

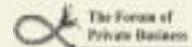
Business tenants – It is important to understand that:

- You will have to sign a Lease
- A Lease is a legal document
- A Lease will impose obligations on you
- The Landlord can enforce the obligations in Court

Further information is given in A Code of Practice for Commercial Leases in England and Wales. The Code is available from most organisations listed below:

This information leaflet is supported by the property industry and relevant organisations including:

- Department for Transport
Local Government and the Regions
- Small Business Service
- British Property Federation
- British Retail Consortium
- Confederation of British Industry
- Forum of Private Business
- Property Market Reform Group
- Royal Institution of Chartered Surveyors
- Small Business Bureau
- Law Society
- Association of British Insurers
- Association of Property Bankers
- British Chambers of Commerce
- British Council for Officers
- Federation of Small Businesses



This leaflet has been produced
by The Commercial Leases
Working Group.
Further information from
the Secretariat:

**Policy Unit
The Royal Institution
of Chartered Surveyors**
12 Great George Street
Parliament Square
London
SW1P 3AD
United Kingdom

T +44 (0)20 7695 1535
F +44 (0)20 7334 3795
www.rics.org



Thinking of Renting a Business Property?

Understand the Main Risks and Obligations

Small Business owners do not sign a Lease
or agree terms until you have read this!

Main risks

Term (Duration/Length): If you agree a Fixed Term, you may have to meet all the Obligations (including payment of Rent and carrying out Repairs) until the Lease ends, even if you move out of the premises or your business fails.

Guarantee: You may be required to personally guarantee the Obligations for the Term of the Lease and, if your business fails, you may have to pay the Rent or repair the building from your personal assets.

Rent: Rent is payable at the agreed figure (usually in advance) regardless of your trading circumstances. Failure to pay Rent (or other charges stated in the lease) at the agreed time will usually result in action by the Landlord to recover the debt; this could result in Court Action, Bailiffs or Bankruptcy and the loss of your Lease.

Rent Review: There will be periodic Rent Reviews unless the Lease is short. If your Lease imposes the “Upward Only” method, your Rent cannot fall regardless of the current Market Rental Value.

Repairs: The ordinary obligation to repair the property can require you to carry out (or pay for) all necessary repairs, even if the disrepair dates from before you sign the Lease. To avoid this, special provisions can be inserted in the Lease which limit your obligation to maintaining the property in its initial condition and a proper Schedule of Condition should then be attached before the Lease is signed.

Ending Occupation Early (Alienation): This is only possible if it is allowed by the Lease. It may be by Sub-Letting or by Assignment (selling the Lease) to a Tenant acceptable to the Landlord. Some leases make the original Tenant responsible if a subsequent Tenant (Assignee) fails to meet the Obligations of the Lease. The original Tenant always remains liable for payments when the Lease is sub-let.

Managing the risks

If you are concerned about the Obligations in a Lease, you should ask the Landlord for alternatives. You could ask for a shorter Term, limitation of the repairing liability or an alternative method of Rent Review. The Landlord is not obliged to offer alternatives but if it does then, to compensate, other parts of the Lease could change.

There are other important matters to consider before you agree to sign a Lease and you are strongly advised to seek the services of a suitably qualified property or legal professional, such as a Chartered Surveyor, a Solicitor or a Licensed Conveyancer.