

Top tips to Negotiating a Lease to Secure the Premises for Your Business

By Naveen Palram

When entering into a commercial lease there are many factors to consider. Whether this is your first time or you have previous experience, you may find yourself under time constraints and pressure from the Landlord's agents to secure a deal. Therefore, it is important when negotiating and agreeing terms you take the time to understand how these terms will impact on your business. It is very important therefore to ensure the Heads of Terms you agree are in line with your business needs and requirements.

In most circumstances, it would be advisable to entrust the services of a surveyor who is experienced in negotiating Heads of Terms in the local area however the main areas for you to consider are set out below:

Rent

When considering the yearly rent, you must also take into account additional costs such as business rates, insurance, service charges and if the landlord has opted to pay VAT, the upfront tax implications. The Landlord may also want a Rent Deposit held as security and this can vary from 3 to 6 months.

Requesting a rent free period or contribution to fit out costs as in most circumstances could be crucial as the premises will need altering and adjusting to your specifications.

For leases greater than 5 years, generally there will be a fixed rent review and the review can be calculated in different forms. It would be advisable to try and agree a cap on any increase.

Length of the lease

When determining the length, a good balance should be considered. You may not want a lease which is too long and equally a lease which is too short as this could pose problems as well as additional costs such as relocation.

A landlord can opt out of

automatically agreeing to renew your lease from the outset. If this is the case you will need to vacate the premises at the end of the term and you run the risk of losing any goodwill built up. If the landlord does agree to renew they do not need to take the existing terms into consideration.

Two further points to consider are break clauses which allows you to end your lease early with an appropriate notice and making sure you can assign the lease to somebody else if your business needs change.

State and Repair

Most leases will include a provision for the tenant to keep the premises in good repair however caution must be exercised with such clause. The landlord may want the regular re-decoration and if the premises needs repair, you as the tenant may become liable for the repair costs which maybe exorbitant or unfair.

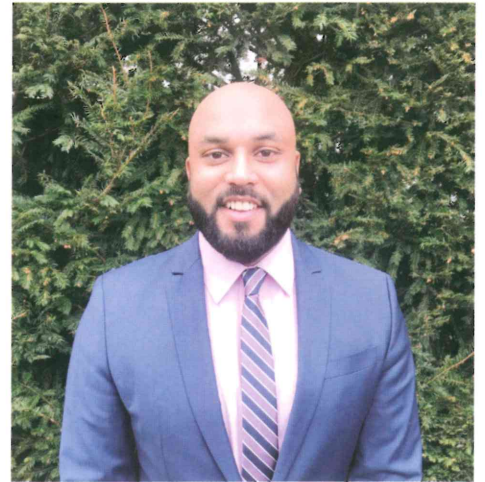
The landlord will expect the premises returned in the same condition if you are vacating. If you will be making positive alterations such as installing air-conditioning you will want to deal with this from the outset as the landlord will be benefitting from the alterations.

It is advisable to prepare a schedule of conditions or dilapidations and link this with the repair clause so your obligations are clear and limited as much as possible

Service charges

A premise which is part of a larger building will mean the landlord maintains the whole building such as the roof, foundation as well as common areas. The costs in doing so will be passed on to you by way of service charges.

If major works are undertaken or planned this could impose serious financial implications particularly if your lease is short. Where possible you should



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agree a list of exclusions for services that do not benefit you such as un-let units, lifts or car parking. It would be advisable to agree a service charge cap to limit the amount you will be liable for.

Conclusion

This is not an exhaustive list however it does give you an insight as to the factors you should consider and negotiations should always be made subject to contract. Once Heads of Terms have been agreed it is difficult to re-negotiate or change the terms and it always advisable get legal advice before entering into a lease.

The Sethi Partnership Solicitors are an award winning firm and have been on hand to help those who have been looking to enter into a commercial lease and can provide you with sound legal advice.

Contact Naveen Palram to discuss your needs on naveen@sethi.co.uk, or telephone us on 0208 866 6464.