

# Choosing Commercial Premises

Business Information Factsheet

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## Introduction

Choosing the right commercial premises in the ideal location can be a crucial decision for a business, whether it is just starting up, moving into a new area or seeking space for expansion.

This factsheet explains the main factors to consider when choosing premises for a business, including costs, location and the type of premises required. It introduces the options for buying or renting business premises and outlines their main benefits and drawbacks. It also suggests how to find suitable premises.

## Setting a budget

The first step is to decide exactly how much the business can afford to spend. The budget will need to cover the ongoing costs of operating from premises, including:

- Rent (or loan repayment if buying).
- Business rates.
- General site costs such as utilities and maintenance.
- Landlord's service charges.

The initial costs associated with finding and moving into the premises also need to be considered. These include:

- Any professional fees and taxes (Stamp Duty Land Tax, for example).
- Any modifications to the premises required to suit the business needs or meet legal obligations regarding accessibility.
- Removal charges for existing furniture or the cost of new items.

It's also important to consider any potential costs that may be incurred when the business vacates the premises. For example, if a business leases premises, the lease agreement may include a requirement to restore the premises to their original condition at the end of the lease period. This could involve removing any alterations that have been made, repairing any damage and redecorating.

## Choosing a location

When considering the location of business premises, the following issues need to be researched and assessed:

- **Ease of access for staff, visitors and suppliers.** It's important to consider how easy the building is to find, as well as the availability of parking; whether there is an area for delivery vehicles to park and offload; and whether it is close to public transport.
- **Restrictions and permissions.** Check with the relevant local authority's planning and building control services that the business is permitted to operate in the area and to use the specific type of premises being considered. The premises may be subject to a number of rules and regulations - it may be in a conservation area, on green belt land, or the premises may be restricted to certain types of business activity. The lease (or title deeds) must also be checked for any 'restrictive covenants'. See BIF031, A Guide to Applying for Planning Permission, and BIF152, Business Activities Regulated by Local Authorities.
- **Legislation.** The premises will have to comply with a range of rules and regulations relating to issues such as accessibility for people with disabilities, and health and safety at work. This may mean that alterations are required to bring the premises into line with the law. See BIF002, An Introduction to Health and Safety Regulations, for more information.
- **Grants and support.** The local business support and funding that is available will vary depending on where the business is based. In addition, local authorities may offer financial incentives for firms locating to specific areas.
- **How much competition is in the local area.** Some types of business thrive on being close to their competitors - for example, antique shops can benefit from being close to similar shops, as this can make the area popular with tourists and collectors. However, others need to be the area's only shop of this type, or one of very few, if they are to attract sufficient customers to be viable.

It is important to consider advantages and disadvantages for each of these factors. For example, for a retailer, a busy high-street location might offer their business high visibility in the marketplace, with lots of passing trade and better public transport links. However, this can be at the expense of restricted access for deliveries, higher business rates and greater restrictions on their business activities.

An out-of-town location could offer more car parking, better access for deliveries and a more pleasant working environment. However, such a location could lead to a lower profile if the premises are not on a public transport route. Employees may also find it difficult to travel to work. It is worth noting that rents and service charges in out-of-town areas are not necessarily lower than in urban areas.

## Premises facilities

Any premises should provide enough room to carry out the necessary business activities in an appropriate and safe environment. Additional space may be needed for expansion as the business grows. When comparing premises, the following issues should be considered:

- **Layout.** Is the layout open-plan space or separate offices? Does the existing layout of the building suit the business purposes, or will it need to be refurbished? Is there sufficient desk space and enough electrical sockets for all the computers, telephones and other office equipment the business will need?
- **Building condition.** Will the building need to be modified to accommodate the business or meet its legal obligations. Is there adequate heating and natural light? Is there insulation? Does the building suit the image of the business?

- **Business technology.** What is the availability of facilities such as high-speed broadband access, Wi-Fi hotspots and any other services essential to the business? Go to [www.broadbandchecker.co.uk](http://www.broadbandchecker.co.uk) to check availability of broadband in the area.
- **Office or reception facilities.** If customers, suppliers and others will be visiting the premises regularly, consider whether the business will need reception facilities and additional staff to cover reception duties.
- **Facilities for employees.** Under the Workplace (Health Safety and Welfare) Regulations 1992, employers must provide their staff with adequate 'welfare' facilities, including toilets, washing facilities and somewhere to eat and drink during breaks. Do the premises meet these requirements? Are there catering facilities, shops and transport links nearby?
- **Costs and extras.** Are there any extra costs and charges payable for refurbishment, utilities, maintenance of shared areas, gardens or car parks?
- **Warehousing.** Will you require large areas for storing, loading and unloading stock?

## Options for buying or leasing commercial premises

A business can choose to buy or lease premises, or opt for a short-term arrangement such as licensing, managed workspace or a business incubator.

### Buying premises

The large capital costs involved in buying commercial property are unaffordable for most business owners. However, if the business has sufficient resources, buying commercial premises offers certain advantages:

- The business will own an asset that may be used as collateral to fund future expansion. However, a volatile property market means that the value of the premises can go down as well as up, so buying could also be a potential disadvantage.
- The business will not be restricted in its operations by the terms of its lease.
- The business can sublet or licence unused areas of the premises.
- The business will not be asked to vacate the premises at very short notice.

There are also potential disadvantages:

- A considerable amount of cash will be committed to the purchase, or ongoing mortgage costs.
- If the business needs to move premises, it will have to sell the property, adding more time and cost to its relocation plans.
- Costs may be higher because the business will be liable for the building's maintenance and repair (unless it can pass some of these costs on to a tenant).

See BIF019, A Guide to Commercial Mortgages, for more information about the issues involved when buying commercial premises.

## Commercial lease

When a business leases a commercial property, it is renting the premises only. There are three main ways to lease commercial premises:

- **Lease.** A new lease can be negotiated directly with the landlord (or their agent). Often the landlord is also the legal owner of the premises.
- **Sublease.** Sometimes the landlord is the legal owner's tenant, who is permitted to sublet part of their premises to another business. In this case, the sublease is subject to any terms specified in the landlord's original lease with the legal owner (the superior landlord). The lease agreement between the landlord and the superior landlord is known as the head lease. It is important to clarify who owns the building and, if the premises are being sublet, to ask for a copy of the head lease.
- **Assignment.** Instead of negotiating a new lease, a business can have an existing lease assigned to it, provided that this is permitted under the terms of the lease. Assignment means that the existing lease is transferred in its entirety from one tenant to another. The assignment of a lease usually requires the consent of the landlord.

A lease is a legally binding contract. Professional legal advice should be taken to check that the terms are acceptable.

See BIF010, A Guide to Renting Business Premises, for more information.

## Licensed occupancy

It is possible for a business to occupy premises 'under licence'. This grants a right to occupancy but falls short of a full tenancy. The advantage is that licence periods are much shorter than for a commercial lease (months rather than years), thus you have no long-term commitment. The drawback is that it does not offer the same protection under law granted to leaseholders, so the business might be given short notice to leave the premises.

In addition to providing basic premises, licensed occupancy may offer access to shared services on a pay-as-you-go basis, for example photocopying; broadband and fax connections; switchboard and reception services; meeting and conference rooms; and secretarial services.

## Managed and serviced workspace

Managed and serviced workspace provides units of varying size, specifically designed to be attractive to business start ups and small firms. Units are usually for business services or light industrial uses.

The main advantages of this type of accommodation are 'easy in, easy out' rental terms and the fact that services such as power, heating, security and broadband access are provided by the landlord. Facilities may also include reception services, or access to office equipment. One disadvantage is that there may be a limit to how long the business can remain in the workspace.

Local authorities and enterprise agencies can provide details of managed workspace in their area. Alternatively, the Business Centre Association (BCA, [www.bca.uk.com](http://www.bca.uk.com)) provides listings of serviced offices and managed workspace throughout the UK. See BIF397, An Introduction to Managed Workspace, for more information.

## Business incubators

This option is similar to managed workspace, providing premises with shared facilities and support services. However, business incubation focuses on supporting business start ups and firms in the early stages of their development. Business incubators usually provide intensive business support and advice, including management and marketing advice, and may help with access to finance. There may be additional qualifying requirements that tenants have to meet, for example, some business incubators support firms in specific sectors such as bioscience.

The tenants in an incubator share office space, equipment, meeting rooms and other services, resulting in lower costs. The downside is that once a business becomes financially viable it is often required to leave the incubator.

## Finding suitable premises

There are several ways to find suitable premises, including:

- **Recommendations.** Business owners can use their existing business contacts to find out about premises that may be available.
- **Getting to know the area.** It can be useful to drive around any areas that have been identified as potential locations and look for letting boards outside business premises.
- **Commercial property agents.** These are similar to residential estate agents, but they offer commercial premises for purchase or lease. Properties include offices, shops, factories, warehouses and land designated for commercial use. Agents can work on behalf of the property owner or for the buyer or potential tenants.
- **Online searches.** There are numerous commercial property directories online. Examples include [www.freeofficefinder.com](http://www.freeofficefinder.com), [www.comproperty.com](http://www.comproperty.com) and [www.propertymall.com](http://www.propertymall.com).
- **Local newspapers.** Many local newspapers include commercial property supplements. Alongside general news about the property market, they carry advertisements for properties for lease and sale, plus details of commercial property agents in a local area. Go to [www.newspapersoc.org.uk/local-media-search](http://www.newspapersoc.org.uk/local-media-search) for a directory of newspapers across the UK.
- **Local business support organisations.** Most local authorities and chambers of commerce can provide listings of available commercial property.

## Hints and tips

- Consider what professional help will be needed before beginning a search. As well as a solicitor to handle leases and contracts, consider using a qualified commercial property surveyor to help with valuations, rent assessments, structural surveys and planned alterations.
- Register with all the commercial property agents in a local area. A commercial property agent acts for the landlord or owner, while a commercial property surveyor acts for the business.
- Look at as many properties as possible to compare facilities. Work out the overall cost per square foot in order to find out which property is the best value for money. Take legal advice before signing any lease to ensure that the terms are clear and fair.

## Further information

BIF002 An Introduction to Health and Safety Regulations  
BIF005 A Guide to the Building Regulations 2010  
BIF010 A Guide to Renting Business Premises  
BIF019 A Guide to Commercial Mortgages  
BIF031 A Guide to Applying for Planning Permission  
BIF061 An Introduction to Business Rates  
BIF152 Business Activities Regulated by Local Authorities  
BIF397 An Introduction to Managed Workspace

## Useful contacts

The Royal Institution of Chartered Surveyors (RICS) is a membership organisation representing Chartered Surveyors. It sets and regulates standards, provides impartial advice on property matters and publishes guides to the property sector.

Tel: (024) 7686 8555

Website: [www.rics.org/uk](http://www.rics.org/uk)

### England and Wales

The Planning Portal is an online resource for planning in England and Wales. It lists local planning authorities.

Website: [www.planningportal.co.uk](http://www.planningportal.co.uk)

The Valuation Office Agency (VOA) publishes information and guidance on business rates in England and Wales.

Tel: 0300 050 1501 (England)

Tel: 0300 050 5505 (Wales)

Website: [www.gov.uk/guidance/valuation-office-agency-and-business-rates-non-domestic-rates](http://www.gov.uk/guidance/valuation-office-agency-and-business-rates-non-domestic-rates)

Royal Institution of Chartered Surveyors Wales

Tel: (029) 2022 4414

Website: [www.rics.org/uk/about-rics/where-we-are/uk/wales](http://www.rics.org/uk/about-rics/where-we-are/uk/wales)

### Scotland

The Scottish Government publishes guidance on planning issues and on rate relief available to small business owners in Scotland.

Tel: 0300 244 4000

Website: <https://beta.gov.scot/policies/planning-architecture>

The Scottish Assessors Association (SAA) publishes guidance and information on non-domestic property rating valuations for Scotland.

Website: [www.saa.gov.uk](http://www.saa.gov.uk)

Royal Institution of Chartered Surveyors Scotland

Tel: (0131) 225 7078

Website: [www.rics.org/uk/about-rics/where-we-are/uk/scotland](http://www.rics.org/uk/about-rics/where-we-are/uk/scotland)

### Northern Ireland

The Northern Ireland Planning Portal provides links to local area planning offices in Northern Ireland.

Website: [www.planningni.gov.uk](http://www.planningni.gov.uk)

Land & Property Services (LPS) is the government department in Northern Ireland responsible for valuing business properties. It publishes information on business rates in Northern Ireland.

Website: [www.finance-ni.gov.uk/land-property-services-lps](http://www.finance-ni.gov.uk/land-property-services-lps)

Royal Institution of Chartered Surveyors Northern Ireland

Tel: (028) 9032 2877

Website: [www.rics.org/uk/about-rics/where-we-are/uk/rics-northern-ireland](http://www.rics.org/uk/about-rics/where-we-are/uk/rics-northern-ireland)

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