

Our

10 Top Tips

when

Buying or Leasing

Commercial

Property



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Buying or Leasing Commercial Property

Finding the right base for your business can be a bit of a headache. Whether you are expanding, downsizing or need a particular type of space, there's a lot to think about.

Here are our top tips for taking on commercial premises.



01

What type of premises will you need?

You've decided that you need a place and you probably have ideas about what and where that should be. Putting this down in black and white can really help. Write a list of the things you are looking for from a new property. Then sort the essential from the non-essential.

Think about space (inside, outside and communal), accessibility, light, room to grow, flexibility to change, distance from your existing base, proximity to customers, and the impression you want to convey. Consider, too, any staff you might have or might look to take on. What sort of facilities and environment would you like for them, and what are you obliged by law to provide?

At the end of this exercise, you should have a useful checklist of criteria, and your mind focused on what really matters.

“It pays to understand where you need to be.”

02

What location is best for my business?

It really is true that location can make or break businesses. Of course it depends what your business does – some are far less location-dependent than others – but it pays to understand where you need to be based to make the best of what you do.

Being in the nicer part of town or in a buzzing retail park may well be important to businesses which depend on passing trade or being close to certain types of stores or facilities. But that's not the case for all. Industrial premises with lower rates can be the right commercial choice. Equally, identifying space in an up-and-coming area relevant to your market could be the answer.

It's important to visualise yourself operating immediately and longer-term from a particular building or unit. Is there enough parking? Is it too residential? What are the business rates like? Are the transport links good? Overall, is it viable?

03

Is it better to buy or lease commercial premises?

Your decision about whether to buy a commercial property or to become a tenant has to be based on the now and on the future. Business people who choose to rent property often do so because they are feeling their way in the market, or in the area, or because they don't otherwise want (or can't afford) to be tied into property ownership. Those choosing to buy rather than rent want greater control over what they do with the property (they can more easily alter its appearance – subject to planning permissions) and because buying property is usually a good investment.

Ultimately, it's a question of what you can afford, what you need from the property, and what your future plans are.

04

Do I need a survey when buying or leasing commercial premises?

Few people would buy a home without checking that the building is sound. It's no different when taking on commercial premises either as an owner or a tenant. Arrange for a surveyor to assess the structural integrity and to tell you about the property's faults.

As a buyer you will want to know that there isn't a hidden defect which will be expensive to repair and may adversely affect the market value. Similarly, as a tenant you will probably be responsible for keeping the property in good repair and condition, which will usually include rectifying any disrepair which exists at the date that the lease is granted.

Get to grips with the state of the property and understand your potential liability before committing. Once you've signed, it's too late.

**“Once you've signed,
it's too late.”**

05

What are the consequences if premises are not energy efficient?

When you are buying or taking a lease on premises you will be told about the property's energy rating. Even if you are not a high-energy consuming business, a poor rating is something to take seriously. It could give you leverage to agree a reduced sale price, and it will give you an indication of adaptations that might need to be made once you move in. Speak to an energy consultant to find out about ways in which you could reduce your utility bills.



06

Are incentives available to a tenant when taking on a lease?

A rent-free period is an incentive offered by landlords. In return for you agreeing to take a lease on their property, they'll give you a period of time during which you don't need to pay rent. It is usually between three and twelve months, and it is something for you to negotiate.

In most situations it is worth asking for a rent-free period to be incorporated into your lease. But make sure that the rent you are due to pay once the free period has expired is reasonable; some landlords inflate ongoing charges to offset their losses.



07

Who's name goes on the lease?

If you're taking a lease on commercial property, make sure that you use the right name. If you operate as a limited company, for example, then the lease must be in the business name and not your own. Getting this wrong can have serious consequences; it is a breach of the terms of the lease and could give the landlord grounds to terminate.

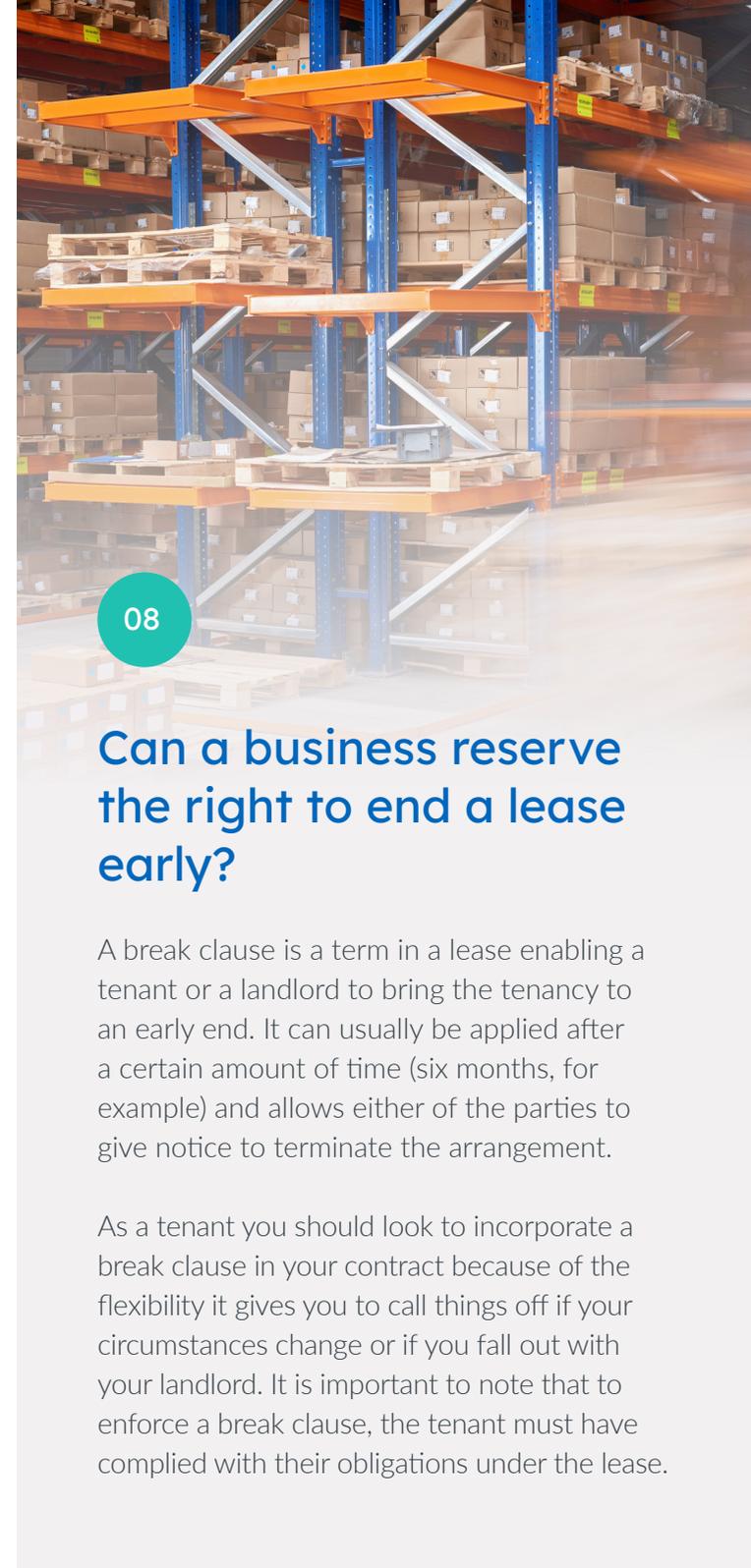
“Getting this wrong can have serious consequences.”

08

Can a business reserve the right to end a lease early?

A break clause is a term in a lease enabling a tenant or a landlord to bring the tenancy to an early end. It can usually be applied after a certain amount of time (six months, for example) and allows either of the parties to give notice to terminate the arrangement.

As a tenant you should look to incorporate a break clause in your contract because of the flexibility it gives you to call things off if your circumstances change or if you fall out with your landlord. It is important to note that to enforce a break clause, the tenant must have complied with their obligations under the lease.





09

Can a tenant protect itself from carrying out extensive repairs?

Seeing the property's faults for what they are is one thing; keeping an ongoing record of the condition of the property is another.

Tenants are usually obliged to repair and maintain premises to the state the property was in when they moved in. Avoid later arguments by taking photographs and preparing a written schedule of condition at the beginning of the tenancy. This evidence is useful to both the tenant and landlord and helps make discussions about dilapidations and termination of the lease far more informed and potentially less contentious. Remember that a landlord will want to monitor the condition of the property during a tenancy and could charge the tenant for damage from time to time.

10

What basic standard of repair is imposed on tenants?

A lease will set out a tenant's obligations, including the things they must do when the lease comes to an end. Perhaps the most important of these is leaving the property in good condition. Bear this in mind from the very beginning. It is far better to maintain a decent standard of repair and decoration throughout the term of the lease than to panic towards the end and face the possibility of your landlord claiming from you the cost of putting things right.



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