

THE LEASING OF COMMERCIAL PREMISES

The leasing of commercial premises often causes concern to potential tenants; the following is intended to provide assistance, not only to companies or individuals seeking premises for the first time but established companies who are moving or proposing to expand their existing operations.

Professional advice certainly from a solicitor, and probably from a chartered surveyor specialising in commercial property, should be obtained by anybody proposing to rent business premises.

THE AGREEMENT:

When instructing solicitors, the following issues at least, should be in Agreement.

- 1.The area/address of property to be let.
- 2.Initial rent and frequency of payment.
- 3.Length of rent free period (if appropriate).
- 4.Length of lease and dates of rent reviews (if any).
- 5.Repairing liabilities of both the Landlord & Tenant.
- 6.Who is paying the legal fees?
- 7.Agreed use of property. Is planning permission needed?
- 8.Nature of repairs (if any) to be undertaken by the Landlords prior to the commencement of the Lease.
- 9.Rights to assign or sub-let.
- 10.Nature of services to be provided by the Landlord (if any).
- 11.Insurance liabilities of both parties.
- 12.Names of guarantors (if any).
- 13.Tenants right to alter/improve the premises (if any).
- 14.Proposed date for commencement of lease.
- 15.Agreed service/management charges (if any).

Business Rates: We appreciate business rates are an important issue when considering leasing premises. We would recommend that you view two links on our website, which we have created for the benefit of all businesses. https://www.centre-p.co.uk/Small_Business_Rates_Relief_2020_2021_t.pdf and https://www.centre-p.co.uk/Small_Business_Rates_Relief_2020_2021.pdf

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Section II of the Landlord and Tenant Act of 1954, is legislation which defines many of the rights of commercial tenants. Negotiations will be required, however, to determine a large number of questions; the answers to which may have a profound and long-term effect on any proposed enterprise.

For example:

1. Is the rent to be paid a fair market rent?
2. Is a premium being paid and if so why?
3. How long is the lease for and what are the advantages/disadvantages of having a longer or shorter-term lease.
4. What is the state of the building? Who is responsible for its repair? Is a Schedule of Condition to be prepared?
5. Are there any rent reviews, if so how frequently?
6. Is planning permission required?
7. Are there any restrictive covenants on the building?
8. Is the tenant to have the right to assign and sublet the entire (or any part of) the building?
9. Are directors/personal guarantees required and if so why?
10. Is there a service charge; a management charge?
11. Is it possible to obtain a rent free period and if so for how long?
12. Is the tenant to be given rights to improve the property and will this be taken into account at the rent review?
13. Who is to pay the Landlord's legal fees?
14. Are the costs of arbitration under the terms of the lease to be shared equally?
15. Is there to be a restrictive use on the building and is Landlord's consent required for a change of use? How long are any restrictions to last?
16. Is it possible to negotiate a break clause in the lease and is it desirable?
17. Who is to arrange insurance and who pays for it? If the property is damaged by fire, who pays the rent and for how long?
18. Will the tenant have a right to surrender a lease in any circumstance?
19. How long will personal guarantees be enforceable for? Until a new tenant is found, a new assignee or for the entire length of the original lease?
20. The Law of Property Act 1969 has allowed Landlord and Tenant to opt out of sections 24-28 of the Landlord and Tenant Act (this being the clause which gives the business tenant the right to renew the lease). When should one enter such an agreement?
21. When is it sensible to enter "an agreement to lease"?

Please do not hesitate to contact us if you require any further assistance regarding business leases.

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