

Avoiding the End of Lease Blues

With the recession beginning to bite, many occupiers of rented property are looking to move to less expensive premises or reduce the space they currently occupy.

If you are thinking along these lines, here are some tips, which may help you determine your best course of action.

Read your lease. It is surprising how many times problems arise because the tenant isn't familiar with the lease. For example, most quarterly leases with a notice period require the tenant to pay the rent until the end of the subsequent quarter. Failing to give notice at the right time can be an expensive exercise.

Check the position on dilapidations. Hopefully you will have made a detailed schedule of the condition of the premises when you moved in. Agree with the landlord early on in the proceedings the dilapidations for which you are responsible – it may well be cheaper for you to make any necessary repairs than for the landlord to have them done and for you to then foot the bill.

Check the position as regards payment for utilities, rates and so on.

Remember that your landlord is likely to be a realist and may well prefer you (a known, good tenant) to stay in occupation at a reduced rent than for the premises to be unlet or let to a tenant of unknown quality. There may well be room for negotiation if you would really rather remain in situ at a lower rent than vacate the premises.

If you do move, make sure that you are not breaking your contract of employment with your employees (a modern contract should obviate this issue, but it can happen).

If you are assigning your lease, check the position as regards the guarantee of the incoming tenant's obligations. This can operate as a 'double whammy' as not only can you find yourself with an unexpected liability if the new tenant defaults, but your bank may well want to keep your account on a tighter reign while the potential liability hangs over you.

Moving premises is a serious business and should not be undertaken without the benefit of professional advice. We can advise you on any commercial property matter.