

## 10 'tips and traps' of taking on a shop lease

Here is a handy checklist of things to look out for if you are looking to open up a new shop and are about to agree terms with your proposed landlord.

- 1. Tip: Break clause** – you want to be able to end the lease if things don't work out quite how you thought. Try and negotiate a tenant-only right to break the lease early, with the only condition being that you are up-to-date with your main rent.
- 2. Trap: Renewing the lease** - tenants of commercial premises benefit from an automatic right to renew the lease at the end of the term. Landlords can seek to exclude that right, so find out from the outset whether this is their intention.
- 3. Tip: Repair and decoration** – landlords will want tenants to keep the shop in good repair and condition – but what if the shop is already in need of repair before the tenant takes the lease? Take photos before you move in (which you can print off and attach to the lease) and ask that the lease makes it clear that you don't have to keep the shop in any better state of repair than when you first went in.
- 4. Trap: Transferring the lease** - landlords always require that the tenant looking to transfer its lease to someone else, guarantees the ingoing tenant – ask the landlord at the outset whether they would require this and try and exclude it.
- 5. Tip: Landlord terminating the lease** - if you do not pay money due under or are in breach of any terms of the lease, landlords have an ability to change the locks and end the lease. You should ensure that a landlord can only do this if you haven't paid the main rent only.
- 6. Trap: Rent Deposit** - if you have no trading history, a landlord may require that either a third party guarantees you or that you pay a deposit, usually equating to three months rent. Try to organise this in advance of taking the lease.
- 7. Tip: Use** – check on the local authority website or ring the local planning officer for the planning use in place for the shop. If it is not 'A1' then it may be that you need to apply for planning – this can be a lengthy and costly process and you should speak to the landlord about this beforehand.
- 8. Trap: Insurance rent** – quite often a landlord will insure the whole building and will seek to recover some of the cost from the tenant, which would be on top of your main rent and you will need to budget accordingly. Find out from the landlord how much this would be before agreeing how much your main rent will be.
- 9. Tip: Monthly rent** – always ask that you can pay your rent monthly, not quarterly. This will ease the cash flow and allow you to budget more easily.
- 10. Trap: References** – landlords often require a landlord reference, a trade reference and a bank reference. You should ensure that you have all of these references in place - it can take a very long time to collate them, especially a bank reference.

All of the members of the Commercial Property Team at Boys and Maughan have extensive experience in shop leases and should you require any advice or further information, please do not hesitate to contact one of them. The contents of this fact sheet are general principles and do not constitute legal advice. Every case is different.