

What you should know...
before you start looking for your first commercial lease!



Top ten tips for the new tenant

1 Rent Free Period

Do you need to make improvements to the premises before you begin trading? If, yes then you need a rent free period equivalent to the time it will take to make the improvements.

2 Rent Review

If the lease is to be for longer than three years the Landlord is likely to want to review the rent. Rent reviews are generally upward only and based on either the current open market rent or the rate of inflation (RPI). Before you agree to the mechanism by which it is to be reviewed you should know the implications.

3 Break Clause

A break clause in favour of a tenant allows them to terminate the lease early. The timing of a break clause and when it can be activated can give certain advantages to the prospective tenant and be a useful bargaining tool.

4 Assignment or Transfer

Circumstances change and just because you have signed up to a lease, for say, 10 years does not mean you want to stay in the premises for that long. If you have not negotiated a break clause at the start or it is not possible to activate it then you need to be able to assign (transfer) your lease. Do you know what your liability to the landlord is after the assignment has taken place?

5 Sub-letting

If you discover you have more space than you need you may think about sub-letting part of the premises. This can only be achieved if the lease allows it and if it does the lease is likely to specify the terms.

6 User

You must ensure that the lease permits you to run your proposed business but did you know the wording of the "user clause" can have other implications?

7 Repairing and insuring liability

The common phrase is an FRI Lease (fully repairing and insuring). Either the tenant or landlord may be responsible for this but you need to be sure what this means to you. Where tenants are responsible for repairs these should be limited by way of a schedule of condition.

8 Guarantor

When taking a lease in the name of a company, one or more of the directors may have to act as a guarantor to protect the landlord if the company fails – what does this mean?

9 Landlord and Tenant Act 1954

You sign up to, say, a five year lease and your business is successful. What happens at the end of the five years? Can you have a new lease? This depends on whether the provisions of the Landlord and Tenant Act 1954 have been excluded. If they have you have no right to a new lease – what impact will this have on your business?

10 Costs

Landlords will often ask that you contribute towards their legal costs in preparing the lease. You do not have to agree to this.