

# BUSINESS OCCUPIERS: WHAT WILL YOU DO WHEN YOUR LEASE ENDS?

## OPTION 1 - REMAIN IN OCCUPATION AND ENTER INTO A RENEWAL LEASE

Check whether your lease is "contracted out" of the Landlord and Tenant Act 1954 (**the Act**).

Contact landlord to discuss renewal terms.

If your lease is not contracted out of the Act, you may want to serve a s26 Request (asking for a new lease). Alternatively, your landlord may serve a s25 Notice offering new terms (or terminating your interest in the premises). If the s25 Notice purports to terminate your interest, it may be possible to challenge it.

It is also advisable to start reviewing your repairing obligations at this stage as well.

If your lease is contracted out of the Act, hopefully you have agreed renewal terms by now and have entered into an Agreement for Lease.

If your lease is "within" the Act, you may have more time - consider serving a s26 Request if no notices under the Act have already been served.

Discuss repairing obligations with landlord and consider how these will be met.

Ideally a new lease has already been agreed and completed and you will simply continue in occupation. Alternatively, you may just be able to carry on paying rent and remain in occupation.

## OPTION 2 - LEAVE PREMISES

Consider and take advice on repairing and reinstatement obligations. Re-assess decision to leave in light of this advice.

If still leaving, plan repairs and reinstatement / budget for cost. If you have any sub-tenants, review the terms of their leases and consider what they should be doing in terms of repairs and reinstatement.

If your lease is not "contracted out", your landlord may serve you with a s25 Notice offering new terms or terminating your interest.

Consider the lease termination date in the notice - i.e. will you need more time in the premises at all? If so, you may be able to negotiate a brief extension with the landlord.

Action any necessary repairs/reinstatement.

If in doubt as to whether anything still needs doing, you could ask landlord to inspect and provide a schedule of outstanding items - these works can then be completed or a sum to compensate negotiated.

Is more time needed in the premises?

Ensure vacant possession given - i.e. nobody should be in the premises at lease expiry date and any goods/chattels belonging to the company should have been removed.

## OPTION 3 - LEAVE PREMISES EXERCISE BREAK & TERMINATE LEASE EARLY

**AS PER OPTION 2. HOWEVER, IN ADDITION THE FOLLOWING WILL NEED TO BE ACTIONED.**

It is advisable to take advice on the break clause and any related conditions at an early stage.

The landlord will need to be given notice in accordance with the break clause in the lease. Usually such notice would be at least 6 months but it could be 12 months or even longer.

The break clause may provide that the lease can only be broken on a specific date and so timing is very important.

Review any conditions that the break clause is subject to and ensure that these will be complied with before the break date - if they are not complied with, the lease will not end on the break date.

Sometimes it will be possible to agree commercial alternatives with the landlord e.g. payment of compensation instead of complying with the conditions.

## OPTION 4 - LEAVE PREMISES & MOVE ELSEWHERE

**AS PER OPTION 2 (AND OPTION 3 IF BREAK IS BEING EXERCISED). HOWEVER, IN ADDITION THE FOLLOWING WILL NEED TO BE ACTIONED.**

Start looking for alternative premises - possibly even 24-30 months before lease expiry.

Ideally new premises will have been found and terms agreed.

Ideally, an Agreement for Lease will have been entered into - i.e. securing the new premises ready for when the existing lease expires.