at: _____.

Bounded By:

East :

West :

North :

South :

The said premises include the following:

1. Fixtures in Building - All fixed items such as partitions, cubicles, false ceiling, cupboards, woodwork, doors, windows, safety gates, electrical fittings, sanitary fittings, tiled flooring and other fixtures & fittings.
2. Car parking in the basement.
3. Garden and open courtyard at front side of the building, open courtyard space at the back side and driveways on other two sides of the building.
4. Other fixtures and fittings which form part of the said premises :

Item	Nos.	Remarks
Power Back-Up Generators - _____ Make		

LESSOR

LESSEE