# Leasing Business Premises: Model Heads of Terms

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Note: These Model Heads of Terms follow a similar format to the Code for Leasing Business Premises: Landlord Code.

## 1.0 Initial information
Lease to be Code compliant: Yes / No.

## 1.1 Property address
Detailed description (and Land Registry compliant plan if available) and measured area if relevant, e.g. for rent, service charge and rent reviews.

## 1.2 Landlord
[ ] (Registered no. [ ])
Registered office:
Correspondence address:
Contact name:
E-mail:
Telephone: (Fax:)
Mobile:

## 1.3 Tenant
[ ] (Registered no. [ ])
Registered office:
Correspondence address:
Contact name:
E-mail:
Telephone: (Fax:)
Mobile:

## 1.4 Rent
£ per annum exclusive of VAT. Payment dates monthly/quarterly.
Is the property VAT elected?

## 1.5 Rent free period (and other Incentives)

## 1.6 Type of lease
Head lease or sub lease.

## 1.7 Landlord’s initial works (including timing)
Long stop date by which works must be done. Is the specification agreed/if not who is providing it?

## 1.8 Tenant’s initial works (including timing)

## 2.0 Guarantor/rent deposits
(a) Identity of guarantor (if any).
(b) Rent deposit amount (if any).

## 3.0 Lease length, breaks, extensions and rights

## 3.1 Lease length and start date

## 3.2 Break clauses or renewal rights
(a) Notice periods for exercising? To be at least [ ].
(b) Any break clause payments?

## 3.3 1954 Act protection
Does the lease have 1954 Act protection?
3.4 Rights
e.g. Satellite dish, air conditioning platforms, remote storage areas, signage, etc. Any rights of access, servicing, wayleaves or other matters inc. fire escape.
For car parking – state number and attach plan if relevant.

4.0 Rent reviews
(a) Type (market rent, fixed increases, link to an index?).
(b) How often do reviews occur?
(c) For market rent, are there any unusual disregards or assumptions.

5.0 Assignment and subletting
Prohibited | If not prohibited is CNUW | Permitted without consent
--- | --- | ---
Assignment of whole | Yes/No | Yes/No | Yes/No
Sub-Lease whole | Yes/No | Yes/No | Yes/No
Sub-Lease part | Yes/No | Yes/No | Yes/No
Sub-sub-lease | Yes/No | Yes/No | Yes/No
Concession | Yes/No | Yes/No | Yes/No
Group sharing | Yes/No | Yes/No | Yes/No

For sub lettings consider: Maximum number of occupiers, limitations Code requires sublettings to be at market rent.
CNUW = Consent not to be unreasonably withheld.

6.0 Services and service charge
Provide estimate or actual budgets and confirm proportion. Any special provisions, e.g. exclusions special services, e.g. enhanced security? Any unusual provisions, e.g. sinking fund?

Note: Owners and Occupiers should be aware of the RICS 2006 Code of Practice on Service Charges in Commercial Property and seek to observe its guidance in drafting new leases and on renewals.

7.0 Repairing obligations

7.1 FRI and schedule of condition
(a) is it full repairing; if so
(b) is it the Landlord who repairs and recovers the cost, or the Tenant who repairs at its own cost?;
(c) is there to be a schedule of condition?

7.2 Collateral warranties
Who is giving them?

8.0 Alterations and use

8.1 Alterations
Prohibited | If not prohibited is CNUW | Permitted without consent
--- | --- | ---
External | Yes/No | Yes/No | Yes/No
External structural | Yes/No | Yes/No | Yes/No
Internal structural | Yes/No | Yes/No | Yes/No
Internal non structural | Yes/No | Yes/No | Yes/No

Note: Is an agreed form of licence to be attached to lease?

8.2 Permitted use
Specify use and any ability to change use.

9.0 Insurance
(a) Landlord insures and recovers the premium from the Tenant.
(b) Will terrorism be an insured risk?
(c) Mutual break clause on:
  • Insured damage?
  • Uninsured damage?
10.0 Lease management

10.1 Dilapidations

- e.g. Dilapidations to be scheduled and given to the Tenant six months before the termination date.

11.0 Other issues

11.1 Rates and utilities

- Confirm that the Tenant is responsible. Tenant must check actual amount with Local Authority and utility provider.

11.2 Legal costs

- Each party to pay own including costs of approval for tenant’s fit out.

11.3 Conditions

- e.g.
  1. Board approvals
  2. Planning
  3. Local authority consents.
  4. References
  5. Superior landlord’s consent

11.4 General

- 1. DDA 1995?
- 2. Asbestos register?
- 3. Environmental issues?
- 4. Health & safety file and other Issues?
- 5. Energy efficiency certificate?

11.5 Landlord’s solicitors

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11.6 Tenant’s solicitors

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11.7 Timing and other matters

- e.g. Exclusivity period, target for exchange?

11.8 No contract

- These Heads of Terms are subject to contract.

11.9 Landlord’s agent(s):

- [ ] (Registered no. [ ])

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11.10 Tenant’s agent(s)

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- **Association of British Insurers**  www.abi.org.uk
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