Office Leases for Law Firms

The One Contract You Really Don't Want to Get Wrong

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Disclaimer
This program and handout are educational only and are not legal advice. They focus on Arizona commercial leases as applied to a law firm signing its own office lease as tenant. Your actual rights and obligations depend on your specific lease language and current Arizona statutes and case law. Get specific advice on your firm's lease before signing or renewing.

Why This Matters

For most law firms, the office lease is the longest contract commitment the firm makes (often 5–10+ years) and the second-largest fixed expense after salaries. A bad lease can lock the firm into space it has outgrown or can no longer afford, trigger personal liability for individual partners, and limit the firm's ability to merge, sell, or wind down gracefully.

Example: a 7-year lease with rent and CAM totaling $10,000/month represents an $840,000 commitment — decisions made today about term, renewal options, assignment/subletting rights, and guarantees determine whether the firm can pivot in a few years.

Arizona Legal Backdrop (Short Version)

Commercial leases in Arizona are treated primarily as contracts. The residential-tenant protections found in the Arizona Residential Landlord and Tenant Act generally do not apply to commercial tenants — including law firms.

- ☐ Key statutes: A.R.S. Title 33 (property/landlord-tenant concepts) and A.R.S. Title 12, Chapter 8 (forcible detainer/eviction)
- ☐ Arizona courts enforce sophisticated-party bargains and strictly construe unambiguous lease language
- ☐ There is no consumer-protection safety net for a law firm as a commercial tenant — courts will not rewrite the lease because a term “seemed unfair” after the fact

  Practice tip: *Don't rely on a judge to fix poor drafting. If a risk matters to the firm, make sure it is addressed explicitly in the lease.*

Part I — Core Business & Money Terms

These are the terms that determine what the lease actually costs your firm over its full term — not just in year one.

1. Parties & Who's Actually on the Hook

Confirm that the tenant on the signature page is your firm's entity (LLC, PC, PLLC, or LLP) — not an individual lawyer — and that the entity is properly formed and in good standing.

☐ "Tenant" on the first page is the firm entity, not a named individual

☐ Signature block reads: “[Firm Name], its [Managing Member/Partner]” — not just a lawyer's name

☐ No stray language adding a lawyer “individually as additional tenant/guarantor”

__Practice tip:__ Signing “John Smith, Esq.” without clarifying you're signing on behalf of the entity can create accidental personal liability.

2. Premises & Size: Why Square Footage Matters

Rent is typically quoted per rentable square foot, which includes a load factor for hallways, lobbies, and other common areas — not just the space you can physically use.

☐ Suite number, floor, and attached floor plan are accurate

☐ Lease states both usable SF and rentable SF, and how each was measured (BOMA standard vs. landlord's own method)

☐ The rent schedule math actually matches the stated square footage

3. Lease Term, Renewal Options & Exit Timing

Longer terms generally buy better economics but less flexibility. Think about where the firm will be in 3–7 years — growing, downsizing, merging, or winding down.

☐ Initial term length fits the firm's realistic time horizon

☐ Renewal option(s) exist, and the formula for future rent is defined (not left to “fair market” with no process)

☐ Deadline to exercise the renewal notice is calendared — missing it by even a day can forfeit the option

4. Base Rent & Increases (Watch the Escalator)

Model the full rent schedule — not just year one — before signing.

☐ Escalation method is clear: fixed annual percentage, defined step-ups, or CPI-based

☐ Full term rent schedule has been built out (e.g., in a spreadsheet) and matches what the broker represented

☐ Escalation compounding is understood and budgeted for

__Practice tip:__ Many firms budget only year-one rent, then get surprised by compounded increases in later years.

5. Security Deposit & Prepaid Rent

These are two different things: a security deposit is held against damages or breach; prepaid rent is simply applied to a specific month.

☐ Deposit amount and conditions for return are clearly stated

☐ Any prepaid rent (first/last month) is distinguished from the deposit

☐ Consider offering a larger deposit in exchange for limiting or eliminating a personal guarantee

Part II — Who Pays for What? (Keeping Overhead Predictable)

This is where “surprise” costs live. Know which structure you're signing and what triggers additional charges beyond base rent.

6. “Gross” vs. “Net” vs. “Modified Gross”

Know which model applies: gross (one number covers most costs), triple net/NNN (base rent plus your share of operating costs), or modified gross (a blend).

- ☐ Lease type (gross / NNN / modified gross) is identified up front
- ☐ If "full service," the lease specifies exactly what services and costs are included
- ☐ Method for calculating and passing through annual increases in operating expenses is defined

7. Operating Expenses & CAM: The Hidden Lease

Common Area Maintenance (CAM) and operating expense pass-throughs — taxes, insurance, building maintenance, management fees — can add 20–40% or more on top of base rent.

- ☐ Included cost categories are clearly and specifically listed
- ☐ A cap exists on increases in "controllable" CAM (i.e., excluding taxes and insurance)
- ☐ Capital-improvement pass-throughs are excluded, or limited to items that reduce operating costs
- ☐ The firm has the right to see backup documentation and, if needed, audit annually

8. Maintenance & Repairs: Inside vs. Outside

Landlords typically handle structure, roof, exterior walls, and common areas; tenants typically handle interior finishes and systems "from the point of connection inward."

- ☐ Responsibility for the HVAC unit serving the suite is spelled out — repair vs. replacement, and who pays
- ☐ Any requirement to use the landlord's preferred vendors is understood
- ☐ No open-ended tenant obligation for major building systems or capital replacements

Practice tip: *In Arizona's climate, HVAC failure is one of the most common and expensive surprises for office tenants.*

9. Alterations & Tenant Improvements (TIs)

Clarify who designs, pays for, and manages the initial build-out, and what happens with any future alterations.

- ☐ Scope of any landlord-funded TI allowance, draw procedure, and what happens to unspent funds
- ☐ Whether landlord delivers a turnkey build-out or the firm manages construction and is reimbursed
- ☐ Consent standard for future alterations is "not to be unreasonably withheld, conditioned, or delayed"
- ☐ End-of-term restoration obligations (return to "vanilla shell") are understood and budgeted

10. Common Areas, Parking & Signage

Clients need to find and park at the office — confirm these rights are actually written into the lease, not just assumed.

- ☐ Number and type of parking spaces (reserved vs. unreserved) are specified, along with any separate parking fees
- ☐ Landlord's ability to change parking configuration later is limited or conditioned
- ☐ Directory listing, suite signage, and (if applicable) building monument signage rights are confirmed, along with who pays for changes

Part III — Default, Eviction, Disaster & "What If" Scenarios

Arizona is a strong freedom-of-contract jurisdiction: courts generally enforce the lease as written, even against a sophisticated tenant who didn't fully appreciate the risk at signing.

11. What Counts as a Default?

Beyond nonpayment of rent, watch for broadly defined non-monetary defaults — unauthorized subletting, unapproved alterations, or building-rule violations.

- ☐ Written notice and a reasonable cure period apply to non-monetary defaults (typically 10–30 days)
- ☐ No "no notice required" or unreasonably short (e.g., 3-day) cure periods for routine issues like an expired insurance certificate

12. Landlord Remedies: What They Can Really Do

After an uncured default, remedies can include termination and eviction, reletting with a deficiency claim, and — if the lease allows it — acceleration of all remaining rent.

- ☐ Understand whether the lease allows rent acceleration (Arizona courts generally enforce clearly drafted acceleration clauses)
- ☐ Landlord's duty to mitigate (relet the space) is addressed
- ☐ Self-help remedies (lockouts, seizing property) are limited or excluded

  Practice tip: *If acceleration applies, a default could suddenly make the firm liable for years of remaining rent — know this before you sign.*

13. Forcible Detainer (Arizona Eviction) in Plain English

Commercial evictions in Arizona proceed as forcible detainer actions under A.R.S. §§ 12-1171 to 12-1183 — an expedited court process. Speed favors the landlord, which makes clear notice and cure provisions in the lease essential.

- ☐ Notice method, address, and cure period are clearly defined in the lease
- ☐ The firm has a practice of getting any forbearance or extension in writing — not relying on verbal assurances

14. Casualty & Condemnation: Fire, Flood, Road Widening

Confirm what happens if the space is damaged or the property is taken by eminent domain.

- ☐ Landlord's obligation and timeline to rebuild after a casualty is specified
- ☐ Rent abatement applies while the space is unusable
- ☐ The firm has a termination right if restoration drags past an outside date
- ☐ Lease addresses termination rights and compensation (for improvements or relocation) if all or part of the property is condemned

Part IV — Flexibility: Growing, Shrinking, Moving, or Selling

A firm's needs rarely stay static for a 5–10 year lease term. These clauses determine how much room you have to adapt.

15. Assignment & Subletting: Changing Your Practice

Relevant any time the firm merges, sells, brings in a practice group, or needs to downsize.

- ☐ Consent standard is "not to be unreasonably withheld, conditioned, or delayed" (rather than "sole and absolute discretion")
- ☐ Any financial or use criteria for an assignee/subtenant are objective and reasonable
- ☐ Recapture rights (landlord's option to take back space instead of consenting) are understood
- ☐ Whether the firm and any guarantor remain liable after an assignment is addressed

16. Subletting Specifics: Sharing Space

Desk-sharing or licensing office space to of-counsel or solo practitioners may be treated as a sublease requiring landlord consent, even if informal.

☐ Lease defines whether part-time or desk-sharing arrangements count as "subletting"

☐ Consider negotiating a right to license interior offices without triggering full assignment/sublease consent requirements

17. Early Termination & "Get-Out-of-Jail" Clauses

Not standard in most landlord forms, but worth asking for if practice uncertainty is a concern.

☐ Consider requesting an early termination right after a set number of years, in exchange for a termination fee (often 3–6 months' rent)

Part V — Protecting You: Personal Guarantees & Risk

This is the single biggest personal-exposure issue for lawyer-tenants — the entity may not protect you if you or your partners sign individually.

18. Personal Guarantees: Read This Twice

A personal guarantee lets the landlord reach the guarantor's individual assets if the firm can't pay, regardless of the entity's limited liability.

☐ Determine whether a guarantee can be avoided entirely

☐ If not, negotiate a cap on the guaranteed amount (e.g., 6–12 months' rent)

☐ Negotiate a time limit on the guarantee (e.g., first 2–3 years only)

☐ Negotiate a "burn-off" once the firm meets defined financial milestones

Practice tip: *Treat a personal guarantee like a personal mortgage or major loan — not a formality to sign quickly.*

19. Other Personal Risk Traps

Watch for exposure that creeps in outside the guarantee section.

☐ Indemnity obligations run to the firm entity, not individual lawyers by name

☐ Signature blocks clearly state the signer's official capacity

☐ No reliance on side letters or emails that waive protections not reflected in the signed lease or a written amendment

Part VI — Practical Negotiation Tips for Non-Real-Estate Lawyers

You don't need to become a real estate lawyer — you need to know which terms to flag and who to bring in to review them.

20. Working with Brokers & Landlord Counsel

A broker can help with market data and initial deal terms but does not represent the firm's legal interests, and landlord's counsel drafts to protect the landlord.

☐ A real estate attorney has reviewed (at minimum) term, CAM, assignment, and guarantee provisions before signing

Practice tip: *A few billable hours of review can prevent a six- or seven-figure mistake over the life of the lease.*

21. Arizona-Specific Quirks (The Short List)

Arizona courts aggressively enforce clear commercial lease terms under a freedom-of-contract approach, and forcible detainer proceedings are fast-tracked — both favor a landlord with clean remedies language. If the lease incorporates extensive tenant build-out or construction obligations, be aware that Arizona's anti-indemnity statute for construction contracts (A.R.S. § 32-1159) may limit certain indemnity provisions.

☐ Don't assume a court will “fix” unfavorable language for a sophisticated commercial tenant like a law firm

☐ If the lease involves significant construction obligations, flag indemnity language for review under A.R.S. § 32-1159

22. Ethics & Professionalism Angles

Treat the firm's own lease with the same rigor you'd apply to a client engagement.

☐ Internal agreement on who is personally guaranteeing the lease, and how that risk is being compensated within the partnership

☐ Clear internal communication before signing — avoid disputes among partners after the fact

Your Lease Checklist (Law-Firm-Tenant Version)

When reviewing a lease — or sending it to real estate counsel — flag at least the following:

- ☐ Term, renewal options, and full rent schedule
- ☐ CAM / operating expense definitions and any caps
- ☐ Maintenance obligations and HVAC responsibility
- ☐ Default provisions, cure periods, and landlord remedies (including acceleration)
- ☐ Assignment/subletting rights and any early termination option
- ☐ Personal guarantees or other individual liability
- ☐ Casualty, condemnation, and subordination/non-disturbance (SNDA) basics

Practice tip: *Print this list and keep it in the firm's lease file for the next renewal.*

Key Takeaways for Lawyer-Tenants

- ☐ Lease term and rent escalations drive the firm's overhead — model the full term, not just year one.
- ☐ CAM and maintenance obligations can be larger than they appear — get caps and audit rights.
- ☐ Flexibility clauses (assignment, subletting, early termination) protect the firm's future.
- ☐ Personal guarantees and signature blocks deserve full attention — confirm who is actually on the hook.
- ☐ If a term is material to the firm, get it in writing, and get it reviewed by real estate counsel.

You're all very good at spotting issues in other people's contracts. Bring that same skepticism to your own office lease.