

**Premierline**  
BUSINESS INSURANCE

from Allianz

The Premierline guide to

# Business Premises

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# Foreword

As a small business owner, your time can be in short supply, so decisions about premises – buying, leasing, maintaining or extending – can be both challenging and pressured.

This guide provides information to support business owners with some of the more common decisions and considerations that you would need to take into account when moving business premises, from taking a commercial lease or buying a property to tips on who you should seek help from at each stage.

Many of the topics covered in this guide can be highly complex and this guide provides an outline of points that you should look to consider in more detail.

This guide provides tips for small businesses across the UK, however you should be aware that there are instances where differing conditions may apply in areas such as Scotland and Northern Ireland.

We hope that this guide provides you with useful information to help you when making the choice to relocate your business and prepare you for the move.

**Gary Skipworth, Premierline Director**



# Making the decision to move

*“Moving business premises is a huge part of any company’s story and there are many things that need to be considered before the move itself takes place.”*

Marc Bengier  
comparemymove.com

Whether you are considering leasing or buying, moving into new business premises is a major decision that requires a lot of thought, time and expenditure.

There could be a multitude of reasons as to why you may make this decision:

- Your business may need more space
- You may need a more tailored space for business activities
- The existing premises are too large
- To have a better building with improved image
- To be in a better location for customers, staff or both
- To move from leasehold property to one that you own
- To move from a home based office/workshop to a more professional environment

Each business is different and although moving is a process which generally follows a similar path, it can also have very different characteristics which are affected by your business requirements and the nature of your trade.

Marc Bengier is the Managing Director of [comparemymove.com](http://comparemymove.com) a website providing removal companies comparisons for commercial and residential relocations, “Moving business premises is a huge part of any company’s story and there are many things that need to be considered before the move itself takes place.”

“One question you have to ask yourself and consider very carefully is, ‘can the business afford to move?’ Failing to consider this and work the costs into your future budgets can end up costing the business dearly. Sit down and make sure it will work. If it doesn’t look good on paper, maybe the time isn’t quite right.”

## Expanding without moving

Moving is one way to expand your business but it is not the only way. You may be able to create more room by taking a look at the space you are already occupying and how to better utilise it.

Jonathan Hand, Director of [Talkspace Group](http://Talkspace Group), a company offering property advice to business owners renting or buying commercial property explains “If you are happy with the property you are in, but have run out of room, consider getting a fit out company involved to help space plan for the business.”

Adjoining or rearranging space is the most convenient and inexpensive way to add room, equipment or more employees to your business, saving you money on moving costs and keeping interruptions to a minimum.

# Taking a lease

Leases, also known as commercial rental agreements are complex documents with differing arrangements and primarily set out the terms and conditions of an agreement between a landlord and tenant.

Few people outside of the property and legal worlds will understand all of the details included in a lease agreement.

Jonathan Hand from Talkspace Group explains “Business owners mistakenly believe that the commercial property agent, who is marketing the property, is acting for them when in reality they are acting for the landlord or property owner.”

At this point it would be advisable to seek help from a professional – a property consultant or a solicitor to act on your behalf.

Leasing is generally more flexible in the short term than buying. If your business is relatively small and still has plenty of room to grow then it may be your preferred option.

Paul Bagust, Director of Commercial Property Professional Group at [RICS \(the Royal Institution of Chartered Surveyors\)](#) adds: “People don’t always take time to read their leases in detail, that’s the fundamental flaw. There is an assumption that a lease is presented to you, you sign it and then you give it back. That’s not at all how it should be.”

“You need to understand the whole lease terms especially when it comes to rent reviews and things like dilapidations.”

Some of the advantages and disadvantages of taking a lease

Advantages	Disadvantages
Greater control over your monthly outgoings with fixed fees	There are restrictions to the changes that you can make to the property – with landlord approval normally required
Some financial emphasis may lie with the landlord (for example, external maintenance) which may reduce financial strain	Costs – there may be costs such as deposits or rent up front that could be costly to your business
Short term leases mean that you have more freedom to move easily	When you leave the property you will be responsible for returning the property to its original state which could be costly

# Taking a lease



There are a number of things that you should consider and look further into before signing a lease:

## Rent

How often the rent needs to be paid and how this fits into your business cash flow plans.

## Use of premises

Does the landlord have planning permission? Can you make adaptations and is the building and its permissions fit for your business activity? Read more on this in the Planning Permission and Use Classes section. (page 13)

## Length of lease

For new businesses in particular, a lengthy lease could be a burden, so you may want to opt for a shorter term lease. Start-ups may even consider a licence fee agreement.

## Costs and repairs

This falls into two categories – utilities and repairs – usually utilities will be an additional fee but it is worth checking to see if this is included as part of your rent or not. In most lease agreements, internal and external repairs are the responsibility of the tenant.

“One of the biggest areas of dispute between landlords and tenants surrounds the liability for repairs, especially around dilapidations at the end of the lease. These disputes occur because the tenants did not fully understand the implications of what they signed up to.” adds Jonathan from Talkspace Group.

## TIP

Consider checking other rental prices around the area, you may be able to negotiate with the landlord if there are similar properties available for lower rent.

# Taking a licence

A licence could be a benefit to a start-up or small business looking for a short term property solution. Typically a licence will be available for buildings occupying a number of businesses, but they are generally more flexible, offering contracts for a period of one year or less and can usually be terminated at short notice.

**“It’s flexible and can be a good way to get an indication as to whether your business would flourish in a certain area.”** says Paul from RICS.

You should consider the fact that a licence gives you no automatic right to renew once it has expired and that it is technically not a tenancy agreement (it requires no rental payments but rather a licence fee or series of fees).

**“The disadvantage is that regardless of how well you have been trading from the property, you may have no rights to stay if the licensor wants the building back.”** adds Jonathan.

Some of the advantages and disadvantages of taking a licence

Advantages	Disadvantages
Licences cover a short period of time (usually 12 months and under) and most licences require just a months’ notice to terminate should you change plans – ideal for making a move from the home office	You do not have any tenancy rights and no rights to renew the licence
Licences are generally inexpensive and don’t require large upfront fees. You are usually asked to put your first month down	Short notice termination also applies to the landlord, the notice is usually one month but this means you can be asked to leave the premises at any time
The landlord is responsible for insuring the premises and for repairs/maintenance to the building	You are not usually allowed to alter any part of the premises for business needs

## TIP

Terms vary considerably with licences so you should check how often your licence fee needs to be paid so you can factor this into your business finance plans.

*“It’s flexible and can be a good indicator as to whether your business would flourish in a certain area.”*

**Paul Bagust**  
Royal Institution of  
Chartered Surveyors

# Buying business premises



Buying can work well for more mature and established businesses and gives more freedom in terms of making adaptations to properties.

## Some of the advantages and disadvantages of buying premises

Advantages	Disadvantages
You are not subject to any rent reviews. Your business mortgage repayment is likely to cost around the same as rent	Buying requires a deposit, the cash set aside for a deposit could benefit the business in other ways
If the value of your property rises, you will benefit in the long-term if you decide to sell	There is less than half of commercial property for sale than there is to rent in the UK [1] so finding premises to meet your requirements may be more difficult
Making changes to your property can be much easier. You may still require planning permission but there is no landlord approval needed	If you have too much or too little space, there is less flexibility to adapt as selling can be time consuming
You have the benefit of long-term stability as you have ultimate ownership of the building	Ownership of a property means that you are responsible for all management and maintenance. Repairs and updates may have a substantial monetary impact on the business

## Commercial Mortgages

A commercial mortgage is the most common form of finance for the purchase of a building. Before you begin the process of searching for a commercial mortgage provider, you should have relevant documentation and business numbers prepared. Your lender will likely want to see:

1. Audited accounts for the last two years
2. A profit and loss forecast/ growth projections for the next few years
3. Current business performance
4. The personal details of the key stakeholders in the business for credit-checking
5. Asset and liability statements for each applicant
6. A business plan detailing how the property will contribute to your cash flow and how you plan on repaying the loan
7. The credit status of the business
8. Details of any personal investments involved

# Buying business premises

## TIP

Different mortgage lenders may require different information so check with them to find out exactly what they need to see ahead of a mortgage application.

In costing out mortgages, you should consider:

### **Booking fee**

This is also known as an Application Fee, this is the charge to 'book' or 'reserve' your mortgage funds whilst your application goes through.

### **Arrangement fees**

This is sometimes called a Completion Fee, it is the fee that your lender charges to set up your mortgage and is usually charged between 0.5% and 1.5% of the loan value.

### **Valuation Fees & Valuation Administrators Fee**

Cost of the lender undertaking a basic survey on the property to establish value, this is also known as a Mortgage Valuation.

### **Legal Fees**

Including legal documentation and surveys

### **Redemption Penalties**

A fee payable to the lender if you pay off your mortgage before your agreed term

## WHO CAN HELP?

If you are considering buying, speak early on to your bank to see if they are prepared to lend you the money that you need. Typically banks will lend around 75% of the purchase price (subject to valuation) although this may vary depending on individual circumstances.

# Finding the right premises

*“The type of premises you rent or buy and the location that you pick will be partly dictated by the type of business that you are running and the amount you can afford - taking into account extra costs such as business rates, utility bills and insurance.”*

Jonathan Hand  
Talkspace Group

Jonathan from Talkspace Group comments, “The type of premises you rent or buy and the location that you pick will be partly dictated by the type of business that you are running and the amount you can afford – taking into account extra costs such as business rates, utility bills and insurance.”

It is essential to [match your premises to your business needs](#) and there are many different things to consider, a few examples include:

## Location

Consider where your business needs to be based in order to be successful, for example, if you are a manufacturer, ease of access to sources of materials and to your markets are essential. Put in the time to research areas of growth, you can find out more about these on the [Enterprise Zones Government website](#).

## TIP

Consider the effect that changing your location may have on the personal circumstances of your employees; you must consider their rights and be ready to manage any redundancy or compensation.

## Business strategy

Consider where your business is planning to go in the next five to ten years. You should ensure that there is space for expansion should you plan to grow significantly.

Paul Bagust from RICS and explains that business strategy is a fundamental part of choosing your business location, “A good thing to think about is your long term business plan and how you are going to grow going forward. If you think you are due to grow substantially in the next five years, you need to find a building that will allow you to do this.”

## Specification

Ensure that you have listed down all of your requirements for your business building. Don't forget things like car parking, loading and unloading facilities and utilities such as telecommunications facilities.

## WHO CAN HELP?

At this stage of your property search, you could seek the advice of a Property Consultant. They can help you to find a building which meets your business needs and can advise on negotiations. Don't confuse this with the Commercial Property Agent who acts for the property owner or landlord.

# Building surveys

Whether you decide to buy or lease a commercial property, you will most likely need a certain degree of surveying done on the premises to ensure that it is structurally sound and suitable for your business needs.

Paul Bagust explains that it's important to know the condition of the building and to highlight any problems prior to your lease or buying commitment, "The decisions that you make about your property at the beginning will impact your business throughout its lifecycle. If you're not mitigating those risks at the start then you are leaving yourself exposed to a risk that you might end up with financial exposure."

## WHO CAN HELP?

For both buying and leasing, it's worth considering whether you should get a survey before completion. A qualified Building Surveyor will inspect the building and report any areas of defect and disrepair.

## Leasing and Building Surveys

Lease agreements will often state that the building must be in the same or better condition by the end of the lease period.

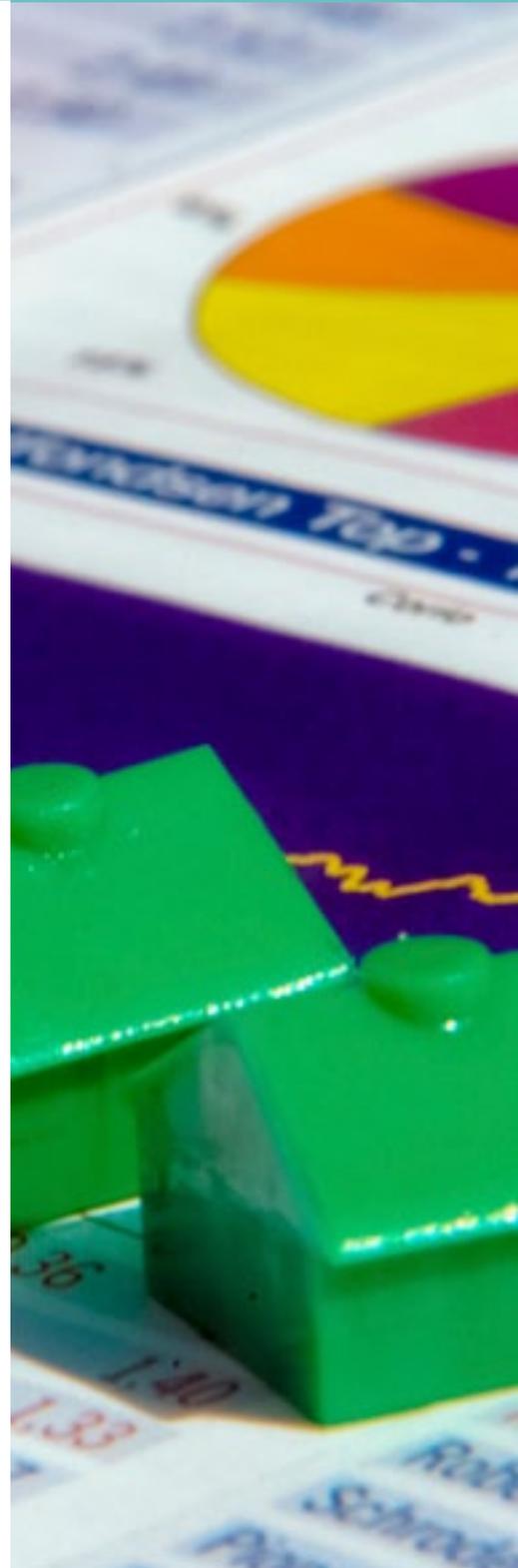
If you are taking lease of an entire property and are responsible for the interior and exterior of the building, a survey should be carried out in order to highlight any defects or areas of disrepair.

If the property is in a poor state of repair, you might want to consider agreeing a schedule of condition with the landlord.

"A schedule of condition is paid for by the tenant and records the condition of the building prior to their occupation. If the landlord will not agree to a schedule of condition, then the tenant can request that the property is repaired and in good order prior to occupation." says Jonathan from Talkspace Group.

## Buying and Building Surveys

You can opt to have a building survey when you are in the process of purchasing a building, the survey should be carried out by a qualified surveyor. This is different to a Mortgage Valuation in that it goes into a more in-depth look at the building and its structure.



# Building surveys

*“Surveyors can certainly flag up any problems with the condition of the structure and the safety of the building and will also advise on suitability in terms of any costs you may need to factor in”*

**Paul Bagust**

Royal Institution of  
Chartered Surveyors

“Surveyors can certainly flag up any problems with the condition of the structure and the safety of the building and will also advise on the suitability in terms of any costs you may need to factor in, which is very important.” adds Paul from RICS.

## TIP

You should tell your surveyor if there are particular areas or aspects of the building that you would like them to look at. For example, a chartered surveyor wouldn't report on heating or drainage unless instructed otherwise.

## Local Searches: Lease and Buy

These may be necessary to find out what has happened and what may happen to a particular property and the surrounding areas. For example, any road works, new developments nearby, flood risk assessments and Chancel charges (liabilities to the upkeep of local churches) which could incur an additional cost.

## Energy Performance Certificates (EPC)

You should also ask for the Energy Performance Certificate for the commercial property. This will give you an indication of the buildings energy efficiency and the likely charges for your energy costs. By law the building owner should have an up to date copy of the certificate and should hand this over on request.

## TIP

If the building has any air conditioning or heating systems, you should ask to look at the Air Conditioning Report. Legal requirements now mean that these reports should be logged within the Energy Performance Certificate.

# Planning permission & use classes

From newsagents to restaurants, all commercial properties are divided into different 'classes' or 'use' types under UK legislation. This determines and restricts what the property can be used for. If you are buying or leasing a commercial property, you need to make sure that your business matches the class types allocated to the property.

To change from one use class to another, you'll usually need to apply for planning permission from the local planning authority. In some cases, the use of commercial property can be altered without gaining permission.

You can check which category your property of interest falls under via the [Planning Portal Government Website](#).

## WHO CAN HELP?

You should speak with your local Town Planner regarding any queries in respect of planning permissions or if you need to apply for a Change of Use for your business premises. You should always speak to your local planning authorities/town planner ahead of any works.

## Applying for planning permission

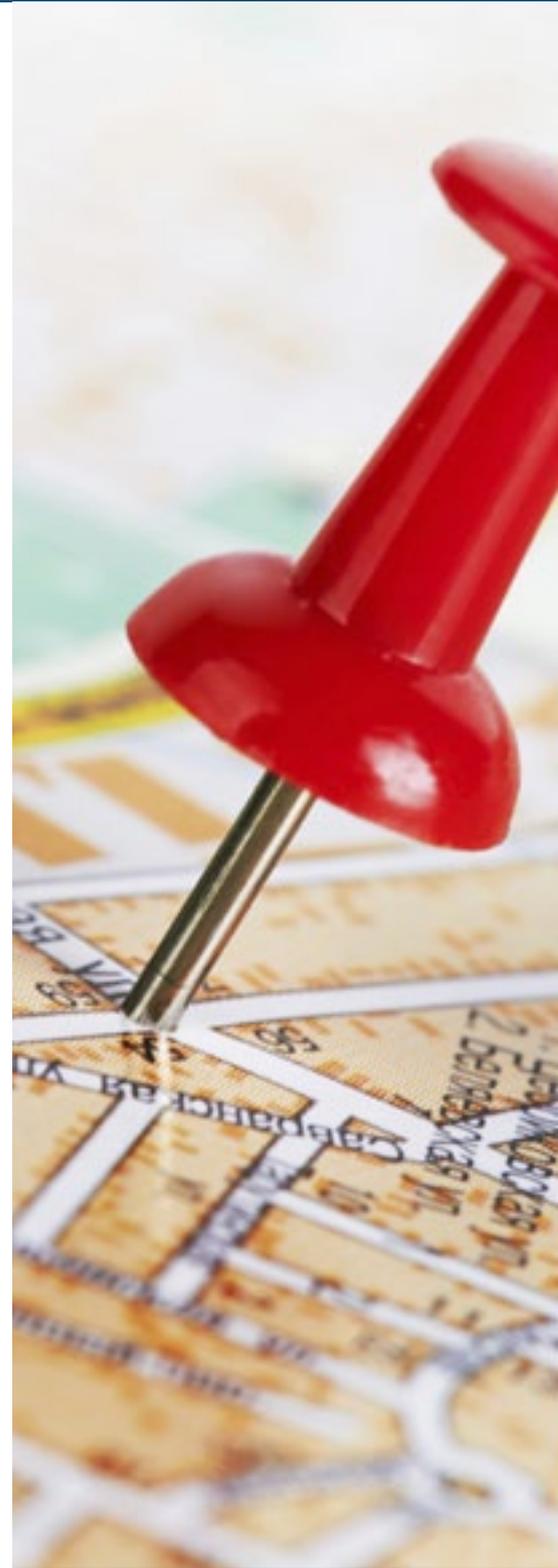
You will likely need planning permission if you would like to:

- Build something new
- Make a major change to your building e.g an extension
- Change the use of your building

A planning application is generally straightforward and can be done [online](#) or by post. Depending on the scope of the proposed changes and work, you may be able to get a reply within a few weeks.

## TIP

You should check whether the works you are planning will alter your rateable value. The rateable value of a business premises is based on the buildings open market value. Changes to the property could change the amount that you pay in Business Rates.



# Business insurance

*“Dependent on the nature of your business, you may have raw materials, work in progress or hold goods in trust on behalf of your customers. Regular monitoring of your stock insurance can help avoid shortfalls in cover at a time when you need it most.”*

**Alex McLaggan**  
Chartered Broker for  
Premier BusinessCare

You will need adequate insurance for your premises to protect your business assets and building investments. “Whether you’re trading from your commercial property, or leasing it to another business it’s essential you have the right insurance in place to protect your investment against the unexpected.” says Alex McLaggan, Chartered Broker for Premier BusinessCare.

## Buildings Insurance

[Buildings insurance](#) covers the cost of repairing, replacing or rebuilding your business premises if it is damaged or destroyed following an insured event. It is not required by law but most mortgage providers will insist that you take out a policy to cover the building.

You should insure your business premises against the cost of rebuilding the property, not the sale price or market value. Factors to consider when establishing a rebuild cost will include; how long it will take to rebuild the premises, professional fees, site clearance and the contractors costs.

“It’s always advisable to seek the help of a professional valuer when setting your rebuild value. Investing in this service leaves you safe in the knowledge that the cost of rebuilding your business premises has been accurately assessed.” adds Alex.

## Contents/ Stock Insurance

Whether you are buying or renting a commercial property, you should consider the cost of replacing your business equipment and stock, if it is stolen or damaged after an insured event. Stock is normally insured as a separate item alongside your contents insurance.

Stock Insurance should take into account the cost price of your products, rather than the sale price. The stock sum insured should be set to the maximum amount it could be at any one time and you should factor this into your estimations.

Alex comments, “Dependent on the nature of your business, you may have raw materials, work in progress or hold goods in trust on behalf of your customers. Regular monitoring of your stock insurance can help avoid shortfalls in cover at a time when you need it most.”

### TIP

Consider adding [Business Interruption](#) to your insurance policy, this will cover you for loss of profit or additional expenses should you be unable to trade following an insured event, depending on the type of cover taken out.

# Additional costs

Whether you decide to take a lease or to buy a property, you will have a range of additional costs to cover and consider:

	What is it?	Other Info
Service Charges	As a tenant you will most likely have to pay a service charge for any services that the landlord provides, this is particularly true if you are sharing commercial space. They may include waste collection and car parking.	Check how much these are and what services they cover, such as cleaning and heating. It's important to establish what facilities you may be sharing with other tenants/other property owners in the area.
Business Rates	A tax on properties used for business, they are paid either by the owner or the leaseholder. The council work out your rates by multiplying the <a href="#">rateable value</a> of your property by a <a href="#">national multiplier</a> .	You may also be entitled to <a href="#">business rate relief</a> , this includes small business tax, rural rates, charitable rates, enterprise zones and retail relief.
Capital Allowance	Capital Allowance is a relief on tax of fixed assets or investments (generally those which will have a lasting benefit on the company such as plant machinery, patent rights and dredging). These can be claimed in your tax return.	Look at the <a href="#">Gov Capital Allowances</a> website or speak to a Capital Allowance Specialist to find out which relief you may be eligible for.
Stamp Duty Land Tax	Stamp duty is applied to any purchase of a property or land in England, Wales and Northern Ireland over a certain amount. Stamp Duty is dependent on the price of your property.  Land and Buildings Transaction Tax replaced Stamp Duty Tax in Scotland in 2015. This is also dependant on the price of the property.	You can use the <a href="#">HM Revenue Stamp Duty Land Tax calculator</a> to estimate your tax. Or use the Revenue Scotland <a href="#">calculator for LBTT</a> (Land and Building Transaction Tax)
Professional Fees	You should consider the fees and charges for any professional guidance that you receive throughout the process of changing business premises.	For example solicitors, surveyors and estate agents will likely charge an agreed percentage, this would depend on the complexity and skills required to complete the acquisitions.
VAT	The sale or lease of a commercial property is usually exempt from VAT. However, commercial property owners can opt to charge VAT (also known as 'Option to Tax') at the standard rate – currently 20%.	VAT in relation to commercial property is generally a complex area; you should seek advice from your solicitor.
Fit Out Costs	You may need to bring in a fit out company to refurnish and layout your new building.	
Deposits	Whether you are buying or renting a commercial property, you must remember that you will be required to put down an initial deposit on the building.	Make sure that you factor this into your business finance plans from the moment that you decide you want to move premises. Deposits vary from premises to premises but must be considered from the outset.

# Making an offer

When you are ready to submit your offer and if the landlord/seller accept it, you should request that he or she will no longer negotiate with other parties. This is called a lockout agreement.

A Head of Terms (HoTs) will be drafted by your solicitor; this is not a legally binding contract but highlights the terms of your contract with the landlord or seller of the property. It will usually include details of:

## Property

Including what rights the buyer will have and if it is a freehold or leasehold

## Parties Details

Including who is the buyer/lessee, who is the seller/lessor and their details, solicitors may also be named

## Money and Timing

Including purchase price, deposit, target dates for completion and planning permission details

## Lease details

Including rental period, rental price, security responsibilities and maintenance responsibilities

You are ready to exchange contracts providing:

- Satisfactory inspections have been done on the building by your solicitors or surveyors
- Tenant and landlord/buyer and seller are satisfied with the contract
- Any conditional planning permission has been granted
- Necessary money has been raised to exchange and complete the transaction

Completion is usually around one month after the initial exchange of contracts and this date should be clearly noted in the Head of Terms.

## TIP

When purchasing a commercial property, it is usually the responsibility of the buyer to insure the property between the exchange of contracts and completion. This is usually highlighted in the Head of Terms.



# Moving checklist

*“Planning is something you need to think about a lot. Failure to do so could end up costing the business a lot of money.”*

Marc Bengner  
comparemymove.com

Although the process of deciding to relocate your business is difficult, making the physical move can be even more so. Moving your business from one place to another will take months of forward planning and preparations.

Marc Bengner moved his business, [comparemymove.com](http://comparemymove.com) last year and found that getting advice is the best way that you can determine whether you are ready to move, “I would always suggest speaking to other business owners that have been in a similar position, before making the big decision. Personally, before [comparemymove.com](http://comparemymove.com) moved its team to our current office, we considered the move for 12 months before deciding the time was right.”

“You should ideally start preparing for the move at least a month or two in advance of your move, to ensure things run like clockwork. Planning is something that you need to think about a lot. Failure to do so could end up costing the business a lot of money.”

Not only do you need to move every physical asset of your business but there are also a number of people and companies who will need to know about the move in the weeks before and after you walk over the threshold.

## TIP

Book a removals company in plenty of time and check that the movers have the correct equipment to carry out the move. You should also check that they are properly insured for moving your business assets.

To ensure all your business’s stakeholders are given plenty of warning about your new location, moving in date and any other information they may need to know about your business move, download our checklist.

However, please note that this is only a guide – you will need to contact the organisations concerned directly to find out how much notice they will need.

# Thank you to our contributors:

We would like to thank our contributors for providing us with their advice and comments:



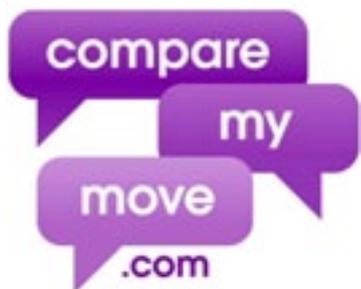
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This guide has been compiled by Premierline who specialise in arranging personalised business insurance for micro and small businesses in the UK. If you have any feedback on this guide, or would like to contribute to one of our business articles, please contact us at [questions@premline.com](#)