

RICS professional standards and guidance

RICS professional statements

This is a professional statement, which RICS members **must** act in accordance with.

Sections within professional statements that set specific mandatory requirements for members use the word 'must'. Members **must not** depart from specific mandatory requirements.

Sections within professional statements that set an expectation or recommend best practice advice use the word 'should'. Where members depart from these, they should do so only for justifiable good reason. Where, in the professional judgment of the member, the departure may have a material impact on the surveyor's advice, the client must be informed in writing of the departure and the reason/s for the departure.

Any content that does not use the word 'must' or 'should' is information.

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Members should be up to date and have knowledge of professional statements within a reasonable time of their coming into effect. It is the member's responsibility to be aware of changes in case law and legislation since the date of publication.

Document status defined

RICS produces a range of professional standards, guidance and information documents. These have been defined in the table below. This document is a professional statement.

Publications status

Type of document	Definition	Status
Standard		
International standard	An international high-level principle-based standard developed in collaboration with other relevant bodies.	Mandatory.

Professional statement		
RICS professional statement (PS)	<p>A document that provides members with mandatory requirements or a rule that a member or firm is expected to adhere to.</p> <p>This term also encompasses practice statements, Red Book professional standards, global valuation practice statements, regulatory rules, RICS Rules of Conduct and government codes of practice.</p>	Mandatory.
Guidance and information		
RICS code of practice	Document approved by RICS, and endorsed by another professional body/stakeholder, that provides users with recommendations for accepted good practice as followed by conscientious practitioners.	<p>Mandatory or recommended good practice (will be confirmed in the document itself).</p> <p>Usual principles apply in cases of negligence if best practice is not followed.</p>
RICS guidance note (GN)	Document that provides users with recommendations or approach for accepted good practice as followed by competent and conscientious practitioners.	<p>Recommended best practice.</p> <p>Usual principles apply in cases of negligence if best practice is not followed.</p>
RICS information paper (IP)	Practice-based information that provides users with the latest technical information, knowledge or common findings from regulatory reviews.	<p>Information and/or recommended best practice.</p> <p>Usual principles apply in cases of negligence if technical information is known in the market.</p>
RICS insight	Issues-based input that provides users with the latest information. This term encompasses thought leadership papers, market updates, topical items of interest, white papers, futures, reports and news alerts.	Information only.

RICS economic/market report	A document usually based on a survey of members, or a document highlighting economic trends.	Information only.
RICS consumer guide	A document designed solely for use by consumers, providing some limited technical advice.	Information only.
Research	An independent peer-reviewed arm's-length research document designed to inform members, market professionals, end users and other stakeholders.	Information only.

Introduction

This 1st edition of the RICS professional statement: *Code for leasing business premises* replaces the *Code for Leasing Business Premises in England and Wales 2007* and is the result of pan-industry discussion between representatives of landlords, tenants and other trade bodies. The government supports the principles behind the lease code. The objective is to improve the quality and fairness of initial negotiations on lease terms and to promote the issue of comprehensive heads of terms that should make the legal drafting process more efficient.

The lease code and the accompanying model heads of terms should be used as a checklist for negotiations before the grant of a new lease and at the time of any lease renewal. Landlords should be transparent about any departures from the lease code in any particular case and the reasons for it.

Where the parties agree to the grant of only a short-term lease, say three years or shorter, it will often be reasonable for the tenant's repairing and redecorating obligations to be reduced, the tenant's ability to alter or dispose of the property to be limited and in some cases for rights of renewal to be excluded.

The lease code and model heads of terms are supplemented by an occupier guide. Together they should enable landlords, tenants and guarantors to have a clear understanding of the commitments that they are entering into, without needing to understand professional jargon.

Landlords should ensure that prospective tenants and guarantors are made aware of the lease code, and the parties should consider each other's needs in their negotiations.

This document is in three parts:

The lease code: Sets out RICS' mandatory rules in this area.

Appendix A: The template heads of terms mirror the sections of the lease code.

Appendix B: This occupier guide is aimed at tenants and describes some of the main factors to be considered when agreeing a lease.

Appendix A and B contain guidance, and should be read in conjunction with the mandatory requirements of the lease code.

The lease code

1 Mandatory requirements

1.1 Negotiations over the lease **must** be approached by all parties in a constructive manner that displays integrity and respect.

1.2 The agreement as to the terms of the lease **must** be recorded in written heads of terms, containing, as a minimum, the position on each of the following aspects:

- the identity and extent of the premises
- any special rights to be granted
- the length of term
- rights of renewal
- any break rights
- any requirements for a guarantor or rent deposit
- the amount of rent and frequency of payment
- whether the landlord intends to charge VAT on the rent
- any rent-free period or other incentive
- rent review dates and the basis of review
- rights to assign, sublet, charge or share the premises
- repairing obligations
- liability to pay service charge
- the use to be permitted
- rights to make alterations
- any initial alterations or fit-out
- liability to pay insurance premiums.

These aspects are covered in more detail throughout this professional statement.

The landlord, or their letting agent where relevant, will be responsible for ensuring the heads of terms are in place before the initial draft lease is circulated.

If the landlord is an RICS member or registered firm they **must** ensure that the heads of terms include the information listed in section 1.2. In the case of an agent being an RICS member or registered firm and acting for a landlord who is not an RICS member or registered firm, the agent **must** ensure that they advise the client of the requirement that the heads of terms include the information within section 1.2 and will be responsible for this being completed.

No departures from the approach of producing heads of terms containing the information listed within section 1.2 will be permitted.

2 The premises

2.1 The heads of terms **must** state the identity and extent of the premises being let.

2.2 The heads of terms **must** give details of any special rights to be included, such as car parking.

2.3 Details of the extent of the premises to be let should state which elements of the structure or fabric will be included.

2.4 Where the duration of the lease exceeds seven years, the landlord should be responsible for obtaining any scale plan required for registration of the lease at the Land Registry.

2.5 The landlord should be responsible for obtaining any consent required from a mortgagee or other third party for the grant of the lease.

3 Length of term, renewal rights and break rights

3.1 The heads of terms **must** state the proposed duration of the lease.

3.2 The heads of terms **must** state whether rights of renewal under the *Landlord and Tenant Act 1954* are to be included or excluded.

3.3 The heads of terms **must** give details of any break rights for either party.

3.4 Details of break rights given in heads of terms should include the dates (or range of dates) when a party can end the lease and the length of prior notice to be given.

3.5 Leases should carry rights of renewal under the *Landlord and Tenant Act 1954* unless there is good reason to exclude them, such as in short-term leases, in which case the landlord should give the reason and advise the tenant to obtain early professional advice as to the implications.

3.6 Leases containing break provisions should provide that break notices given by tenants should take effect subject only to the tenant being up-to-date with the basic rent, giving up occupation and leaving no subtenants or other occupiers. Disputes about the state of the premises, or what has been left behind or removed, should be settled later, as at normal lease expiry.

3.7 Leases should require landlords to repay any rent, service charge or insurance paid by the tenant for any period after a break takes effect. Repayment of service charges may be deferred until the service charge accounts are finalised.

4 Rent deposits and guarantees

4.1 The heads of terms **must** state whether there is any requirement for a rent deposit or a guarantee.

4.2 For a rent deposit, the heads of terms should contain details including the amount, the time it will be held, whether it will be security for only the rent or all the tenant's obligations under the lease and the circumstances in which the deposit will be returned to the tenant, such as when the tenant provides three consecutive years' audited accounts showing a specified level of pre-tax profits.

4.3 For a guarantee, the heads of terms should contain details including whether it will cover only the rent or all the tenant's obligations under the lease and the circumstances in which the guarantee will be released.

4.4 Rent deposit agreements should provide for payment or accrual of interest for the tenant at a proper rate and should provide that landlords will hold rent deposit funds in bank accounts designated for holding only rent deposits.

4.5 Landlords should refer to the RICS help sheet *Clients' money: General advice for firms* (www.rics.org/uk/regulation1/firm-and-individual-guidance/protecting-clients-money/) for further information on the steps that should be taken when handling deposit funds.

5 Rent and rent review

5.1 The heads of terms **must** state the amount of rent and the instalment frequency, such as quarterly or monthly payments.

5.2 The heads of terms **must** state whether the landlord intends to charge VAT on the rent.

5.3 The heads of terms **must** state any rent-free period or other inducement.

5.4 The heads of terms **must** set out the basis of any rent review and the review dates.

5.5 Landlords should explore possible alternatives to upwards only reviews to market rent, particularly for longer term leases where there is a greater risk that this would result in future rents exceeding market rent. Alternatives may include turnover rents for retail premises, or index linked reviews perhaps within a minimum and maximum range.

5.6 Leases requiring the assessment of market rent should not define market rent in a way that is designed to produce an amount greater than the true market rent for the premises at the time of that review.

5.7 Leases should allow either party to start the rent review process and should not impose time limits intended to prevent a review or set a new rent through inaction by either party.

6 Assigning, subletting, charging and sharing

6.1 The heads of terms **must** state the tenant's rights to assign, sublet, charge and share the premises.

6.2 Leases should allow tenants to assign the whole of the premises with the landlord's consent not to be unreasonably withheld or delayed. However, they may set out reasonable circumstances in which consent can be refused, such as where there are arrears of rents, service charges or insurance premiums which are not the subject of a legitimate dispute.

6.3 Leases should also reserve the right, but only if reasonable at the time, for the landlord to require an assigning tenant to provide an authorised guarantee agreement (AGA), to require any existing guarantor to guarantee that the assigning tenant complies with the AGA, and/or to require an assignee to procure a new guarantor or rent deposit.

6.4 Leases should allow corporate tenants to share the premises with other companies but only while they are in the same corporate group and not to create a sublease.

6.5 Leases should allow tenants to sublet the whole of the premises and should, where appropriate, allow subletting of parts, in each case with the landlord's consent not to be unreasonably withheld or delayed and at rents not less than market rent. Subleases should be required to be on terms consistent with the tenant's own lease, except that subleases to be excluded from statutory renewal rights may be granted on different terms where appropriate.

6.6 Leases should allow tenants to grant a bank or other reputable lending institution a charge over the lease, without the landlord's consent needing to be obtained.

6.7 It may be appropriate for shorter term leases or leases of particular types of property to have more restrictive provisions in relation to assignment, charging, subletting and sharing.

7 Service charges, insurance costs and other outgoings

7.1 The heads of terms **must** state if the tenant will be liable to pay a service charge.

7.2 The heads of terms should indicate the main services, if any, that the landlord will provide.

7.3 Landlords should, during the negotiations, provide proper estimates of service charges, insurance payments and any other outgoings that the tenant will incur under the lease. Landlords should disclose known irregular events that would have a significant impact on the amount of future service charges.

7.4 Landlords should be aware of the latest edition of the RICS professional statement: *Service charges in commercial property*.

7.5 Service charge provisions in leases should be drafted having regard to the principles in that code.

8 Repairs

8.1 The heads of terms **must** state all parties' repairing responsibilities.

8.2 Leases should impose tenants' repairing obligations appropriate to the length of term and the condition of the premises. Tenants should not normally be obliged to give the premises back at the end of the lease in any better condition than they were in at its grant.

8.3 If a schedule of condition is required, the heads of terms should state which party is responsible for the cost of obtaining it.

8.4 The heads of terms for lettings in new buildings should state the extent to which the tenant is being given rights against the building contractor for defects, directly or through the landlord.

8.5 Leases of newly built premises should contain appropriate obligations requiring the landlord to enforce remedies against the building contractor and relevant professionals for building defects where the tenant is not being given its own direct remedies against them.

9 Use and alterations

9.1 The heads of terms **must** state the use or range of uses to be permitted at the premises and any restrictions on changing the use.

9.2 The heads of terms **must** state the restrictions to be imposed on different types of alteration and give details of any initial alterations or fit-out to be carried out by either party.

9.3 Leases should give landlords control over alterations and changes of use that are no more restrictive than are necessary to protect the value of the premises and any adjoining or neighbouring premises of the landlord.

9.4 Leases should require internal non-structural alterations to be notified to the landlord, but these should not need landlord's consent unless in a multi-let property they could affect the building services or systems or if they may have a negative impact on the energy efficiency of the building.

9.5 Except where, as a term of a consent for alterations, the parties have agreed that certain alterations are to be removed at the end of the lease, leases should allow the landlord, where it is reasonable to do so, to require the tenant to remove alterations at the end of the lease and make good. Leases should require the parties to identify the required works in sufficient time before the end date to enable the tenant to comply with any such obligation.

10 Insurance and damage

10.1 The heads of terms **must** state whether the tenant is to pay towards insurance premiums.

10.2 Where the landlord will insure the property, leases should provide that the policy terms will be fair and reasonable, that full terrorism cover will be provided if it is available at reasonable rates of premium and that the landlord will insure with reputable insurers, provide details of the insurance to the tenant on request, give the tenant the benefit of any premium discounts and disclose to the tenant whether the landlord is receiving commission.

10.3 Leases should state that rent suspension will apply if the premises are damaged by an insured risk or, other than where due to an act or default of the tenant, an uninsured risk. If the lease limits the period in which rent is to be suspended, the landlord or the tenant should be allowed to terminate the lease if reinstatement is not completed within that period.

10.4 Leases should state that if the whole or a substantial part of the premises are so damaged by an uninsured risk as not to be capable of normal use by the tenant, either party should be allowed to terminate the lease unless the landlord agrees to rebuild at its own cost.

11 Energy efficiency

11.1 The heads of terms should state whether the tenant is to have any obligations in relation to energy efficiency that might involve material cost or limit how the tenant can fit-out or use the premises.

11.2 Leases should contain provisions that encourage co-operation between the parties to improve energy efficiency.

11.3 Consideration should be given to including in the lease other 'green' provisions, see examples in the Better Building Partnership's *Green Lease Toolkit* (www.betterbuildingspartnership.co.uk/green-lease-toolkit).

11.4 Leases should require the parties to share available data and information to assess the likely energy impact of any alterations or fit-out proposed by the tenant. Landlords should state any specific requirements they may have for preserving the energy efficiency of the building.

11.5 Leases should state which party is responsible for obtaining any Energy Performance Certificate (EPC) that may be needed during the lease period. Landlords should be required to act reasonably if they reserve the right to choose which EPC assessor the tenant may use.

Appendix A: Template heads of terms

This template should be read in conjunction with the mandatory requirements of the lease code in Part 1.

This template heads of terms mirrors the sections of the lease code. The items marked with an asterisk should be included within the heads of terms in order to comply with the mandatory requirements of the lease code. These items are also listed within the checklist that follows the template heads of terms, which can be used as an alternative. The checklist is likely to be a useful tool when a landlord or their agent wishes to use their own form of heads of terms document, and the checklist should then be used to ensure that at the very least the minimum information required by the lease code is being captured.

1.0 Initial information

1.1 Lease code compliance

Lease to be code compliant: yes ☐ or no ☐

1.2 Type of lease

Head lease ☐ or sublease ☐

1.3 Landlord

[.....] (Registered no. [.....])

Registered office:

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

1.4 Tenant

[.....] (Registered no. [.....])

Registered office:

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

2.0 The premises

2.1 Description of the premises *

Detailed description, measured area and Land Registry compliant plan attached if available:

.....

2.2 Rights *

Detailed description of any rights being granted:

.....

3.0 Length of term, renewal rights and break rights

3.1 Lease length and start date *

..... years and months commencing on

3.2 1954 Act protection *

Lease to benefit from the protection of the 1954 Act: Yes ☐ or No ☐

3.3 Break clauses *

- (a) Any break clauses: yes ☐ or no ☐
- (b) Notice period for exercising months
- (c) Single break date on or at any time after
- (d) Break operable by landlord ☐ tenant ☐ or both ☐
- (e) Details of any break clause payments

4.0 Rent deposits and guarantees

4.1 Rent deposits *

- (a) Rent deposit required: yes ☐ or no ☐
- (b) If yes, amount of rent deposit: £
- (c) Period of time the deposit will be held
- (d) Deposit held as security for rent ☐ or all obligations ☐
- (e) Details of circumstances in which the deposit will be returned

4.2 Guarantors *

- (a) Guarantor required: yes ☐ or no ☐
- (b) If yes, identity of guarantor
- (c) Guarantor providing security for rent ☐ or all obligations ☐
- (d) Details of circumstances in which the guarantor will be released

5.0 Rent and rent review

5.1 Rent *

- (a) £ per annum exclusive of VAT
- (b) Payment dates monthly ☐ or quarterly ☐

5.2 VAT election *

Property VAT elected: yes ☐ or no ☐

5.3 Rent free period (and other incentives) *

- (a) Rent free period: yes ☐ or no ☐
- (b) If yes, length of rent-free period months

(c) Details of any other incentives

5.4 Rent reviews *

(a) The lease includes rent review provisions: yes ☐ or no ☐

(b) Basis of review

(c) Reviews every years

6.0 Assignment, subletting and sharing

6.1 Requirements before alienation can take place *

	Prohibited	If not prohibited is consent not to be unreasonably withheld	Permitted without consent
Assignment of whole	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sub-lease whole	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sub-lease part	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sub-sub-lease	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Concession	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Group sharing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7.0 Services and service charge

7.1 Is a service charge payable? *

(a) Service charge payable: yes ☐ or no ☐

(b) Proportion % and estimate or actual annual charge £

(c) Any special or unusual provisions

8.0 Repairing obligations

8.1 Repairing responsibilities *

(a) Full repairing ☐ or internal repairing ☐

(b) Landlord repairs and recovers the cost ☐ or tenant repairs at its own cost ☐

8.2 Schedule of condition

(a) Schedule of condition to be completed: yes ☐ or no ☐

(b) Responsibility for cost of preparing this: landlord ☐ or tenant ☐

9.0 Use and alterations

9.1 Permitted use *

(a) Permitted use:

(b) Limitations on changing use:

9.2 Landlord's initial works *

(a) Landlord to undertake works: yes ☐ or no ☐

(b) If yes, brief description of works

(c) Long stop date by which works must be done

(d) Specification agreed: yes ☐ or no ☐

(e) If no, to be provided by: landlord ☐ or tenant ☐

9.3 Tenant's initial works *

(a) Tenant to undertake works: yes ☐ or no ☐

(b) If yes, brief description of works

(c) Long stop date by which works must be done

(d) Specification agreed: yes ☐ or no ☐

(e) If no, to be provided by: landlord ☐ or tenant ☐

9.4 Alterations *

	Prohibited	If not prohibited is consent not to be unreasonably withheld	Permitted without consent
External	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External structural	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal structural	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal non-structural	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10.0 Insurance

10.1 Liability for insurance costs

- (a) Landlord to insure the property: yes ☐ or no ☐
- (b) Premium to be recovered from tenant: yes ☐ or no ☐
- (b) Terrorism to be an insured risk: yes ☐ or no ☐
- (c) Mutual break clause for insured damage: yes ☐ or no ☐
- (d) Mutual break clause for uninsured damage: yes ☐ or no ☐

11.0 Other issues

11.1 Rates and utilities

- (a) Responsibility for paying business rates: landlord ☐ or tenant ☐

11.2 Legal costs

Each party to pay own including costs of approval for tenant's fit-out

11.3 Conditions

Completion of the lease conditional on:

- (a) Board approvals ☐
- (b) Planning ☐
- (c) Local authority consents ☐
- (d) References ☐
- (e) Superior landlord's consent ☐
- (f) Survey/schedule of condition ☐
- (g) Other

11.4 Landlord's solicitor

[.....]

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

11.5 Tenant's solicitor

[.....]

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

11.6 No contract

These heads of terms are subject to contract.

11.7 Landlord's agent

[.....

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

11.8 Tenant's agent

[.....

Correspondence address:

Contact name:

email:

Telephone:

Mobile:

Minimum heads of terms checklist

As a minimum, written heads of terms must be produced that answer the following questions:

- ☐ What is the extent of the property?
- ☐ Are any special rights being granted under the lease?
- ☐ What is the duration of the lease?
- ☐ When does the lease start?
- ☐ Is the lease protected under the 1954 Act?
- ☐ Are there any break options?
- ☐ Is a deposit being held?

- ☐ Will a guarantor be required?
- ☐ How much is the annual rent?
- ☐ On which dates will the rent be payable?
- ☐ Has the property been elected for VAT?
- ☐ Is there a rent-free period or any other incentives?
- ☐ What are the rent review dates and the basis for the reviews?
- ☐ Can the tenant assign, sublet or share possession?
- ☐ Will a service charge be payable?
- ☐ Who has responsibility for repairing the property?
- ☐ What is the permitted use of the property?
- ☐ What rights does the tenant have to make alterations to the property?
- ☐ What initial works will the landlord be completing and when?
- ☐ What initial works will the tenant be completing and when?
- ☐ Who will be responsible for the cost of insuring the property?

Appendix B: Occupier guide

Introduction

Before signing a lease, you should work with professional advisors to ensure the lease matches your requirements and that you understand all the terms and conditions.

It is important to remember that a lease is a **binding contract** in law that sets out the terms and conditions of the tenancy agreement between an owner and an occupier. It defines the rights and obligations of both parties.

This occupier guide describes some of the main factors that you will need to consider when you are agreeing a lease. Many of the topics included can be highly complex, and this occupier guide will provide an outline of the key points. It is not a substitute for the depth of knowledge and experience that a surveying professional – working in some instances with a lawyer or accountant – can provide.

RICS members are professionals of the property world. Some RICS members offer a range of property skills and others specialise in areas such as valuation, building surveys or agricultural property.

RICS members can be recognised by the AssocRICS, MRICS or FRICS designation. RICS ensures that its members abide by strict rules of conduct including rules around handling clients' money. As an ultimate safeguard, all RICS member firms are required to carry professional indemnity insurance, which protects clients in the unlikely event of professional negligence.

The *Code for leasing business premises*, 1st edition, RICS professional statement (2018) (the lease code) provides a framework within which a prospective tenant can reasonably expect a landlord to operate. As a prospective tenant, you should not assume that a landlord complies with the lease

code. The lease code does not provide all of the protection needed for your business in leasing premises.

Sometimes the landlord will be the tenant of another owner. This may restrict the flexibility of terms the landlord can offer. The landlord should always state in advance if this is so and provide a copy of the current lease.

If you intend to buy an existing lease (take an assignment) from someone else, be aware that, though parts of this occupier guide may help you to interpret some of the terms of the lease, there may be many other issues covered in the lease document that you and your advisors should consider.

In this occupier guide, the following terms have been used:

Landlord: The owner of the property or the person owning an existing lease of the property.

Tenant: The occupier of the property or the person paying rent to a landlord (this occupier guide assumes the tenant will be the reader).

Heads of terms: A summary of the agreement between the parties and is used to instruct lawyers to produce the formal lease. Both the heads of terms and the lease should comply with the recommendations of the lease code but once the lease has been signed the heads of terms will fall away.

This occupier guide should be read in conjunction with the mandatory requirements of the lease code in Part 1.

The structure of this occupier guide is intended to mirror that of the lease code. It is organised into the same 12 sections and within each section there is one key issue that should be considered when deciding whether to take a lease of a business premises.

1 Lease negotiations

You should be aware of all the costs of occupying the property and how long you will be liable for these.

You should expect the landlord to make very clear exactly what you are being asked to agree to. You should be able to understand the total extent and duration of the cost and liability you will be taking on if you sign a lease based on the terms being offered by the landlord.

Make sure you understand every term and condition in the offer including the total cost until the lease ends and ask the landlord or the landlord's representative to confirm in writing that the offer, and heads of terms, are compliant with the lease code.

Ask for alternative terms if you are not happy with the initial terms of the landlord's offer, bearing in mind that any variation (such as lease length, rent review terms – including frequency and basis – break options, etc.) may change the level of rent or other terms.

Request written responses from the landlord, where you expect to need to rely on them. Check that all information has been accurately recorded in the heads of terms and documented in the lease. The lease code provides a checklist showing the most important pieces of information that should, as a minimum, be included within the heads of terms, along with a template that should ideally be used to make the work of your solicitor more straightforward when drafting the lease itself.

The landlord should provide full details of your expected costs involved in leasing the property. This should include all personal or company guarantees, security deposits or other bank guarantees. Not all costs will be fixed at the time of agreeing the lease, for example, service charge and insurance costs will often fluctuate over the lifetime of the lease.

Where the costs are not fixed, you should expect the landlord to explain how any costs will be calculated so that you can understand the risks and make sure you can afford all the costs of leasing the property.

It may be helpful to use a checklist as a prompt in your conversations with the landlord on the costs of the letting and to calculate the likely total costs.

Cost item	Who pays?	What is the occupier's cost each year?	If this cost is not fixed, what does it depend on?	How much?	How often?
Rent					
VAT					
Rates					
Service charges					
Insurance					
Utilities					
Repairs/dilapidations					
Fitting out/alterations					
Any additional costs					
Total each year					
Total lease cost					

Table 1: Example checklist on the costs of the letting

Stamp duty land tax may be chargeable on your lease. If it is, it is payable within 30 days of completion of the lease or, if earlier, the tenant going into occupation, whether to start fit-out works or for trading. The tax calculation can be complicated and ideally advice from a solicitor should be sought. It is unlikely this tax will be payable if the total of your rent (including any VAT), for the length of your lease is less than £150,000. Different considerations apply if/when the lease is renewed.

2 The premises

You should understand exactly what the property is that you will be taking responsibility for.

Make sure the offer clearly describes the extent of the property, preferably with the boundaries clearly marked on a plan and the floor area noted. You also need to be aware of:

- all means of access and escape
- any access or areas you must share with other occupiers
- limitation of hours of use
- restrictions in the type of use
- legal or planning limitations or
- obligations that come with the property.

To have confidence that the property you are letting is accurately reflected by the description within the lease, it is recommended that before completion you commission a survey of the building during which measurements are taken. This will also help you to ensure that the rent and service charge, which are normally quoted per square foot (or metre), are correctly calculated.

If you are taking a lease of either all or part of a building you should make sure that it is clear which elements of the structure and fabric of the building are being included within the lease. This will vary between different lettings, and could lead to you having significant maintenance liabilities. Check whether items such as the roof, windows or lifts are becoming your responsibility under the lease.

Make sure the offer sets out clearly who the landlord is, together with any superior landlords. You should also remember that, however good your relationship is or seems to be with the landlord, if the property is sold to another party you will be relying on the terms of the lease to reflect what you have agreed to allow you to carry on and safeguard your business.

3 Length of term, break clauses and renewal rights

You should know how long the lease will be, whether any break options will exist and what right to continue to occupy the property you will have at the end of the lease.

As with all terms of the lease, the question of how long the lease will run for is for the parties concerned to negotiate. It is important to understand that you will be liable to the landlord throughout the length of the lease for rent, and to pay outgoings such as rates. This liability will only end if you pass the lease onto someone else, with the landlord's agreement. Even then, if the person to whom the lease is passed on does not pay, it is possible you will remain liable. It is vital that you understand this point.

You should understand the principle of security of tenure, which means that at the end of the lease term, unless the lease contains a written agreement to the contrary, a tenant of business property, who is using the property to carry out his or her business, is protected by the *Landlord and Tenant Act 1954*. This means that the tenant is entitled to a new lease, on terms that the parties agree or that a court will decide if they cannot. There are occasions when this will not apply, and it is important to take legal advice.

Not all leases benefit from security of tenure. Some leases will specifically state that the tenant does not have the protection of the 1954 Act. As a rule, you should be wary of giving up the security of tenure that the law normally provides. However, there will be some cases where a landlord will not be prepared to sign a lease except with this exclusion.

Even if your tenancy is protected under the 1954 Act, you are not certain of obtaining a new lease when the current one expires. The landlord might legitimately oppose your application on certain limited specific grounds, for example, that they need to occupy the building or wish to redevelop it or the landlord might claim that you had consistently breached the terms of the old lease.

You should make sure you understand the options available to you when your lease expires. You should take professional advice at least six months before the end of the lease and on receipt of any notice from the landlord under the 1954 Act.

Some leases will incorporate a 'break option', which gives the landlord or tenant (or both) the right to walk away from the lease at a specific point.

Make sure that the length of the lease is appropriate for your business needs; ask the landlord to offer you a break option exercisable only by the tenant (this will be you unless you have assigned your lease) to give you the opportunity to cancel the lease at a time that suits your business. If a break option is included make sure you are clear on what date, or within which range of dates, this can be exercised.

A right to break should allow you to walk away from the lease at a given time after informing the landlord in writing. This should be conditional only on having paid the rent due under the lease and giving up occupation of the property, leaving behind no continuing subleases or occupation by others. You may have other liabilities to fulfil, but these should not be used to invalidate the right to break.

Be careful that it is only the principal rent and not any other sums (such as service charges) that must be paid in cleared funds before the break date. You should also ensure that the lease requires the landlord to repay any rent or other payments you have paid to cover a period beyond the date at which you exit the property. Many leases do not include this requirement.

When granting any subleases or in sharing possession with any suppliers or business partners, always make sure your agreement with them expires on a date before your right to break, and that you have not given them any rights to stay in the property beyond the term of your agreement with them. In the case of a sublease this would mean that the agreement is not protected by the 1954 Act.

4 Rent deposits and guarantees

You should understand whether any deposits or guarantors will be required by the landlord, and when the deposit will be returned or the guarantor will be released.

If the landlord demands a deposit, you should make sure you understand the conditions under which it is held and the basis on which it will be returned to you. You should remember that this is your money that the landlord is holding as a protection against any failure on your part.

You should confirm that interest on the deposit will be accrued at a fair rate. Ask the landlord to make sure it is held in an account that belongs to you (known as an escrow or a stakeholder account) in case the landlord becomes insolvent. Throughout the term of the lease, make sure you obtain statements from the landlord to confirm that the money is still in the account and that all interest earned has been paid to you or, if required by the lease, has been held on your behalf within the account. Check that your deposit will be transferred to the new landlord if the landlord sells the property to another owner.

Make sure you know when and how you can get your deposit back, such as when you no longer have an interest in the property or have satisfied agreed conditions. The conditions will normally relate to financial considerations such as a requirement that the tenant achieves a specified level of profitability over an agreed period, or in the case of a retail tenant that they have recorded an agreed level of sales. This should be agreed with the landlord in writing and will normally then be documented by way of a rent deposit deed.

You should take care in deciding whether to take the lease in the name of a company (which your accountant may have advised should be formed for your business) or in the name of you as an individual. If it is your company that takes the lease, it is possible the landlord will expect you to give a guarantee, to make certain the tenant company pays the rent and complies with other obligations. If the company does not pay, then the landlord will expect you to do so. This may also be the case if the company passes on the lease, and the next tenant defaults. You should consider this matter carefully and get professional advice.

If you are asked to give a personal guarantee, you should avoid using your home as security. You should be able to understand when and how the landlord may call on your guarantee, and what the guarantee would cover. Think of any guarantee as if it will be called on the first day of the lease; what would be the personal consequences? is it affordable?

In many cases, if a guarantor is required then they may be released from their obligation either at a pre-agreed point in time, or when a certain condition has been met. You should be clear on what is agreed in this respect.

5 Rent and rent review

You should agree with the landlord what the rent for the property will be, and when and how this can change.

It is up to you and the landlord to agree the starting rent before the lease is signed. However, this rent may subsequently be reviewed at intervals. The expertise and market knowledge of a chartered surveyor is vital in agreeing a rent, because they will know the level of rents that have been achieved for similar recent lettings in the area and can advise you on what figure is reasonable. Sometimes it may be possible to negotiate a rent-free period at the beginning of a lease. This is often intended to cover the period during which a tenant is fitting-out the property, so they are not paying rent before they are able to trade.

However, the rent cannot be viewed in isolation without considering the other terms of lease. You should, for example, expect to pay more if the landlord takes responsibility for repairs than you would do if you were responsible for them. The lease will state the payment terms for the rent. This is often quarterly in advance although other alternatives such as monthly payments could be considered. There will be penalties for late payment and the lease will probably allow the landlord to repossess the premises if you default on the rent.

You need to understand whether VAT will be charged on the rent. Most commercial properties are 'elected for VAT' meaning that VAT will be added to the rent that you are charged. You may need to take professional advice on how this tax can be handled.

In the case of longer leases there will often be provisions for the rent to be adjusted at intervals of, say, three to five years. The wording of this rent review clause in the lease is very important and you need to be sure that you understand the way in which a new rent will be calculated.

The rules by which the rent can be changed should be clear and understandable. The lease should not be written in such a way that the landlord can simply impose a rental increase.

Traditionally commercial leases have tended to include provisions that allow the rent to be increased (but never decreased) in line with rents payable for new lettings of comparable property in the same area. This is known as an upwards only open market rent review. If this applies the rent will not reduce even if there is a fall in the market and it is important to be aware that this can result in an artificially high rent being paid.

The lease code suggests that alternative approaches to the upwards only approach should be explored by the parties in order to find a fair solution. One option is to agree reviews linked to an index, such as the Consumer Prices Index or the Retail Prices Index. If you agree reviews fixed to an index, the basis should be a published, independent, authoritative source.

Another alternative to rent reviews for retail properties may be to have a rent that is linked to the turnover at the property, meaning that the rent is equal to a certain proportion of the sales made by the tenant. There is no set percentage to be applied to generate the amount of rent paid in this scenario. This will differ markedly depending on the type of operation, and will be a matter to be agreed by negotiation between the landlord and the tenant.

If there is an open market rent review provision, it should ignore any added value from improvements you make (other than as part of an explicit obligation), or any value arising from your business. You should also make sure that, if you and your landlord cannot agree on what the open market rent is, this is to be referred to an independent expert or arbitrator to settle.

The way in which a rent review clause operates can be complicated, and may have the potential to both create disputes and significantly increase the amount that you pay. For these reasons, it is important that you understand what is being proposed, and it is recommended that you seek professional advice on the likely implications of this.

6 Assignment, subletting, charging and sharing

You should understand what rights you possess to assign or sublet the lease, or to share possession of the property with another party.

There are two main possibilities if you want to vacate the premises before your lease expires. The first is to 'assign' the lease to another tenant who takes over occupation of the property and responsibility for paying rent to the landlord. The second is to continue to pay the rent, but sublet the space to another tenant, from whom you in turn collect rent. However, your lease may limit or impose conditions on your ability to follow either course, and you need to understand these limitations fully before you sign the lease. The clauses in your lease relating to assignment and subletting can have an important effect on your future flexibility. You should make certain that a chartered surveyor or solicitor explains what you are being asked to agree to, and its possible implications.

If your lease allows subletting, you should understand any limitations (in terms of the amount of space you can sublet, how the subtenant is allowed to use the space, the rent you can charge and the nature of the subtenant you can sublet to). It is usual for landlords to insist that subleases are granted outside the protection of the *Landlord and Tenant Act 1954* and on similar terms to your lease, although the lease code recommends that it may be appropriate in some cases for subleases that are outside the 1954 Act's protection to be on different terms.

Try to make sure you are not required to sublet at the same or higher rent than you pay. You should not be required to charge anything more than the market rent at the time of the subletting.

It is common for leases to be drafted so that the landlord's written consent is required before the tenant can sublet. Make sure your landlord, and any superior landlords, are not able to unreasonably delay giving consent and that they are not allowed to refuse without good reason.

It is common for landlords to require you to guarantee the lease once you have assigned it to a third party. The form of guarantee (an authorised guarantee agreement or AGA) usually makes you responsible, as a guarantor, for the lease obligations if your assignee (the person to whom you sold your lease) is at fault. Your liability will continue until the end of the lease or your assignee assigns the lease to another party. Try to agree alternative conditions to avoid you having to enter into an AGA (for example, by having the new tenant pay a rent deposit or provide a guarantor).

The lease should not require you to have complied with every one of your obligations before you can assign or sublet. Try to make sure the only precondition for assignment is obtaining the landlord's consent in writing and that the landlord may not unreasonably withhold or delay giving their consent. The lease code states that it may be acceptable for leases to describe certain circumstances in which the landlord can refuse to grant consent, such as if the tenant has failed to make payments which are required by the lease. Try to make sure that if these circumstances are described they are not overly onerous, as it could potentially mean that the landlord can prevent you from assigning or subletting your lease.

Further information on the process to be followed when the tenant applies for consent for a subletting or assignment can be found in the Alterations Protocol (www.propertyprotocols.co.uk/the-alterations-protocol).

Leases generally describe the conditions attached to another activity known as 'charging', which involves the tenant using the value of their lease as security against a loan. This will often be prohibited by the lease, so if you think that it is possible that your business will have a requirement to place a charge over the lease in future then you should ensure that the ability to do this is agreed within the heads of terms. It is recommended that you give this matter serious consideration, as the needs of a business inevitably change over time, and having the ability to charge the lease may prove to be beneficial in future.

7 Service charges

You should understand whether you will be charged by the landlord for the services supplied to the property, and if there is a charge how this will be calculated.

In addition to rent, there are certain other regular payments that you as the tenant may need to make to the landlord. Particularly where you occupy only part of a larger building, the landlord may charge you a portion of the cost for services that they supply for the building as a whole. This will generally be described as a 'service charge'.

The service charge will probably cover your share of the cost of maintaining common parts of the building and a proportionate share of the costs of repair or redecoration of the building. If major items of equipment need replacement, such as a central heating boiler that serves the whole of the building, your proportion of the cost would probably be charged by way of the service charge. Your lease should set out what items would come within the service charge. It is important to get a chartered surveyor to explain to you the implications of this part of the lease and what expenditure you might face.

If your lease is for a short period, or the property you are taking a lease of is in a poor condition, you might try to negotiate a service charge cap limiting the amount of service charge you have to pay in the first year, and then possibly rising annually in line with inflation.

You should expect the landlord to be explicit in their offer about any service charges, including how these costs are calculated, what they cover (and do not cover) and the extent to which you will be obliged to pay towards any capital improvements and long-term repairs or replacements of structure, fabric or machinery and equipment.

Ask the landlord whether they comply with the RICS professional statement: *Service charges in commercial property* and ask for a clear estimate in writing of the likely service charge costs for each year of the lease term (to include any known or planned capital costs), preferably based on evidence if this is available.

As you are likely to be responsible for the repairs to a proportionate part or the whole of the building you should satisfy yourself that there are no major repairs required at the beginning of your lease or that are likely shortly afterwards. This would be best achieved by commissioning a building survey of the property. Ensure the landlord has to contribute a fair share of the cost when he or she has other space vacant in the estate or building.

There are also other occupational costs that will need to be considered before a lease is entered into; the most significant of these is likely to be business rates. Businesses are liable to pay the 'uniform business rate' (UBR), and it is usually the tenant who will be responsible. Occasionally, however, the landlord will pay the UBR and pass on the cost to the tenant, perhaps in the service charge. The lease should make clear where the responsibility lies and the prospective tenant should make

enquiries with the local authority responsible for administering the UBR as to the likely charge for the property.

8 Repairs

You should be clear whether it will be the tenant or the landlord who is responsible for the cost of repairing the property, or if these responsibilities are shared, what the extent of your liability will be.

Check the condition of the property. Chartered surveyors play a key role here and will be able to advise you on the repair outlays that you are likely to face. You need to be clear who is responsible for repairs: the landlord or the tenant.

The clauses in the lease relating to redecorations and repairs are important, particularly when you are leasing an older building. Usually the tenant will be responsible for internal decoration and repairs and you may be responsible for external ones as well. The requirement to repair a property probably includes an obligation to undertake any repairs necessary at the time you sign the lease. Be wary if you are planning to lease a building that is already in disrepair. Where you agree to 'keep' a property in repair, you must first put it in repair. For this reason, it is vital to have the premises surveyed by a chartered surveyor at the outset. They will be able to advise you on the scale of liability that might be involved.

Unless you and the landlord specifically agree otherwise, the fact that the premises were in a poor condition when you took them on is largely irrelevant. You still have to put them right. Consider attempting to negotiate a lower rent or a rent-free period to compensate for costs that you face. Alternatively, negotiate with the landlord that the premises be returned at the end of the lease in a condition similar to the state in which you took them. In this case, after you have had the premises surveyed, make sure that their condition is established, recorded and attached to the lease as a 'schedule of condition'. This may consist of a verbal description of the state of the property, or a set of photographs, or both.

A formal photographic schedule of condition should be carried out by a firm of surveyors, but you may choose to undertake this task yourself by taking plenty of photographs on or before taking the lease. If you take the photographs yourself, make sure you have the photographs dated and witnessed and keep a set with your lease documents.

It is recommended that the schedule of condition should be prepared at as early a stage as possible during the lease negotiations in order that there is ample opportunity for the parties to agree it as being an accurate record.

You should bear in mind if you buy an existing lease (take an assignment of someone else's lease), that the condition of the property when you take it may be poorer than it was at the beginning of the lease. You may be required to put the property back into its original condition. It is recommended to seek professional advice on the possible costs that you may incur.

If you are taking over a building that is or has been previously occupied, make sure you understand which fixtures and fittings will be removed by the previous occupier.

A further consideration relating to repair is the existence of any warranties that you may potentially benefit from. This will be an issue for newly built properties or those that have undergone substantial programmes of refurbishment, for which there may be warranties available that can be utilised if there are issues with the building work. This could be beneficial to the tenant if they have responsibility for repairing an element of the building covered by the warranty and a defect emerges. It is therefore important that the landlord provides you with the details of any relevant warranties, and you should make enquiries regarding their presence. However, warranties will not usually be available for the tenant if you are only taking a lease of part of a building.

9 Use and alterations

You should make sure that the permitted uses for the property are documented and you know how permission for a change of use or for physical alterations can be agreed.

Your lease will limit the use of the property to a specified purpose such as offices. Where the use is defined in terms of *The Town and Country Planning Act (Use Classes) Order 1987*, you should check that the definition of that use class matches your proposed use. The definitions can be found here: www.legislation.gov.uk/ukxi/1987/764/schedule/made

The lease will usually put the responsibility on you to check that your proposed use complies with the planning consent granted for the property.

Check that the property has planning permission for your use and that there are no restrictions on your ability to run your business, (e.g. a limitation on working hours or noise emissions). If you need to obtain planning permission for your use, remember to allow eight to 10 weeks (sometimes longer) for the application to be processed. Altering services such as electricity and gas can be expensive, so always ensure that the property has adequate mains services and that they are in good order. Ensure that the premises comply with health and safety requirements, including fire regulations and access requirements under disability legislation.

You will inevitably be subject to some restrictions under planning legislation. For example, you will not be able to use a high street shop as an engineering works. The lease may also impose further restrictions on use – to maintain a balance of different types of retailer in a shopping centre, for example. A lease with strict conditions of use may be difficult to assign or sublet.

Make sure the landlord provides you with all relevant information and, if possible, confirms to you that your use complies with the planning consent granted for the property.

The lease may be restrictive in terms of any signage and any alterations you are permitted to make. Before you enter into the lease, make sure you are permitted to carry out any works your business needs.

Check what you need to do to the property to be able to trade. Make sure that before you commit to the letting the landlord agrees in writing any changes you intend to make at the beginning of the lease period. Check whether you will be required to remove your alterations at the end of the lease. This depends on the terms of the lease and any licences that document the consents that the landlord grants you to make alterations. On granting consent for alterations, the landlord may require that at the end of the lease you remove these alterations if requested to do so. Therefore, unless the landlord thinks your alterations have added value, you will probably be required to reinstate the property at the end of the lease or pay the cost of it being done. The exception is if neither the lease nor the licence for alterations gives the landlord the option of requesting reinstatement.

The landlord should be required to give their consent within a reasonable time and should not be able to refuse your proposed alterations without good reason. Further information on the process to be followed when approving alterations can be found within the Alterations Protocol (www.propertyprotocols.co.uk/the-alterations-protocol).

Make sure your lease allows you to make non-structural alterations except where the landlord can demonstrate it would affect the operation of the building. Remember to notify the landlord of any non-structural alterations you make.

10 Insurance and damage

You should understand who is responsible for insuring the property, both in terms of arranging the insurance and being liable for the costs of doing so.

When you are thinking about the arrangements for buildings insurance, there are two main considerations: who arranges the insurance and who pays the premiums. Normally, the tenant will pay the premiums in one form or another, even if the insurance is arranged by the landlord. Responsibility for insurance should be made clear within the heads of terms. Most tenants will also want to insure against disruption to their business and loss of profits should the building become unusable following a fire or other accident. A buildings insurance policy taken out by the landlord will not normally cover these sorts of losses.

It is sometimes the case that the landlord will receive some commission payments for arranging the buildings insurance, and if this is the case they should confirm that.

Request a copy of the landlord's insurance policy and before signing the lease, check with alternative insurers that you are getting value for money for the given level of premium and that the insurance company is reputable. Ask the landlord to confirm to you that he or she has no intention of changing the scope (and, therefore, the cost and nature) of the insurance cover.

The lease should provide for proceeds from the landlord's policy to be used to repair or rebuild the property in the event of it being damaged by a risk covered by this insurance, unless the insurance is invalidated by anything you do, in which case you may be liable for the reinstatement.

Remember to inform the landlord and their insurer if you intend to change the way you use the property; let them know if you are storing any hazardous chemicals in the context of your business or if you propose to leave the property vacant and unattended at any time. Ask the landlord to ensure such activities are covered by the insurance policy and to consult you over any changes in the insurance policy terms.

Check whether your alterations or improvements would be covered under the landlord's policy.

11 Energy efficiency

You should know about any requirements that will be placed on you for ensuring the energy efficiency of the premises.

When the heads of terms and resulting lease terms are being negotiated, there are a number of factors relating to sustainability and the environment which should be considered. Throughout the lease agreement, clauses should be included that encourage co-operation between the landlord and the tenant to ensure that the property is used as sustainably as possible.

The lease may put certain requirements on the tenant relating to sustainability. These points should be clarified during negotiations over the heads of terms and as with all the terms of the lease you should be clear about your responsibilities and possible liabilities.

When proposing alterations to the property, there is a requirement in many modern leases that the alterations involved do not negatively impact the sustainability rating of the building. The inclusion of such a requirement is generally to be encouraged, but you need to be aware of the exact requirements and possible implications.

Energy Performance Certificates (EPCs) are used to assess the energy efficiency of a building. These are required by law in the course of a sale or letting, and are developing an increased level of importance due to the introduction of Minimum Energy Efficiency Standards in April 2018. These will prohibit the letting of properties with EPC ratings lower than E. You should ensure that there is agreement regarding who will be responsible for obtaining any EPCs that are required during your occupation, and you need to understand any limitations that the landlord may place on your ability to procure an EPC.

12 Ongoing management and lease expiry

You need to be aware of what happens at the end of the lease, and of any costs that you may incur at that time.

The lease forms a legal contract between you and your landlord. Any breach of contract may have serious consequences and you should take care to understand your obligations and make sure that you can comply with them. The laws relating to landlord and tenant relationships are complex and you should seek professional advice so you are clear on your obligations and rights.

A fair lease is one that allows you enough opportunity to fix any problems (without loss to the landlord) before any legal action is taken.

Try to stay on good terms with the landlord. This should help make any situation easier to handle and should allow you to run your business without unnecessary outside interruptions.

The landlord's remedies if you breach your agreement may range from sending in enforcement agents, who may seize goods to the value of the breach, to taking back the property from you ('forfeiture'). Note that this would not take away your liability to pay arrears of rent. This should emphasise the importance of complying with your obligations.

Make sure the 'forfeiture' (sometimes called 're-entry') provisions in the lease are clear; they should allow you enough time to pay, and to restructure your business without necessarily making your lease vulnerable to forfeiture.

The landlord may try to forfeit your lease by locking you out of the property or by obtaining a court order. In either case, you can apply to the court to give you time to put matters right or to pay what you owe. Seek urgent professional advice in that situation.

New legislation often brings new obligations for owners and occupiers of property. Leases often require tenants to comply with all legislation at their own cost. You should research possible new regulations that could affect your occupation and your business, and take professional advice as to what the implications of these could be.

The provision to comply with all legislation should not be taken lightly and you should ensure that the property complies with existing regulations (for example, with the Equalities Act, Town and Country Planning Acts, Health and Safety Acts or Environmental Protection Acts) when you take the lease. A chartered surveyor and other professional advisors can assist you with this.

Ask the landlord to confirm to you in writing that the property complies with all regulations (some of which are 'statutory instruments') before entering into the lease.

You will need to make applications to the landlord during the lease, for example, if you intend to carry out alterations or if you propose to sublet or assign your lease.

The lease should specify that the landlord may not unreasonably withhold or delay consent. The landlord's duty to respond only applies from when they have received adequate information from you about the proposed alterations or the proposed assignee or subtenant and full details of the proposed transaction.

Check what information will be required before making an application and make sure you can give the landlord full details. Ask the landlord in advance what other consents they may have to obtain and ask for assurances that this will not add any further delay to the approval process.

The term 'dilapidations' is normally used to cover defects and disrepair, which you as the tenant will be required to deal with or pay to have remedied when you vacate the premises that you have leased. The landlord may provide you with a 'schedule of dilapidations' towards the end of your

lease, which describes the work that you need to carry out. As a tenant, you may be able to challenge the schedule of dilapidations. To be in a strong position to mount a challenge you need to consider the dilapidations question at the outset, with the help of a chartered surveyor, before you sign a lease.

You should start thinking about dilapidations during the lease negotiations. A survey will establish the condition of the premises, giving an indication of work that may be needed, both immediately and later. During the term of the lease, regular or planned maintenance can avoid greater expense later. It is usually a good idea to record the condition and layout of the premises before you occupy.

Generally speaking, landlords cannot make dilapidations claims earlier than three years before the end of the lease. If you, as the tenant, have a statutory right to a new lease, the landlord probably will not make a dilapidations claim unless or until you indicate that you are unlikely to renew your lease. For full details on the timings to expect and the process that should be followed see the Dilapidations Protocol (<http://bit.ly/2hOICgv>).