

Commercial leases

Taking away the headache

Negotiating a commercial lease can be fraught with difficulties and potential traps. Here's a few thoughts to consider...



Points to consider

1

Taking on a lease?

If it's a new one, negotiate the terms you need, or you'll be stuck with conditions you probably don't want. Particularly specialist or restrictive terms will make the lease harder to sell to someone else if you want to move. You can't sensibly fix the rent until you know all aspects of the lease.

2

What's the length?

If it's short, you may have to think about renewing the lease when it ends. Most can be renewed but it's not always possible, so you may have to move out without any option to extend your occupancy. If you go for a longer lease you may be stuck with unviable premises, without any option to move out early.

3

What are the landlords demands?

They'll usually want a full repairing and insuring lease, which means you'll be responsible for repairs and the landlord's fixtures and fittings from day one. Seriously consider a survey to ensure the property is up to standard. If it isn't, you'll have to pay the repair bill even though the damage was there before you got the keys.

4

Are you leasing part of a building?

Some leases require each tenant in the building to pay a share of the overall maintenance and repair costs. This means you might be liable for expenses for parts of the property you don't personally or exclusively use.

5

What's the rent period?

It is difficult to fix the level of rent beyond a five-year period. Landlords typically expect three or five-year reviews, where the rent will only ever stay the same or go up. Generally, reviews are based on open market values, but other mechanisms can be used. Frequent reviews can be expensive for both landlord and tenant.

6

Do you need a guarantor?

If you don't have a track record in business, the landlord may want a deposit and/or a guarantor. If these are asked for it's usually a matter of negotiating hard. It's especially important to establish when the deposit and/or guarantor will be released. A landlord may also ask for references.

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