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Advice for tenants and landlords on new lease agreements for Industrial property

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Many landlords and tenants feel that they have considered all the aspects of a future tenancy of premises. It is only years down the line that many side-effects of a lease agreement may come into effect, many of which may be negative.



Tony Bales of Epping Property, specialists in the leasing of industrial and investment property, advises that it is vital that all aspects of a tenancy are considered up front and provides some advice on what to consider when planning a new lease agreement for industrial property

"Firstly, once it has been established exactly what is being rented, such as a factory, warehouse, offices or yard areas, it must be ascertained if there are any areas shared with other users, such as a common yard area.

Then it needs to be clearly stated what the exact rentable area of the premises is, its intended use, and the date of occupation- detailing the lease start date and end date as well as the length of the lease and the requirements and terms for valid renewal."

"Further to this," says Bales, "the initial rental (excl. VAT) as well as the annual rental escalation needs to be stated upfront as well as the deposit required.

Any other initial costs that are to be paid by the tenant must also be clearly set out (e.g. security, operating costs, etc.) and also how and when these costs will escalate. The administration costs that will be charged for drawing up the lease also need to be ascertained."

When it comes to operating expenses Bales advises that it must be established up front how the consumption charges - such as electricity, water and sewage etc. are calculated and billed.

"Other things that need to be considered are suretyships, if applicable, as well as any special or additional requirements requested by the tenant.

Tenants need to remember that their legal entity will be required to prepare all FICA documentation needed by the landlord and tenants will likely be requested to consent to a credit check by the agent or the landlord."

Bales concludes with some tips on practical aspects that need to be considered before entering into a lease agreement:

- What are the businesses power requirements and can the premises meet these?
- What height/ stacking requirements are needed?
- Is the premises compliant with fire regulations?
- Is the premises insured by the landlord? What about common areas etc? Insurance needs to be considered by all parties.
- What loading, parking, paving, turning circle is available and does it meet the potential tenants requirements?
- Does the existing flooring and lighting suite the tenants requirements?
- Are there suitable staff facilities?
- Consider carefully the timing of move from the previous premises.
- Make sure that the previous premises has been suitably cleaned.

"By carefully considering and discussing all of these aspects there will be no unpleasant surprises down the line for the tenant or the landlord and one can anticipate a long period of tenancy in suitable premises with an agreeable lease agreement."