

The Commercial Lease: What You're Taking On

- The tenant is obliged to pay the rent and there might also be VAT on the rent. Rent is usually payable in advance, monthly or quarterly.
- The landlord is not usually obliged to carry out any repairs or maintenance to the property whatsoever, whether to keep it wind and watertight or otherwise. Full liability for repairs – including, if the property is part of a larger building, the shared parts of the larger building – is usually the tenant's responsibility, except for very short leases.
- The tenant will usually be obliged to paint the exterior and interior every few years.
- The tenant is obliged to pay the rates and all other expenses associated with the property, including the cost of any statutory repair notices served by the local authority.
- The landlord will insure the property, but the tenant is obliged to reimburse him the premiums. The tenant is responsible for his own insurances, e.g. for contents.
- Rent will usually be subject to a review every three or five years, when it will be increased to the then current market rent for properties of that type in that area.
- The landlord will restrict the permitted use of the property to your planned use, but gives no undertaking that the property is suitable for that use or that the property has planning consent and any other legal permissions for that use.
- The tenant has no automatic right to an extension when the lease ends: if it's a three year lease and the landlord wants the tenant out after three years, the tenant has to go.
- The tenant is not usually entitled to terminate the lease early. If the tenant wants out early, his only option is usually to find an alternative tenant to take his place, or to sub-let the property, and in either case the landlord is only obliged to agree to this if the new tenant can be shown to be suitable.
- The tenant needs the landlord's consent to make any alterations to the property or to put up any sign other than his usual business name sign.
- The landlord will be entitled to terminate the lease if rent is overdue (but must give at least two weeks' notice of his intention to do so).
- The landlord will require the tenant to pay the Stamp Duty Land Tax and costs of registering the lease in the public deeds register, as well as his legal costs of considering any applications made by the tenant under the lease.
- When the lease ends, the tenant is not usually entitled to any compensation for improvements he has made to the property during the lease.
- At the end of the lease, the landlord can usually demand a payment from the tenant to represent the cost of repairs and maintenance which the tenant should have carried out to the property, whether or not the landlord demanded that the work be done or intends doing the work himself.

All leases are a matter for negotiation, but the above is a summary of some of the points a tenant will usually be expected to agree to in a lease of business premises. Legal advice should always be taken before undertaking the substantial obligations involved in a commercial lease.