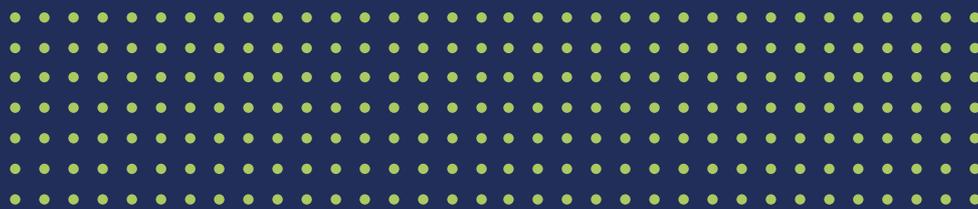




INNOVATIVE ENTREPRENEURSHIP



Renting a Business Property



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Renting a Business Property

This factsheet looks at what is involved in sourcing and finding a suitable property to rent for your business. It sets out some of the other charges, outside of rent that should be factored in and the overall process for agreeing a deal.

Depending on the nature of your business you may need to rent a commercial premise to sell your products or services from. In recent years the demand for commercial letting has fallen with more people operating their business from home or using hot-desking/ shared facilities, however a physical presence is fundamental requirement for many businesses.

If you have decided that you do need to rent a premise the first thing you need to look at is potential location. Location is one of the most important factors when deciding on new premises. You should thoroughly research the local property market situation, including the availability of property, tenant demand and rental values. If you are a restaurant, cafe or shop, you will want to ensure it has high footfall. If you are seeking a distribution warehouse, you will require good transport links. And if you are searching for office space or serviced offices to rent, you will need a location that staff can easily commute to.

There are lots of other factors to consider when looking for commercial property for rent. For example, how much? and what type of space will you need? Will this change in the near future? After all, your business will be more profitable and easier to run if you pick the right commercial property for rent.

You should consider the number of employees on site, the processes used, and any machinery needed. If you anticipate the business growing, will you need further space to expand into or will you relocate to another premises further down the line?

It is advisable to check that any commercial property you are considering renting has the correct planning permission for the business you will do while in occupation. It is important to speak with the local Municipality to find out information regarding this. You should also remember that if you wish to make some alterations to the commercial property, you may need to get consent from your landlord first.

There are other factors to take into account when inspecting commercial property for rent, such as:

- Transport links: airports, buses and roads
- Parking facilities and restrictions
- Delivery facilities and restrictions
- Proximity to customers, clients and staff
- Proximity to facilities that may be required by the business e.g. warehousing
- Impression it gives to staff and clients





- Local amenities: cafes and shops for employees
- Staff facilities
- Equipment and furniture
- Broadband coverage
- Security
- Locality of banks and ATM's
- Local electrical grid capacity
- Proximity to local accountants and solicitors

You should also check the overall condition of the commercial property for rent, in the same way you would if you were renting a house. Look out for damp, cracks and plumbing issues, and other defects. For more information visit <http://spd.gov.ct.tr/>

Rental costs

The level of rent is one of the most important questions to ask when looking at commercial property for rent. Rent is normally paid monthly or six monthly in advance. It is important to remember that rent is usually paid in £GBP, and fluctuations in the value of TL may affect the rate on an ongoing basis. You may be asked to provide a guarantee for the rent and other obligations if your business is young or small. This could mean paying a deposit as security. This should be checked with the letting agent or landlord during any viewing. A lease – particularly if it is a long one – may include rent reviews, typically every three, four or five years, which can alter the amount you pay overtime. It's important to note that rent can go up as well as down, depending on the terms of the lease. It is therefore advisable to research rental trends and forecasts before you sign on the dotted line. It is vitally important that you seek the advice of a solicitor prior to signing for any property.

Service Charges

As a tenant you will typically be expected to cover all or part of the service charges on the commercial property for rent. Service charges tend to include the maintenance of common parts of the commercial property for rent and a share of any repair or redecoration work. If your landlord is responsible for insurance, you may be required to share the cost too.

Energy

Energy is one of the other renting commercial property costs that is also likely to factor in any decision. Shops and manufacturing businesses are the largest consumer of energy in commercial property. There may be discount on your energy bills if you are a member of a local Chamber- you should speak with an Advisor in your local Chamber to give you an indication of potential costs.





Other factors to work into your budget may include:

- Professional advice from solicitors
- Other local Municipality charges
- Deposit to secure the commercial property
- Relocation costs
- Initial decoration and repairs to make the premises fit and ready for purpose
- Ongoing maintenance costs, especially for older properties

You can seek capital allowances, a form of tax relief. If you buy an asset to use in your business, you may be able to claim a capital allowance to cover the cost.

Negotiating a commercial tenancy agreement

Typically to secure a commercial property for rent you will be required to sign a lease agreement or licence.

Leases

A lease is a legally binding contract which sets out the terms and conditions of the tenancy agreement between landlord and tenant. It offers long-term stability compared with a licence (see below).

Leases have become more flexible in recent years. Rent-free periods have become more prevalent, as have break clauses, which give you and the landlord an option to serve notice during the tenancy without facing a penalty. You should give your landlord at least two months' notice if you plan to exercise your break clause. Your landlord can only use it if you agree.

Licences

Licences are available if you are seeking a commercial property to occupy for a short period of time. They can be a good option if you are a start-up. The licence fee – equivalent of rent – might be due monthly in advance or even weekly. Licences tend to last up to six months and have fewer onerous conditions than leases. You will have no right to renew the licence upon expiry.

Licences are available on a variety of commercial property types, such as pop-up shops, warehouses refurbished and divided into office space, and industrial buildings.

Service contracts tend to be granted on serviced office space or hot-desking facilities.

They range from short to long-term arrangements, and may include the provision of desks and secretarial services (for example photocopying and printing) as well as office space itself.





Agreeing an offer

It is commonplace to submit an offer on a commercial property for rent to the landlord's agent. The terms of the lease can be subject to extensive negotiation. Once you have submitted an offer and had it accepted, you may want to ask the landlord to refrain from marketing the commercial property for rent any further. It will help prevent other interested parties from negotiating with the landlord.

A document containing the key points of the agreement will be drafted up in a document, known as heads of terms. It is not legally-binding. However, it is considered a draft of the main contract and generally includes:

- Type of agreement
- Description of the deal
- Rental value, currency and payment arrangements
- Proposed timescale, including the date of completion

The legal work begins when both you and the landlord agree the heads of terms. It is advisable to carry out a building survey, so you are fully aware of the condition of the commercial property for rent and any likely repair or maintenance costs. A survey normally details all aspects of the property, including the walls and floors. It will also flag up anything that has not been inspected and causes for concern. It is good practice to detail the exact condition using photographs, and attach it to the commercial tenancy agreement.

Exchanging contracts and completing the deal

You will be expected to exchange contracts once the money to do the deal is in place and your commercial agent and your solicitor are satisfied with the state of the commercial property for rent, as well as the contract. The deal will be legally-binding when the contracts are signed and exchanged.

It's vital that you understand what's involved when you sign a tenancy agreement or license on a commercial property for rent, hence it is always advisable to use a solicitor to review anything before it is agreed. Below are some key questions to ask the landlord during any viewings and negotiations.

- How much is the rent?
- Are there any rent-free periods?
- When and how will the rent be paid?
- When and how will the rent be reviewed?
- What other costs do I need to pay (such as service and maintenance charges)?
- How long is the lease?





- Are there any break clauses and if so, when?
- Can I assign or sublet the property?
- What are my key responsibilities?
- What property services do I get?
- What is the process to renew?

