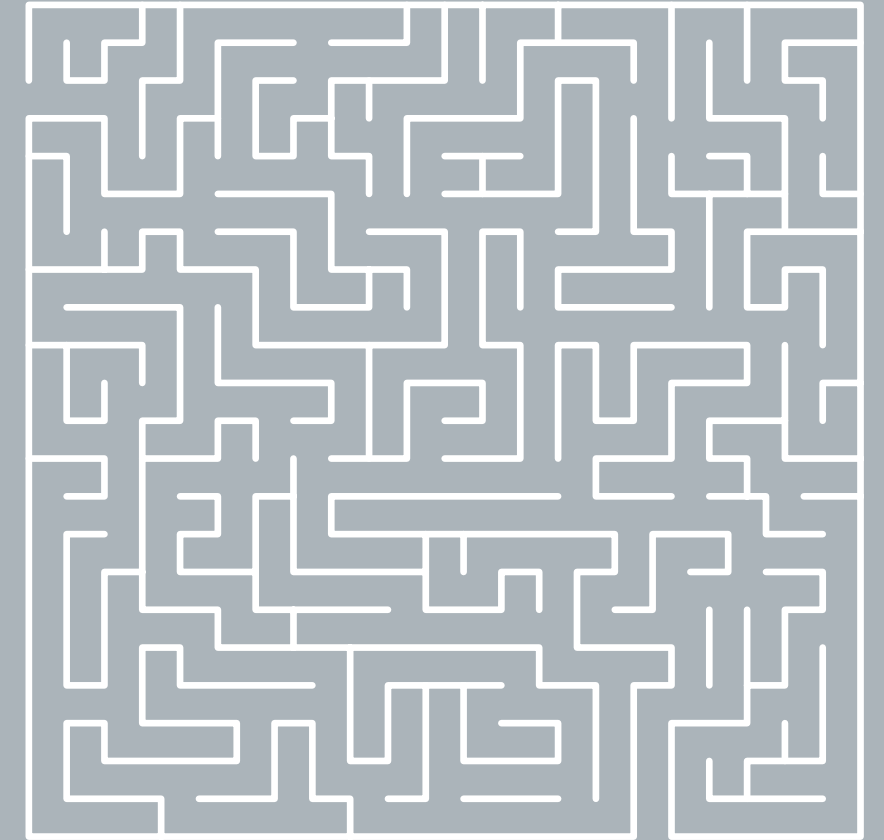


Commissioned by Workspace Group PLC
Content developed by Kingsley Lipsey Morgan Ltd















Workspace Group



> THE BEGINNERS' GUIDE TO FINDING THE RIGHT BUSINESS SPACE

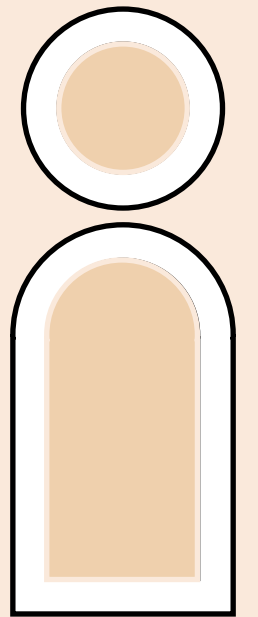
A practical guide for small and medium sized businesses

Contents	Page
 1 > What's important to you?	2
 2 > The choice	6
 3 > Calculating the cost	10
 4 > The search	12
 5 > Case studies	14
 6 > Viewing checklist	16
 7 > The small print	18
 8 > Choosing your Landlord	23
 9 > Agreeing the deal	24
 10 > Final checks	26
 11 > Jargon buster	28
 12 > Useful contacts	32

“Talking to some of our newer customers about their experiences of finding the right space we realised that it’s not always straightforward or painless. Our customers told us it would be great to have a guide to take them through the process.

What we’ve produced here is just that”

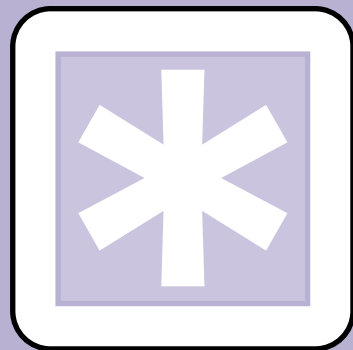
Workspace Group plc



1 > WHAT'S IMPORTANT TO YOU?

Property checklist

Use this checklist to help you to decide what features you need for your business. You can use the right hand columns to keep a note of how well the properties you are looking at match your requirements.



Feature

How important? (tick 1 for each line)

REALLY IMPORTANT NICE TO HAVE DON'T NEED

Accessibility/Location

- Rail or tube links
- Bus routes
- Good road access
- Bank/Post Office/Shops
- Staff catchment

Building features

- Office space
- Workshop space
- Ground floor access for deliveries
- Loading bay
- Reception service
- Visitor waiting area
- Bureau services
- Passenger lift

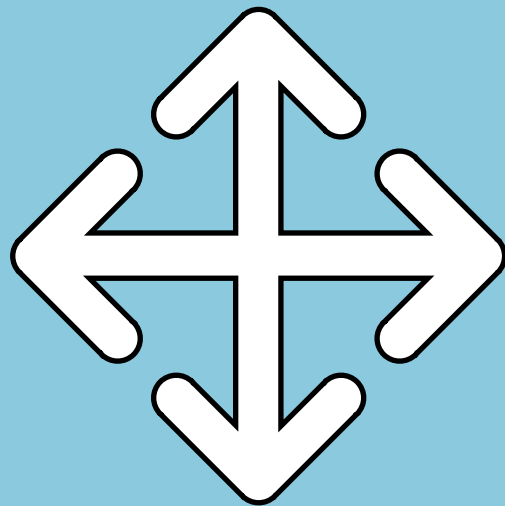
Continued overleaf

How does the property match up?

PROPERTY 1		PROPERTY 2	
<input checked="" type="checkbox"/>	comment	<input checked="" type="checkbox"/>	comment
<input type="checkbox"/>		<input type="checkbox"/>	
<input type="checkbox"/>		<input type="checkbox"/>	
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2 > THE CHOICE

What kind of property solution is right for you? It used to be so simple - business life was predictable and Landlords gave you little choice! Today business is less certain and the options are far wider - ranging from 'fully serviced business centres' to 'buying your own space'.



To help you make a more informed choice, take this simple test which will suggest a space solution that could be right for your business. Select one response to each question that most closely fits your business and use the scorecard (on page 8) to make a note of your answers.

1	Can you predict how your business will change over the next 3 years?	tick
	We've a pretty good idea	2
	With reasonable certainty	3 & 4
	It's very difficult to say	1
	We haven't a clue	5
2	What financial commitment are you ready to make?	
	We don't want to be tied down for a long time	1 & 2
	We're really looking for a long term home for our business and a good property investment	4
	We're going to need to fit the property out for our business and need time to get a return on this investment	3 & 4
	Why pay rent when we can work from home for nothing?	5
3	What are you expecting from the Landlord?	
	We want someone with a range of options to suit our business	2
	We like to be in total control and manage things ourselves	3 & 4
	We don't want a Landlord telling us what we can and can't do	5
	We just want someone to take care of everything for us and leave us to run our business	1
4	When do you need to move in?	
	Yesterday!	1
	Within four weeks	2
	Within a couple of months	3
	We can wait until the right property comes along	4 & 5

5 Do you need a quick escape?

- We can't make any long term commitment - we could lose our biggest client tomorrow
- We need to know that we can get out at three months notice or less
- We could always find someone to take our space if we don't need it any more
- We are ready to make a long term commitment

6 Will a Landlord perceive you to be 'good for the rent'?

- We could afford to put down one to three months rent as a deposit
- We'd be willing to give a personal guarantee if required
- We've a substantial nest egg looking for a long term home
- We couldn't afford to pay a rental deposit

7 What kind of image do you want to project?

- Our clients and customers visit regularly and expect us to have smart premises
- We want our clients to think we're bigger than we are
- Image is not important to us at all, cost is the big issue
- It doesn't matter if we're perceived to be a home based business

8 What additional amenities do you need?

- We're going to need a full range of business services like telephone answering and meeting room hire
- We'd like to work in a community of likeminded businesses
- None really - we're a virtual business and live 'on the road'
- We're pretty independent and self-contained

tick	Scorecard					
1 & 5	1	2	3	4	5	
2	Q1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	Q2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	Q3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Q4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Q5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2 & 3	Q6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	Q7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	Q8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Mostly 1s	2s	3s	4s	5s	
1, 2						
3 & 4						
1						
2 & 3						
5						
1						
1 & 2						
5						
3 & 4						

So how did you score?

Your answers will reveal the type of property solution that may suit you best:

Mostly 1's

Business Centre/Innovation Centre
Business Centres provide a quick and easy way of taking space. An inclusive monthly fee covers the space and running costs so you can be certain of your outgoings. Most Business Centres will allow you to leave at one month's notice and are furnished so you can move in and start work immediately.

Mostly 2's

Flexible lease

You want the choice to stay or go when you like or at the least with three months notice. You recognise that flexibility comes at a price and are willing to pay to avoid the risk of being trapped in a long-term commitment. A flexible lease with regular break clauses will give you the freedom to move when you need to.

Mostly 3's

Traditional lease

You can confidently plan with a 5-10 year time horizon and want to keep your direct property costs down. You probably need to invest quite heavily in fitting out the premises and couldn't afford to write this off in a short time. A traditional lease will commit you to your space for at least 5-10 years.

Mostly 4's

Buy your own

You are very certain about your business prospects and want to be in control. You perceive property to be a great investment over time and might be looking to create a private pension fund for your future. Be sure to take advice from a financial advisor before making any investment.

Mostly 5's

Home Worker

Many businesses operate successfully from home - it can offer convenience, low costs and freedom but are you sure you can balance your home and work life successfully?

3 > CALCULATING THE COST



Fixed cost Monthly cost

Fixed cost Monthly cost



How much will it cost me?

Take care! The true cost of occupying space is a lot more than the rent. Here we list some of the items you'll need to take into account to get a good picture of the true cost involved in setting up your new premises.

Whether the cost is fixed or variable will depend on the type of property you take. For example, in a Business Centre, most costs are variable (monthly), whereas if you buy your own premises many of your costs will be fixed.

Moving in/Set-up costs

Fixtures and fittings	£	£
Decoration	£	£
Furniture	£	£

Fees

Legal	£	£
Stamp Duty	£	£
Surveyors fees	£	£

Property costs

Rent	£	£
Business rates	£	£
Service charge	£	£
Building insurance	£	£
Surveyors fees	£	£

IT/Telecoms installation

Telephone	£	£
Internet	£	£
Cabling	£	£
Firewall/hub/router	£	£
Other equipment	£	£

Running costs

Gas	£	£
Water	£	£
Electricity	£	£
Telephone rental	£	£
Internet charge	£	£
Photocopier rental	£	£
Contents insurance	£	£
Meeting room hire	£	£
Cleaning	£	£
Repairs and maintenance	£	£

Moving out costs

Dilapidations	£	£
Legal costs	£	£
Surveyors fees	£	£

TOTAL

	£	£
--	---	---

Fixed costs - are those 'one off' costs which you will need to pay up front to set up your space.
 Monthly costs - are those costs which you'll have to continue to pay.

4 > THE SEARCH



Ten tips on how to find space

- 1 > Walk or drive the streets
- 2 > Word of mouth - ask around
- 3 > Estate agents
- 4 > Hire a search agent
- 5 > Web research
- 6 > Online introduction agencies
- 7 > Business development agencies
- Business Link/Local Authorities
- 8 > Newspapers/Periodicals
- 9 > Advertise
- 10 > Personal recommendation

- 1> It might seem obvious but drive or walk around the areas you're interested in to look out for 'To-let' or 'For sale' signs. This approach can be a bit 'hit and miss' and time consuming.
- 2> Use your contacts and ask others to recommend Landlords or buildings they think could fit the bill. This can be a good way of finding out about 'office shares' or space not yet on the market.
- 3> Contact the commercial estate agents operating in your search area. They will register your requirements and send details of suitable properties. Remember they receive hundreds of enquiries - help them by being specific about your needs and budget.
- 4> Save time and let a search agent do the legwork for you. You'll need to give them a clear brief and be prepared to pay a fee for finding/looking for the property that suits your needs.
- 5> A huge source of information is readily available on the Internet. Try using one of the most popular search engines. Many Landlords will have their own website so you can see at a glance what space they have available.
- 6> There are a number of online introductory services where you can register your requirements for space. The Landlord or business centre operator will then contact you direct.
- 7> Agencies like Business Link, the national business advice service, can help you to think about the right location for your business and advise you of the availability of grants in your area. Also contact your local Enterprise Agency.
- 8> Scan the advertisements in the 'commercial property' section of your local newspaper. Professional trade magazines like the Estates Gazette will also give you a feel for the property market and its jargon.
- 9> Advertise in shop windows, local publications or mail drop buildings you are interested in.
- 10> A personal recommendation provides a degree of confidence when making a decision. They've personal knowledge of the building and Landlord; they've tried and tested them. A word of caution though - their needs might not be the same as yours.



Whose side is the Estate Agent on?

A good commercial estate agent will be well connected with property owners in your search area, provide you with property details of available space and give you a feel for property costs. Do 'make friends' with your local commercial estate agent but remember the agent represents the Landlord and his fee is usually a percentage of the rent paid so he'll be interested in doing the best deal for his client!

Someone to bat for you - employing a Search Agent

If you'd like someone who will work for you to help you define your requirements, conduct a search, connect you with space that may not be on the open market, negotiate a deal for you and help you to avoid expensive pitfalls you could employ a Search Agent or 'Tenant representative'. This service will typically cost you 10% of the first year's rent. How do you find a good one? Reputation is important - someone who is recommended is worth a lot. Ask around!

Dealing direct with the Landlord

Cutting out the middle man and going direct to the Landlord will allow you to get a better feel for who you're getting into business with and for the Landlord to get to know you better. Remember, Landlords do this for a living so do your research before entering discussions!

Do I need a solicitor?

This will depend on the type of agreement. For long complicated traditional leases, generally speaking you should take legal advice before signing any contract. For more modern, shorter, flexible leases, many of which are written in simple plain English, you may not need to, although it would be sensible to go through the lease with your landlord to clarify any confusing terms.

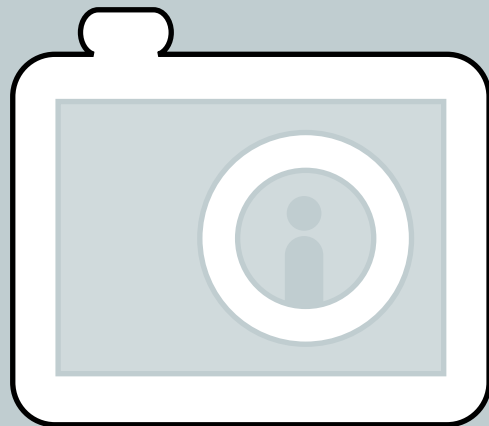
5 > CASE STUDIES

from Workspace Group customers

Seagull Textiles Peter Segel

“Finding premises was a real nightmare! I just didn’t go about it the right way - but then it’s not the sort of thing you do everyday of the week - you don’t build up the experience to draw upon. With hindsight I wish I’d spoken to other Tenants before I moved in. I know one or two of the newer Tenants contacted the Tenants Association to get a flavour for how the estate operates.

You can really gain a lot by this and I should have done it. You should apply the same rules as if you were buying a house - go and see it at different times of the day and night to see if there are any problems.”



Disa Allsopp Jeweller Disa Allsopp

“I found this place through recommendation. I’d tried asking around the estate agents but found they didn’t have much to offer and that workshops were in very short supply. Once I saw this space I knew it offered me everything I wanted. A strong floor suitable for my equipment, running water and because of the nature of my business, twenty-four hour building security.”

MW Classic Cameras Mahendra Modi & David Woodford

“24-hour security was key as it reduced our insurance premiums considerably. Location, flexibility of lease and having pleasant staff in the building were the other things we took into account. And at the end of the day we liked the terms - the fact that we didn’t have to sign up for too long. This was important to us as our business is subject to variations.”

Community Transport Association Martin Jones

“As a charity our work is always dependent on the funding situation. The cost of the property was crucial and whether there were any financial penalties we’d incur if our funding changed and we had to move before the end of the lease. It’s important to go through the lease to find any catches. Look out for a lease that is well written and unambiguous. If I see one that is unclear or full of jargon then I almost certainly would reject it. Surely it’s not rocket science to say clearly what your responsibility as a Tenant is and what their responsibility is as a Landlord? If it’s not clear then they are lazy or it’s a sign they are hiding something.

Before I moved in I spoke to a number of the other Tenants in the building to check out a few things. For example, it was important to us to have somewhere that had good disability access so this was something I explored with other Tenants. I was also interested in their experiences of getting things repaired on time. If you walk around a place you may see things that indicate the Landlord is not doing the maintenance in a timely manner. It’s like buying a house - you have to remind yourself of things to look out for that no Landlord will ever tell you. Walk around and see for yourself what needs doing.”

6 > VIEWING CHECKLIST

Here's a practical list of things to look out for when viewing space

- First impressions count - ask yourself is this somewhere you would really like to work?
- Is the location right for your staff and clients/customers?
- Is the image right for today and for your business moving forward?
- Is the building secure?
- Is the neighbourhood safe? Think about walking about on a dark night.
- Is there any visible security presence or patrol?
- Do reception and security personnel 'meet and greet' visitors well or seem disinterested and ineffective?
- Is the building well maintained externally - does it look wind and water tight? Are there any visible defects?
- Do the public areas look cared for? Are they clean, well decorated and maintained?
If the toilets are not looked after you can guarantee neither is the rest of the building.
- Are the doors and windows properly secured from break-ins? Is there a shared alarm system or will you be able to install your own?
- Is the amount of natural light right? Too little light can be depressing, too much could cause glare and over-heating. Are blinds fitted to give you control?
- Is the quality of artificial lighting right for your business and if not will you be able to change it?
- Think about the orientation. South facing will give you maximum daylight but might overheat. North facing will be darker and cooler in summer but colder in winter.
- Being too hot or too cold is the most common complaint in business space. Check that you can control the internal climate by opening windows, adjusting thermostatic radiators or other temperature controls.
- Will the space work for you? Ask for a floor plan or be prepared to sketch your own grid plan. Typically for office requirements allow 8-10 square metres per person.
- Are the floor and wall finishes suitable? Can you change them if they're not right?
- What are the fixtures and fittings? Does the space come with any furniture, light fittings, shelving? If it's an empty shell are there any rules about what you can do with the space?
- Does the building have a smoking policy and if so are there suitable arrangements for smokers?
- Is the building fully accessible for the disabled? Does the building comply with legislation?
- Does the building comply with fire regulations - are fire escapes well signposted with clear access?



7 > THE SMALL PRINT

20 questions to ask your prospective Landlord

Warning - look at the small print and make sure you know what you're entering into! A good Landlord should have no difficulty giving you straight and clear answers to these questions.



Text in this document highlighted in bold is explained in the Jargon Buster section on page 28.

1> Who is the Landlord?

2> Who will be managing the building?

3> Does the Landlord/ Managing Agent employ an on site building manager?

4> What quality of service can you expect?

5> What type of agreement is being offered?



Ask 'who owns the building?' and check out their reputation. A good way to find this out is to talk to other Tenants in the building and ask whether they would recommend them.

Find out whether the Landlord employs its own people to maintain and look after the building or whether the Landlord employs a **managing agent** to organise services and run the building. Ask around to find out if the Managing Agent is reputable.

This can help to maintain standards and may help to ensure that things get put right more quickly.

The style of after sales service you can expect to receive varies a lot. You need to know whether your Landlord will 'treat you like a valued customer' and how responsive they will be if something goes wrong. One clue is to find out whether the Landlord has published a 'customer service charter' which should state, not only their intent to provide high quality service, but also precisely what levels of service you can expect and what your redress will be if they fail.

A good Landlord will give you a choice of contract lengths and terms to suit your business. Naturally, the price may vary depending, for example, on how much flexibility you want to walk away from the contract if your business needs change. Your rights and responsibilities will depend on whether you have a **lease** or **licence**. Also check when you'll be expected to pay the rent. This will usually be quarterly or monthly in advance. An increasing number of Landlords will require you to pay by direct debit.

6> How is the rent calculated?

Find out whether the rent will be reviewed during the contract and if so how it will be calculated. Is the rental increase fixed now or negotiable at the time? If the rent is linked to the open market can the rent go down as well as up?

7> What services is the Landlord contractually obliged to give?

Who is responsible for repairing the building/common parts and space? The Landlord might promise to do everything from repairing the roof to putting tropical flowers in reception but unless it's in the contract you can't enforce it. Be sure that the services critical to the continuity of your business are included.

8> Will I have to pay a service charge and how is it calculated?

In many multi-occupied buildings the Landlord will require occupiers to pay a percentage of the running costs of the building. The **service charge** could be as much as 25% to 40% of the rent.

If the rent does not include the cost of services, ask to see a copy of the Landlords service charge budget which should describe where the money's going. The total costs are usually shared in proportion to the amount of floor space you occupy. Ask if the Landlord expects to carry out any major repairs or works soon and who will pick up the bill - will it be covered by you, through the service charge or will the cost be swallowed by the Landlord?

9> What other expenses are payable?

Your Landlord should be able to tell you what additional costs you will need to pay, for example, **business rates** and utilities charges. Make sure you factor these into your budget.

10> Will I have to guarantee payment?

Take great care before making any commitment to provide a **personal guarantee** or make a **rent deposit**. A personal guarantee means that the person signing the guarantee is liable for all the obligations which are part of the lease contract. This could mean that even if your company fails the Landlord would have the right to pursue you for any unpaid rent or charges and even future rental commitments. It's commonplace for a Landlord to ask you to make a rental deposit of between 3 and 6 months rent depending on the length of the contract.

11> Who is responsible for buildings insurance?

Usually the Landlord will accept the responsibility to insure the building against fire and other risks at your cost. This doesn't normally cover your own office possessions such as furniture, machinery, stock etc. You'll need to make your own arrangements for **contents insurance** as well as **Employers Liability Insurance** which is required under law.

12> Can you see a copy of the type of document you'll have to sign?

Good Landlords will be pleased to let you have a copy of their standard terms or contract. Is the contract written in plain English so that it's easy to understand what your rights and responsibilities are and what will happen if either party doesn't stick to them? Although some Landlords have come a long way in simplifying property contracts you should take great care to read the small print. If in any doubt, it's probably well worth taking legal advice.

13> What opportunities are there to break the contract if you want to get out early?

Unless the contract specifically includes a **break option** you won't have the opportunity to terminate it early. Some forward thinking Landlords provide occupiers with a rolling break right to leave at 3 or 6 months notice. This flexibility will come at a cost and is likely to be reflected in a higher rent.

14> Is there anything that you should know that will stop you using the premises for your business?

Be sure that the Landlord is aware of how you intend to use the space and that it falls within both the **permitted use** of the lease as well as the **planning use** set by the Local Authority. If your business is noisy or could disrupt other occupiers it's better to make sure your Landlord is aware of this upfront.

15> Will you need to get the Landlord's permission to make changes to the space?

Ask whether you need permission to carry out any alterations to suit your business. Share your plans with the Landlord to avoid any uncertainty. Beware - the Landlord might require you to put the property back into the condition it was in before and at your cost when you leave.

16> If you want to leave can you sublet or assign your lease? Can you share occupation with other businesses?

You can only **sublet, assign** or share your space if this is permitted by the lease contract. It's essential to know what your options are. The precise wording of the lease contract is very important so be certain the lease gives you the flexibility you need.

17> What is the penalty if you break the rules or pay the rent late?

Do not enter any financial commitment that you may be unable to meet. You should ask what the penalty is if you pay your rent late or break any other rules stipulated in the lease.

18> Does the Landlord support the **Code of Practice for Commercial Leases**?

This new voluntary Code contains twenty-three recommendations for Landlords and Tenants to follow when they negotiate new leases of business premises and deal with each other during the term of a lease. These recommendations reflect current 'best practice' for Landlords and Tenants and were developed in response to concern that Landlords were not dealing openly and fairly with small businesses. If your Landlord has never heard of the Code or is not willing to conform to it be prepared to look elsewhere!

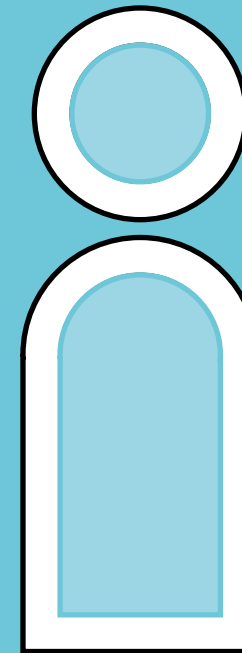
19> Will you have automatic rights to extend or renew the lease contract when it comes to an end?

In simple terms, if you have a business tenancy that falls within the **Landlord and Tenant Act 1954 Part 2** you will have automatic right under the law to renew your lease. It's quite common for a Landlord to ask you to 'contract out' of the 1954 Act. If you agree to this, you and your Landlord are free to negotiate the terms of any renewal like any usual commercial contract. (Note: there is no Landlord and Tenant Act in Scotland.)

20> What will you be obliged to do when you vacate the space?

Some lease contracts require you to leave the space exactly as you found it and possibly to remove things that you might consider improvements. Others require you to make a **dilapidations** payment to cover anything which is not 'fair wear and tear'.

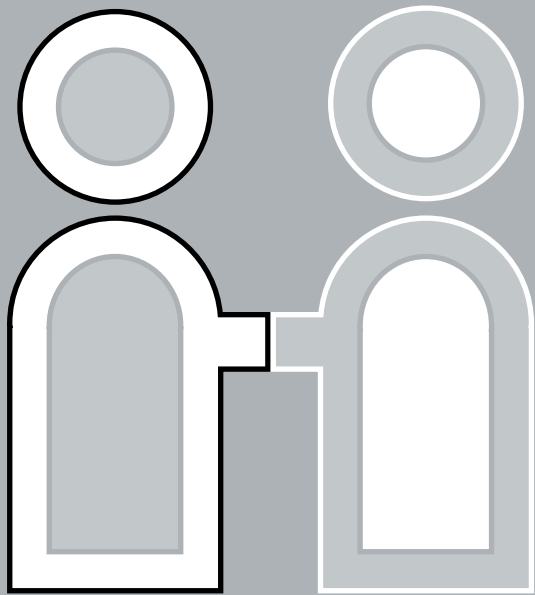
8 > CHOOSING YOUR LANDLORD



Signs of a good Landlord

- > Tenants Charter or other service commitment in place eg. industry or quality awards like ISO9002 or Investors in People
- > Details about their service performance/customer satisfaction levels freely available
- > Your initial enquiry was handled efficiently and they got back to you when they said they would
- > They have a system for handling requests and repairs perhaps through a help desk or dedicated on-site representative
- > They publish a customer newsletter
- > They encourage regular contact to exchange ideas and views perhaps through Tenants meetings
- > They're interested in gathering customer feedback - questionnaires, independent survey etc
- > They encourage Tenants to network with other occupiers to share business, and help them benefit from economies of scale in buying
- > They have an active policy of buying products and services from their Tenants
- > They support environmental programmes such as recycling and energy conservation
- > They have an active programme to work with local communities and charities

9 > AGREEING THE DEAL



Seven ways to negotiate a good deal
You've found the right space for your business and now it's time to talk terms. How to make sure you get the best deal.



1 Do your homework

Make sure you know not just what prices are being quoted in your area of search but also the actual terms upon which deals are being done. This is one of the things that a good property advisor should be able to tell you or try talking to other businesses in the area to see if you can find out what they are paying.

2 Know the building

Find out how long the space has been on the market and how much space is available in the neighbourhood. Remember it costs the Landlord a lot of money to leave space empty and they should be willing to do a deal!

3 Don't necessarily pay the asking price!

Like when buying a car, unless the property market is particularly strong, view the Landlord's quoting terms as a starting point for negotiations. In a soft market you should expect to be able to negotiate a concession on the rent and even a rent-free period or a 'capital contribution' towards your fitting out costs.

4 State your terms confidently

Demonstrate that you understand the market or are properly advised and are looking for a 'fair deal'. The Landlord's letting agent is obliged to pass on every offer to their client. Make sure this actually happens.

5 Ask the Landlord to confirm their offer in writing

Once the main terms are agreed request that the Landlord confirms these to you in writing. These are sometimes called **heads of terms**. Review these carefully and if necessary seek advice. Do not sign the heads of terms as this could constitute a legally binding contract.

As a safeguard, all correspondence at this stage should be stated to be **subject to contract** ie. not legally binding. This means however that you could be **gazumped** if the Landlord gets a better offer. Some Landlords have an 'anti-gazumping policy' and will not deal with other parties for a fixed period of say two weeks.

6 Request a copy of the draft contract if not already provided

Make sure that the lease terms match what you have provisionally agreed. If in doubt, stop and take legal advice. A good Landlord will take time to explain the meaning of individual clauses.

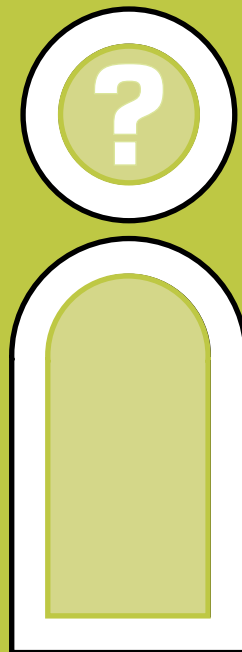
7 Move quickly if you feel confident

If you've done your homework and feel confident you're getting a fair deal move quickly to secure the space. But, if you feel pressurised, or if you're not happy and something doesn't feel right, be prepared to walk away!

Each individual case is different but remember this is only a guide to the process so if you are unsure seek advice.

10 > FINAL CHECKS

Questions to ask yourself before completing
Before signing on the dotted line, ask yourself the following questions:



The information contained in this publication is general in nature and is not intended to provide advice, guidance or expertise regarding specific property, financial or investment decisions. The reader should take independent legal property and financial advice prior to making any decision.

Is the space right for our business? Do we want to work from here - is it right for our customers?

yes no

Is the space the right size now and going forward?

yes no

Can we afford it? Are we sure that we have a full picture of the direct and indirect costs that we'll have to pay now and in the future?

yes no

Are we happy with the risk if it all goes wrong in the business?

yes no

Do we know where we stand with the Landlord?

yes no

Do we fully understand the deal and what we're committing to?

yes no

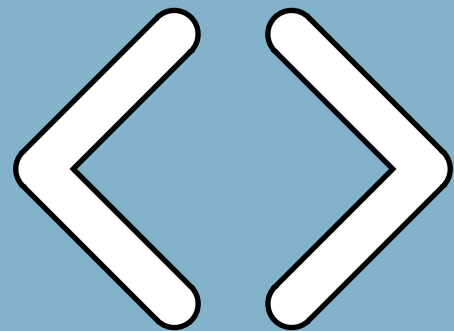
Are we getting a fair deal?

yes no

Answering 'Yes' to all these questions will give you peace of mind that you've done your research, weighed up the risks involved and should feel confident in proceeding. If you've answered 'No' to one of more, think about what steps you need to take to turn a 'No' into a 'Yes'. Remember 'it's better to be safe than sorry'!

11 > JARGON BUSTER

Definition of terms



Assign

To transfer a property to another party by signing a legal document. Your lease will explain whether you have the right to assign your lease and whether your Landlord could stop you doing this except on special terms.

Break option

A break option gives the Tenant the flexibility to end their lease early. You are contractually bound to pay rent and meet any other lease responsibilities until the expiry date of the lease contract unless you secure a break option. Most Landlords resist giving rights to break for obvious reasons but some forward thinking Landlords will let you break your lease after a minimum period and after giving notice, usually 3 or 6 months.

Buildings insurance

Insurance to cover the cost of re-instating your building in the event of fire, flooding or other major event.

Business rates

Non-domestic rates (often called business rates) are the way in which occupiers of business property contribute towards the costs of Local Authority services. Rates are normally payable by the actual occupier of business premises rather than the Landlord. Make sure you budget for business rates - information on how much you can expect to pay is available from your Local Authority.

Code of Practice for Commercial Leases

This new Code consists of twenty-three recommendations which an expert working party, made up of Landlord and Tenant representatives from leading trade bodies, consider to reflect 'best practice' for Landlords and Tenants negotiating a business lease. You should ask your Landlord whether they support the Code.

Contents insurance

Insurance to cover the cost of replacing items of office equipment which might be destroyed or damaged in a fire, flood or other major event.

Dilapidations

Many leases require the Tenant to pay for dilapidations ie. any disrepair found at the end of the lease or when an option to break is exercised. You are usually obliged to return your accommodation in the state it was when first let. The Landlord may even be able to claim that the property is in disrepair, if you do not reinstate alterations or improvements that you have made. Dilapidations can come as a nasty surprise when you come to leave! This is a complex area that you should check before signing your lease or making any major alterations.

Employers liability insurance

If you employ staff, however small the company, it is a legal requirement to take out Employers' Liability Insurance, so that you and they are protected if injured at work. This cover may be offered as part of a wider business insurance policy offered by your insurance broker or direct by your Landlord.



Gazumping

When the seller (or Landlord) of a property ups the purchase price once terms have been already agreed but before the transaction has become legally binding.

Heads of terms

This is a non-legally binding document which summarises the main terms of a transaction.

Landlord and Tenant Act 1954 Part 2

This is the legislation governing commercial lease contracts in England & Wales. In particular it covers Tenants' rights to claim security of tenure when their lease expires and the rights of a Landlord to refuse to grant a new lease in certain circumstances.

Lease

The name for the legal contract to occupy space for a period of time granted by a Landlord to a Tenant.

Licence

A licence grants permission to occupy space but without the legal benefits or liabilities of a lease. For example, a licence will not necessarily give you the right to occupy a particular space so the Landlord could be free to move you around with little notice.

Managing Agent

The person appointed by the Landlord to look after a leased property and to collect rents. The Managing Agent will usually be the first point of contact for most occupiers.

Permitted use

The lease or licence document will describe the use or uses to which you will be allowed to put the property. Make sure that your business falls within the defined uses and if in doubt, take advice.

Personal guarantee

A Landlord may seek support from a guarantor (usually a Director) to pay the rent if the company occupying the space fails. This could mean you will be liable for the costs long after you have left or ceased trading. You should therefore consider carefully before making any commitment of this type.

Planning use

Your ability to use the space you rent or buy for a particular trade may be limited by the Town and Country Planning Laws. These are enforced by your Local Authority and will be designed to make sure that you do not cause nuisance to your neighbours or, for example, convert residential accommodation to business use. Check with your Local Authority before making any legal commitment.



Rent deposit

A deposit paid to a Landlord to guarantee payment of rent or other amounts owing if you do not meet your obligations.

Rent review

The basis upon which the Landlord can increase the rent during the lease contract is called the 'rent review'. The rent review clause in the lease will explain how and when the new rent should be calculated. In a traditional lease of 10 years or more the rent is usually reviewed every five years to the current market rent.

Service charge

A payment made by the Tenant, in addition to rent, to contribute to the cost of shared services such as maintenance, cleaning, security and other building services. The service charge is usually paid 'on account' every quarter and the account will then be reconciled by the Managing Agent at the year end. Beware that you may be asked to top up the service charge account if the Managing Agent has underestimated the cost during the year. You could also find yourself liable to contribute to the cost of major repairs even if you do not plan to stay at the building.

Security of tenure

This is your legal right to obtain a new lease when your current lease expires. Unless you 'contract out' of the Landlord and Tenant Act 1954 Part 2 you will be generally entitled to a new lease on similar terms to your previous lease but at the going market rent.

Stamp Duty

This is a form of tax payable when a transfer of property or a new letting takes place. It is usually calculated as a percentage of the purchase price or present value of rents on a lease.

Subject to contract

This term is used in correspondence during negotiations to indicate that it is not the sellers or buyers intention to create a legally binding contract until the formal legal contracts have been signed and exchanged.

Sublet

This is when a Tenant arranges to let a part or all of its space to another Tenant. Most leases require the permission of the Landlord before a subletting can be arranged and some leases do not permit subletting at all.

12 > USEFUL CONTACTS

British Council for Offices

38 Lombard Street
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t: +44 (0)20 7283 4588

Business Link for London

Client Contact Centre
Centre Point
103 New Oxford Street
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t: 0845 600 0787
f: +44 (0)20 7010 1041
w: www.businesslink4london.com

Contact: www.businesslink4london.com/aboutus/contactus.cfm
Nationwide Business Link 0845 600 9006

Confederation of British Industry

103 New Oxford Street
London WC1A 1DU
t: +44 (0)20 7379 7400
f: +44 (0)20 7240 1578
w: www.cbi.org.uk

Code of Practice for Commercial Leases

England and Wales
www.commercialleasecodeew.co.uk

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t: +44 (0)20 7887 6155
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Law Society

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Small Business Service

Kingsgate House
66-74 Victoria Street
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t: 0845 600 9 006
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Many Government publications can be purchased from:

The Stationery Office

PO Box 29
St. Crispins Duke Street
Norwich NR3 1GN
t: 0870 600 5522
f: 0870 600 5533
w: www.tso.co.uk

Workspace Group PLC

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Information on building and fire regulations can be downloaded from www.odpm.gov.uk

