

Havering ChangeUp LEASES

Key financial and practical issues

1. Repair

- different issues to consider depending on whether lease of whole building or just one room
- different issues depending on whether old or new building (broadly, old buildings can be more expensive to maintain; new buildings can suffer from inherent defects)
- negotiating what elements of repair tenant is responsible for
- schedules of condition as benchmark for tenant's obligations
- the expensive stuff - roof, structure, foundations, lifts, air conditioning etc

- length of lease is relevant to question of what responsibilities it is reasonable for tenant to take on

2. Service Charge

- possibility of negotiating a cap on costs
- obtaining information on previous service charge years gives a guide to the future
- make sure that landlord covenants to provide the core services that you need
- is landlord trying to exclude its liability for when things go wrong?
- do you really want to pay for all the things that the landlord is offering to provide?
- does a ground floor tenant use the roof?
- consider language of service charge clauses – reasonableness, vague sweeper clauses, etc
- is there a mechanism for checking that the service charge is reasonable and are the management charges reasonable?

- should tenant contribute towards cost of remedying inherent defects and should a tenant under a short lease contribute towards major capital items?

3. Business rates

- be aware of full or partial exemptions for charities
- be careful about rates bill when sharing with non-charities

4. Rent review

- what type of review will it be and do you understand what this means?
- open market reviews, inflationary increases, fixed uplifts
- complex issues to understand on an open market review
- is it worth instructing a surveyor to negotiate on your behalf?

5. Renewal rights

- make sure you understand whether you have a right to renew lease when it expires and, if so, whether that right is absolute or qualified
- contracting out of security of tenure provisions of Landlord and Tenant Act 1954 - what is this, when does it happen and why

6. Break rights

- really important subject
- without a break right you have to pay rent and comply with other conditions until expiry of lease (although you may be able to assign the lease)
- wording of break clauses is very important

7. Assignment / sharing occupation

- how much flexibility will you have to assign the lease or sublet or share occupation?

- details are important, e.g. can you sublet at less than the rent that you are paying

8. Permitted use

- check that the permitted use covers what you want to do
- is there planning permission for your intended use?
- can you (or someone who you want to assign to) change the use

9. Compliance with legislation

- boring subject but compliance can be expensive
- can you afford to take on responsibility for full compliance and it is reasonable for landlord to require this?
- do the premises currently comply?

10. Insurance

- how much to worry about a very small risk of something catastrophic happening
- look at insured risks covered, degree of landlord's ability to change risks covered
- how much is premium and if high is this (e.g.) because terrorism is covered?
- will you continue to pay rent if building rendered unusable?
- does landlord have to rebuild; can landlord and/or tenant terminate lease?

11. Alterations

- what level of flexibility do you have to carry out alterations and does it cover your needs?
- what is reasonable?
- think about reinstatement and rentalisation of improvements

12. Tenant's rights

- what rights do you need, e.g. access to your premises, use of utilities, fire escape, parking, use of kitchen and toilet, signage etc
- other rights or services, e.g. use of meeting rooms, reception and postal services, refuse collection, satellite dish etc

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 Social Economy Support Unit

Havering
citizens
advice
bureau
C A B

Havering **NHS**
Primary Care Trust

 THE LONDON BOROUGH
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Community Foundation