

A guide to renting or buying **commercial property** for your business.





Surrey, South West M25 and
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Chartered Surveyors and
Commercial Agents.



What type of commercial property **do you want?**

It might be obvious, but the type, and nature, of a business will dictate the type of property that you are looking for. These are the most common types:



Retail:

This includes shops, cafés, restaurants and other leisure activities. It is also common for businesses like estate agents and insurance brokers to use “retail” premises for office-type work. The usage of the property may be subject to planning restrictions and the relevant planning permission can be checked with the local authority.



Office:

While offices are generally within purpose-built or converted properties (old townhouses, barns, etc), some may resemble retail properties but have planning permission that allows their use as an office (solicitors, estate agents, insurance brokers, etc.).



Industrial/warehouse:

These properties are often listed as “industrial property” although their specific use may be subject to planning permission. This may restrict the hours of usage, and the type of manufacturing or industrial uses, particularly if they are located within residential areas.



Size matters

The methods of measuring the area of a building can vary between property types. For example, while the overall internal area of a small shop may be quoted, for larger shops this might be quoted as being “in terms of Zone A”, where Zone A is the first 20 feet (depth) of the shop from its frontage, i.e. the most visible and therefore valuable part of the shop for visibility and sales. The value of the next 20 feet (Zone B) is charged at half the rate of Zone A and so on.

For industrial properties, the areas are usually quoted as a “gross external” figure (the exterior envelope of the property) or a gross internal figure (the wall-to-wall dimensions of the inside of the building). Both the gross internal and gross external figures include all areas of the property including toilet blocks, stairwells, plant rooms, etc. – which might not be useable for actual manufacturing or storage of goods, etc. Take this into consideration when working out the space needed by your business.





Renting or buying?

Broadly speaking, like in residential property markets, you have a choice of buying or renting. In the UK, as the vast majority of commercial properties are owned by investors, taking a property on a lease and paying rent, is the most common route for businesses to acquire space to operate from.

Renting

Leases are legal documents that stipulate the rights and responsibilities of tenant and the landlord. Generally speaking, the content of the lease will be in line with government legislation, occasionally within the Landlord & Tenant Acts of parliament. The length of leases varies (usually in multiples of three or five years), and some may include the option to “break” or terminate an agreement at set points within the lease.

Some leases will include the ability for the tenant to sub-let to other tenants.

In some cases, short-term lettings are available, these are often granted on a “licence” to occupy a property and will usually exclude the security of tenure provisions that are contained within the Landlord & Tenant act 1954.

In recent decades, serviced offices, co-working spaces and “pop-up” shops have become popular choices for small businesses and SMEs. These are often made available on short term licence agreements, providing flexibility for both the occupier and the property owner/operator.

Buying

While the most common form of purchasing a property involves buying a “freehold” it is quite common for properties to be bought on a “long-leasehold” basis, where a small rent or a “peppercorn” rent is paid to the landlord. Long leases can be hundreds of years in length, but ultimately the land upon which they stand is owned by the landlord and may contain certain restrictions. Similarly, some properties are bought and sold as “ground leases”.

It is important to understand what you are buying!



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Important things to consider

Rent payments

The accepted convention is for commercial rents to be paid on a quarterly basis. However, it is becoming more common for rent to be paid month-by-month, particularly for small retail properties. This is also common practice for short-term and serviced offices (popular with SMEs and start-up businesses) where an inclusive rent is paid to cover all costs, such as electricity, heating, lighting, service charge and business rates.

Business Rates

Taxes are one of the things in life that can be guaranteed! Commercial property is no different, and it comes in the form of Business Rates, which are payable to the local authority. The amount of money that is payable in business rates is calculated using a building's Rateable Value (RV), which is set by the Government's Valuation Office, and a multiplier, which is set by the Government.

Business Rates are payable, whether the property is owned or rented.

Surveys

Similar to residential property when acquiring commercial property it is advisable to carry out a building survey and request a copy of the Landlords asbestos survey. In certain circumstances a schedule of condition will need to be agreed between both parties and annexed to the lease.

Estate Charge

Where a building is part of a business park or wider managed estate an Estate Charge can be charged to cover the cost of maintaining the estate or business park and is usually apportioned on a similar basis to the service charge, such as on the percentage of space occupied out of the total estate.

Service Charge

Service Charge is typically paid on multi-let buildings and usually covers the cost of maintaining the property (including the external walls and roof on effective FRI lease), central plant and machinery as well as the cost of heating lighting and managing the building. Service Charge may also include the proportion of the Building Insurance cost. Service Charge is usually apportioned based on the percentage of the building a tenant occupies and can vary depending on whether a lease is an effective FRI (Full Repairing and Insuring) lease or an IRI (Internal Repairing and Insuring) lease.

Legal advice

Buying or renting a commercial property is a big commitment for any business. It is important to ensure that it is done with a full understanding of your rights and responsibilities, and it is important to take legal advice from a solicitor or law firm, preferably one with detailed knowledge and understanding of commercial property matters.



Repairing Covenant

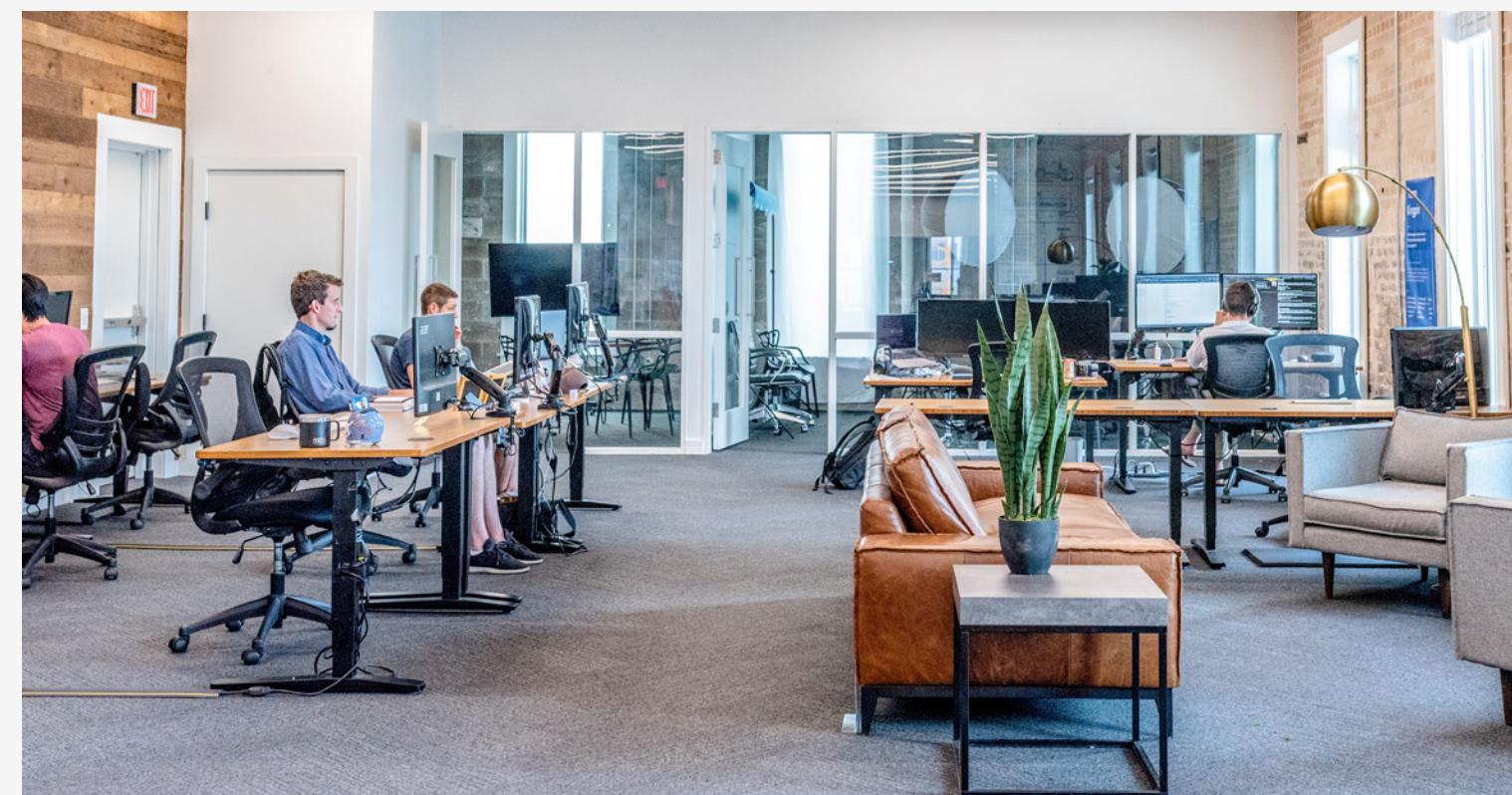
Full repairing and insuring lease ("FRI Lease") - When there is a lease of whole or part, a reference to a "full repairing and insuring lease" means that the tenant has full responsibility for the repair of the property, by way of service charge (if lease of part) and to pay towards part or the total cost of building insurance for the business.

They will be responsible for carrying out the repairs and bearing the cost of these repairs if it is a lease for the whole building (roof, structure, foundations etc., unless specifically excluded). If a lease of part, for their part of the building and then the remainder by way of a service charge.

Internal repairing and insuring ("IRI Lease") - An internal repairing and insuring (IRI) lease is typically a lease of part of a building where the cost of internal repairs only falls on the tenant with the landlord being responsible for external and common part repairs.

Energy Performance Certificate

An Energy Performance Certificate (EPC) is needed when a new building is constructed or when an existing building is marketed for sale or rent. An EPC enables you to consider energy efficiency and potential energy costs. From 1 April 2018, landlords of buildings within the scope of the Minimum Energy Efficiency Standard (MEES) Regulations must not renew existing tenancies or grant new tenancies if the building has less than the minimum energy performance certificate (EPC) rating of E unless the landlord registers an exemption. After 1 April 2023, landlords must not continue to let any buildings which have an EPC rating of less than E unless the landlord registers an exemption.





How we can help?

At **Curchod & Co** we have over **80 years experience** of selling, letting and acquiring **commercial property.**

Our highly skilled and driven team of Surveyors can also help with the following services:



Lease renewal and rent review negotiations



Residential Block management



Property Valuation



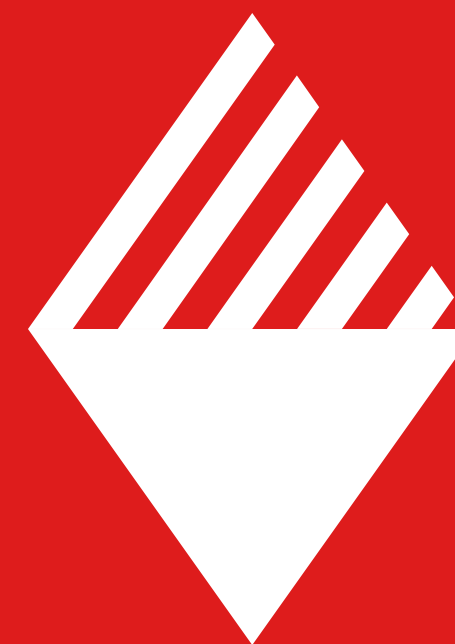
Commercial property management



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