

Your first business premises — what to look out for

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Assuming that you have decided that sharing occupation with suppliers/business partners or serviced offices no longer meets your needs, then there are five key things to consider when you are looking for your first business premises:

Know what you want

What are your minimum requirements? It is key to draw up a list of your wants and your needs looking at:

- Space requirements – how much space do you need now/next few years?
- Location requirements – do you need to be near specific suppliers, clients or other businesses? What will enable you to attract/retain staff?
- Services requirements – do you need specific telecom/energy infrastructure?
- Term – how long do you expect to stay at these premises? How much flexibility do you need?

Have a clear timetable

Be clear as to when you want or have to move into your new premises. As this is your first business premises it is assumed that you will have some flexibility in staying where you are currently located if there is a delay with your new premises.

However, work backwards from your proposed move-in date to ensure services/fit out/etc will all be finished by that date. Specific IT/other equipment have long 'lead in' times between ordering and installation.

Understand your costs

Be fully aware of your 'day one' property costs which would normally include:

- A quarter's rent in advance (unless you negotiate a rent-free period)
- A certain amount of service charge/insurance charge on account
- 6-9 months' rent deposit
- Fit out costs
- Agent's fees
- Legal fees
- Stamp Duty Land Tax

Be fully aware of your ongoing property costs which would normally include:

- Rent (with 'upwards only' reviews)
- Service charge
- Insurance
- Business rates
- Outgoings such as utility costs
- Repair costs (particularly at the end of the lease)

Have a good agent

You may think that this is an avoidable cost and that you can find premises without an agent. This would be a mistake as a good agent will help you to find the best location and provide you comfort on whether or not the deal you are being offered is good in the then current market.

If suitable premises are not available right now a good agent will be aware of when such premises are due to come on to the market and can pre-warn you accordingly.

A good agent should be able to negotiate you the best deal and obtain concessions that you might not have thought of i.e. rent-free period during your fit out, service charge cap, rent inclusive of service charge/insurance charge, early termination rights, etc. A good agent will work with your lawyer to ensure that the key terms/concessions that have been agreed are reflected in clear, precise heads of terms which will help ensure that the transaction runs smoothly. It is important to note that heads of terms are not usually legally binding unless this is specifically stated.

Finally, have a good lawyer

As with agent's costs, this can appear to be a cost that can be minimised. However, taking your first business premises is a substantial financial commitment and key to the long-term success of your business. You get the service and expertise that you pay for. Legal documents, if poorly negotiated, can result in significant liabilities arising down the line. A small investment in proper legal advice at the outset will pay dividends later.

A good lawyer will work with your agent in drafting/agreeing your heads of terms and help you to avoid some of the key legal pitfalls including:

- **Use** – Having premises that can't be used for your proposed use. Remember under English Law just because a lease says that you can use the premises for a specified use that does not mean that the premises have the correct rights of access/parking rights/planning/other permits for that use. A good lawyer can also advise on your proposed fit out.
- **Flexibility** – As these are your first premises you will both want certainty that you can stay in the premises for a certain period of time as you build your business and flexibility so that if things go badly you can either exit early, sublet or assign your lease whether in whole or in part. There are some notorious traps in relation to early termination which a good lawyer will help you to avoid and so save you costs.
- **Service Charge/Fees** – these need to be checked thoroughly to avoid unreasonable charges being levied.

A good lawyer will understand your commercial drivers and work closely with you and your agent to ensure your deadlines are met and that you are left with the Premises you were expecting on terms that should enable your business to go from strength to strength.


Taking your first business premises is an exciting step for your business and we are keen to work with you to make this next step a success. Should you have any queries, please do not hesitate to contact either [James Martell](#) or [Paul Brecknell](#).

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