

Net Lease Agreement Format – Commercial Building

By **AssetYogi.com**

Highlights

1. Net Lease Agreement format for leasing an Entire Commercial Building.
2. This format is based on “Net, Net, Net” or “Triple Net” Lease Agreement. In a Triple Net Lease, tenant pays monthly rent payments to landlord and also pays for 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)

1.4 The Lessee shall pay the Lease Rent and all other amounts, agreed to be paid by it hereunder without any delay or default.

1.5 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)			

1.6 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 the right of termination to the Lessor.

1.7 Operating Costs: In addition to the payment of monthly Lease Rent referred to hereinabove, the Lessee shall bear and pay the following operating costs, from the Lease Commencement Date, in respect of the Demised Premises:

- i. All costs, charges and expenses for electricity and water consumed including meter rent, as per the bills that may be received from the concerned authorities.
- ii. All costs, charges and expenses for telecommunication or other utilities and services used, enjoyed or consumed.
- iii. All repair and maintenance charges in respect of the Demised Premises.
- iv. Service tax or any other levy in respect of the Said Premises.
- v. All rates, charges, taxes, cess and assessment, in respect of the Demised Premises levied, charged or imposed by the Municipal Corporation or any other authority constituted in that behalf in actual. Any increase – decrease thereto will exclusively be borne by the Lessee.

- vi. All kind of other duties, taxes, cesses, levies etc. payable under present State / Central Government / Semi Government Policies or payable in future under any newly implemented Government Policy/ies in respect of the said premises.
 - vii. Lessee shall pay its Proportionate Share of Lessor's insurance policy premiums for the said premises, including but not limited to fire and hazard insurance. Lessor's insurance shall not cover Lessee's personal property. Lessee's obligation under this subsection is in addition to Lessee's insurance obligation set forth in Article 9.
 - viii. The Lessee hereby agrees to make the payments referred to in Sub-Clauses (i), (ii), (iii), (iv), (v), (vi) and (vii) above regularly without any delay and default and shall produce to the Lessor, after expiry of every 12 months, certified copies of the receipts for the payments made during such period.
- 1.8 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, electricity, deposit etc.
- 1.9 In case the Lessee fails or neglects to pay any such amount of Lease Rent, utility payments, maintenance charges, taxes and/ or any other outgoings, the Lessor may, at its discretion but without being bound to do so, pay the same and the Lessee, on production of receipts or other proof regarding such payment by the Lessor, shall immediately reimburse the same to the Lessor, failing which the amounts so paid by the Lessor, without prejudice to its other rights and remedies including right of termination of the Lease, shall carry interest at the rate of 18% (eighteen percent) per annum, calculated on daily basis, or part thereof from the date of payment by the Lessor.
- 1.10 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 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.
- 4.3 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 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.

- 4.4 The Lessee shall at its cost and expenses have the right, during the term of the Lease to carry out the interior works or make additions, alterations, or attach fixtures / fittings, in the Demised Premises provided that these shall not be inconsistent with or in violation of the bye-laws of the Municipal Corporation, Local Government of any other Statutory Body or Authority. The additions, alterations so made or fixtures and fittings so placed in or attached to the Demised Premises by the Lessee shall remain the sole and exclusive property of the Lessee and may be removed therefrom by the Lessee prior to the expiry of the period of the Lease, but before handing over of possession of the Demised Premises to the Lessor.
- 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. PROPERTY CONDITION & MAINTENANCE

- 5.1 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.
- 5.2 The Demised Premises are provided with electric load of ___ KVA with three-phase power connection. The Lessee may at its cost and expense obtain additional electric load that may be required by it, but the Lessee shall on termination of the said Agreement will neither be entitled to receive the refund of the expenditure incurred by Lessee nor be entitled to receive the refund of any deposit made by it with the concerned authority. The Lessor agrees to co-operate for obtaining additional power load.
- 5.3 The Lessee shall not alter or redesign the structure of the existing building of the Demised Premises, or undertake any structural changes to the Demised Premises except with the prior written approval of the Lessor. The Lessee may also erect partitions for making cabins or false ceiling at any time during the term of the Lease at its own cost and expense without in any manner permanently altering or irreparably damaging the Demised Premises or any part thereof. The Lessee shall be responsible for the repair, maintenance and insurance of all furniture, fixtures and fittings installed by him in the premises.

- 5.4 The Lessee shall for the duration of the Lease Period and at his own cost, maintain the interior and all the fixtures and fittings therein of the Premises in a state of good tenable repair and condition, fair wear and tear accepted, and shall on termination of this Agreement re-deliver the premises to the Lessor in the same condition as it existed on the Commencement Date.
- 5.5 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. INSURANCE

- 6.1 Lessee's Liability Insurance: 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. Lessee shall be solely responsible for fire and casualty insurance on Lessee's property on or about the leased premises.
- 6.2 Lessor's Insurance: Lessor shall pay for fire and extended coverage insurance on the buildings and other improvements in an amount equal to the maximum insurable replacement value of the improvements on the leased premises. Said fire and extended coverage insurance policy shall be issued for the benefit of Lessor and any proceeds there from shall be payable to Lessor. If Lessor provides any insurance herein, Lessee shall pay to Lessor, premiums for such insurance.
- 6.3 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.
- 6.4 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 entry 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.

6.5 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.

7. DAMAGE OR DESTRUCTION

7.1 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.

7.2 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.

7.3 In the event of any damage caused to the said premises, due to the negligence of the Lessee, the Lessor is entitled to be compensated. The Lessee on his/ her part undertakes to maintain the schedule property with due care and caution.

8. CHANGE OF OWNERSHIP

8.1 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.

8.2 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.

9. HANDOVER OF PROPERTY

9.1 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.

- 9.2 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.
- 9.3 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.

10. INDEMNITY

- 10.1 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

11. GENERAL

- 11.1 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.
- 11.2 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.
- 11.3 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.
- 11.4 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.
- 11.5 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.
- 11.6 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.
- 11.7 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

