



10 TOP TIPS

On Commercial Leases

1. Location

Before you enter into negotiations consider whether the property is right for you. Speak to a surveyor to make sure you are not paying over the odds for a property in that location. Also make sure that the Landlord and the local planning regulations permit you to use the property for your desired use.

2. Term

When negotiating on the length of a lease term you should assume that you will be liable for the entire term. It sounds obvious, but do you really want to be committed to pay rent in the property for the next 10 years, whether or not your business is doing well? Do you have protection under the Landlord & Tenant Act?

3. Rent Deposit

Landlords may request a deposit upon commencement of a lease to cover the possibility of a tenant default. Consider whether you wish to negotiate that such a deposit is released before the end of the lease e.g. after 1 year or when you can provide accounts showing annual turnover three times greater than the rent.

4. Repair

This is the most important element of negotiations to get right. Decide whether you are happy to have an open ended obligation to put a property back into repair (whether or not it was in repair when the lease starts) or whether you would like the obligation limited by reference to a schedule of condition.

5. Costs

Landlords will sometimes request that you pay their legal fees for entering into a lease with you. This is not something you have to agree to and is a matter for negotiation.

6. Break Clause

Do you want the ability to bring your lease to an end early? By including a break clause you can have the right to do so at specified times during the term of your lease.

7. Alienation

Are there going to be any restrictions to your ability to 'transfer' the lease? Leases often include restrictions that do so, which could make it very difficult to dispose of your lease should you wish to do so before the term has ended.

8. Security of tenure

Leases for business purposes generally attract 'security of Tenure' under the Landlord and Tenant Act 1954. 'Security of Tenure' means that you have an automatic right to renew your lease at the end of its current term (subject to some exceptions) should you wish to. Check whether your lease going to be excluded from these provisions or not.

9. Guarantors

A Landlord may request a guarantor to the lease, especially where the tenant is a limited company. A guarantor will guarantee a tenant's performance of a lease and is liable on the same basis as the tenant.

10. Finally

Take advice from a Solicitor.

To speak to one of our team about commercial leases, please call us on 0161 7853529