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Business leases – tenants' market

Simple laws of supply and demand normally dictate the terms of a bargain and contracts for business premises or leases are no exception. No one can help noticing the empty shops and “for rent” signs that are increasing in numbers in the Plymouth area.

As the proverb goes “every cloud has a silver lining” and what is a problem for a landlord represents a real opportunity for prospective tenants.

The perfect scenario from the landlord's point of view is a tenant who is financially sound, pays the market rent and is fully responsible for all repairs and insurance for premises - the so called “full repairing and insuring” lease. Certainly in more buoyant economic times when supply is tight tenants often have to accept full repairing and insuring leases without concession.

However in credit crunch Plymouth where there is an over supply of premises and no queue of takers, prospective tenants can negotiate significant benefits :-

- low start or discounted rent
- rent free periods with the opportunity to divert the saved rent to fund fitting-out or alterations to suit the proposed business
- relatively long 10/15 year terms with the tenant having the ability to break the lease at points during the term, perhaps at the end of the fifth and tenth year, if trading is unsuccessful
- watered down repair obligations such as the tenant is only responsible for the interior or if there is a responsibility for the exterior perhaps only to maintain to current standards by reference to a schedule of current condition
- where premises are part of a precinct it may be possible to negotiate a service charge cap, rather than the usual opened ended commitment
- it may even be possible to get a landlord to share some of the risk of your success by allowing your company to trade without personal guarantees

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Budding entrepreneurs or tenants seeking to renew lease arrangements or relocate have a real opportunity to negotiate beneficial terms, although they will need to approach negotiations with care

Seasoned landlords are not going to simply roll over. Therefore it is vital that expert legal advice is sought at the outset as it is always difficult “to close the stable door after the horse has bolted” i.e. once heads of terms have been issued it is difficult to re-negotiate and so it is always wise for both parties to obtain legal advice before engaging in negotiation

If you would like further information and an up to the minute view please contact Steven, Tom or Philip who will be happy to assist or visit www.gardandco.com.

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