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Commercial Property Lease Agreement Template

(To be amended as so required, and checked by a professional legal advisor before use. AIC accept no liability or responsibility for inaccuracies, omissions or errors contained herein)

DATE OF LEASE _____ 20__

TITLE NUMBER(S)

LANDLORD'S TITLE NUMBER(S) _____

OTHER TITLE NUMBER(S) _____

PARTIES TO THIS LEASE

LANDLORD _____

ADDRESS _____

COMPANY NO. _____

TENANT _____

ADDRESS _____

COMPANY NO. _____

GUARANTOR _____

ADDRESS _____

COMPANY NO. _____

PROPERTY _____
Shown edged red on the attached plan being part of the Building known as

In the case of a conflict between this clause and the remainder of this lease then,
for the purposes of registration, this clause shall prevail.

PRESCRIBED STATEMENTS ETC None

TERM FOR WHICH THE PROPERTY IS LEASED
From and Including _____ 20__
To and including _____ 20__

PREMIUM None

PROHIBITORS OR RESTRICTIONS ON DISPOSING OF THIS LEASE
This lease contains a provision that prohibits or restricts dispositions.

RIGHTS OF ACQUISITION ETC

TENANT'S CONTRACTUAL RIGHTS TO RENEW THIS LEASE, TO ACQUIRE
THE REVERSION OR ANOTHER LEASE OF THE PROPERTY, OR TO ACQUIRE
AN INTEREST IN OTHER LAND None

TENANT'S COVENANT TO (OR OFFER TO) SURRENDER THIS LEASE None

LANDLORD'S CONTRACTUAL RIGHTS TO ACQUIRE THIS LEASE None

RESTRICTIVE COVENANTS GIVEN IN THIS LEASE BY THE LANDLORD

IN RESPECT OF LAND OTHER THAN THE PROPERTY None

EASEMENTS

EASEMENTS GRANTED BY THIS LEASE FOR THE BENEFIT OF THE PROPERTY See Clause 16.1

EASEMENTS GRANTED OR RESERVED BY THIS LEASE OVER THE PROPERTY
FOR THE BENEFIT OF OTHER PROPERTY See Clause 16.2

ESTATE RENTCHARGE BURDENING THE PROPERTY None

APPLICATION FOR STANDARD FORM OF RESTRICTION None

DECLARATION OF TRUST WHERE THERE IS MORE THAN ONE PERSON COMPRISING THE TENANT

The Tenant is more than one person. They are to hold the property on trust for themselves as (joint tenants) (tenants in common in equal shares))

USE ALLOWED

Or any other use to which the Landlord consents (and the Landlord is not entitled to withhold that consent unreasonably).

PARKING

No more than _____ vehicles (see clause 16.1(d))

RENT

_____ Pounds
(£ _____) a year, subject to increase from every review date under clause 9 (market rent review) or, if this box is ticked clause 19 (index linked rent review)

FIRST PAYMENT DATE

The _____ 20__

MONTHLY PAYMENT DATE

The _____ 20__

RENT REVIEW DATES

Every _____ anniversary of the start of the lease term

The Landlord lets the property to the Tenant for the lease term at the rent and on the terms in clauses 1 to 18 and in any additional clauses.

TENANT'S OBLIGATIONS

1. PAYMENTS

- 1 The Tenant is to pay the Landlord:
 - 1.1 The rent, which is to be paid by the following instalments:
 - (a) On the first payment date, a proportionate sum from that date to the next monthly payment date.
 - (b) On each monthly payment date, one-twelfth of the annual rent.
 - 1.2 The service charge in accordance with clause 3, and whenever a sum is overdue the Landlord is entitled to recover it as if it were rent in arrear.
 - 1.3 A fair proportion (decided by a surveyor whom the Landlord nominates) of the cost of repairing, maintaining and cleaning: party walls, party structures, yards, gardens, roads, paths, gutters, drains, sewers, pipes, conduits, wires, cables and things used or shared with other property.
 - 1.4 The cost (including professional fees) of any works to the property which the Landlord does after the Tenant defaults.
 - 1.5 The cost and expenses (including professional fees) which the Landlord incurs in:
 - (a) Dealing with any application by the Tenant for consent or approval, whether it is given or not.
 - (b) Preparing and serving a notice of a breach of the Tenant's obligations, under section 146 of the Law of Property Act 1925, even if forfeiture of this lease is avoided without a court order.
 - (c) Preparing and serving schedules or dilapidations either during the lease term or recording failure to give up the property in the appropriate state of repair when this lease ends.
 - 1.6 Interest at the Law Society's interest rate on any of the above payments when more than fourteen days overdue, to be calculated from its due date.
 - 1.7 In making payments under this clause:
 - (a) Nothing is to be deducted or set off.
 - (b) Any Value Added Tax payable is to be added.

2. The Tenant is also to make the following payments, with Value Added Tax where payable:

- 2.1 All periodic rates, taxes and outgoings relating to the property, including any imposed after the date of this lease (even if of a novel nature), to be paid on the due date to the appropriate authorities.

- 2.2** The cost of the grant, renewal or continuation of any licence or registration for using the property for the use allowed, to be paid to the appropriate authority.
- 2.3** A registration fee of £40 for each document which this lease requires the Tenant to register, to be paid to the Landlord's Solicitors when presenting the document for registration.

3. SERVICE CHARGE

- 3** The Landlord and the Tenant agree that:
- 3.1** The service charge is the Tenant's fair proportion of each item of the service costs.
- 3.2** The service costs:
- (a) Are the costs which the Landlord fairly and reasonably incurs in complying with obligations under clauses 12 and 13.
 - (b) Include the reasonable charges of any agent, contractor, consultant or employee whom the Landlord engages to provide the services under clauses 12 and 13.
 - (c) Include interest at no more than the Law Society's interest rate on sums the Landlord borrows to discharge his obligations under clauses 12 and 13.
- 3.3** The Tenant is to pay the Landlord interim payments on account of the service charge within 21 days of receiving a written demand setting out how it is calculated.
- 3.4** An interim payment is to be the Tenant's fair proportion of what the service costs are reasonably likely to be in the three months following the demand.
- 3.5** The Landlord is not entitled to demand interim payments more than once every three months.
- 3.6** The Landlord is to keep full records of the service costs and at least once a year is to send the Tenant an account setting out, for the period since the beginning of the lease term or the last account as the case may be:
- (a) The amount of the service costs.
 - (b) The service charge the Tenant is to pay.
 - (c) The total of any interim payments the Tenant has paid.
 - (d) The difference between the total interim payments and the service charge.
- 3.7** Within 21 days after the Tenant receives the account, the amount mentioned in clause 3.6(d) is to be settled by payment between the parties, except that the Landlord is entitled to retain any overpayment towards any interim payments already demanded for a later accounting period.
- 3.8** The Landlord is either:
- (a) To have the account certified by an independent chartered accountant, or
 - (b) To allow the Tenant to inspect the books, records, invoices and receipts relating to the service costs.

3.9 Disagreements about the amounts of the service charge or the service costs are to be decided by arbitration under clause 17.3.

4. USE

4 The Tenant is to comply with the following requirements as to the use of the Building and any part of it, and is not to authorise or allow anyone else to contravene them.

4.1 To use the property only for the use allowed.

4.2 Not to obstruct any part of the Building used for access to the property or to any other part of the Building.

4.3 Not to do anything which might invalidate any insurance policy covering any part of the Building or which might increase the premium.

4.4 Not to hold an auction in the property.

4.5 Not to use any part of the Building for any activities which are dangerous, offensive, noxious, illegal or immoral, or which are or may become a nuisance or annoyance to the Landlord or to the owner or occupier of any neighbouring property.

4.6 Not to display any signs or advertisements on the outside of the property or which are visible from outside the property unless the Landlord consents (and the Landlord is not entitled to withhold that consent unreasonably).

4.7 Not to overload any part of the property.

4.8 To comply with every statutory obligation authorising or regulating how the property is used, and to obtain, comply with the terms of, renew and continue any licence or registration which is required.

5. ACCESS

5 The Tenant is to give the Landlord, or anyone with the Landlord's written authority, access to the property.

5.1 For these purposes:

- (a) Inspecting the condition of the property, or how it is being used.
- (b) Doing works which the Landlord is permitted to do under clauses 6.10 and 13.
- (c) Complying with any statutory obligation.
- (d) Viewing the property as a prospective buyer, tenant or mortgagee.
- (e) Valuing the property.
- (f) Inspecting, cleaning or repairing neighbouring property, or any sewers, drains, wires or cables serving the Building or any neighbouring property.

5.2 And only on seven days written notice except in an emergency.

- 5.3 And during normal business hours except in an emergency.
- 5.4 And the Landlord is promptly to make good all damage caused to the property and any goods there in exercising these rights.

6. **CONDITION AND WORK**

- 6 The Tenant is to comply with the following duties in relation to the property, and for this purpose the inside of the property includes all ceilings, floors, doors, door frames, windows and window frames and the internal surfaces of all walls but excludes joists immediately above the ceilings and supporting the floors.
 - 6.1 To maintain the state and condition of the inside of the property, but the Tenant need not alter or improve it except as required in clause 6.9.
 - 6.2 To decorate the inside of the property:
 - (a) In every fifth year of the lease term.
 - (b) In the last three months of the lease term (however it ends) except to the extent that it has been decorated in the previous year.
 - 6.3 Where the property has a shop front, to maintain and decorate it.
 - 6.4 When decorating, to use the colours and the types of finish used previously.
 - 6.5 Not to make any structural alterations or additions to the property.
 - 6.6 Not to make any other alterations affecting services or systems in the Building unless the Landlord gives written consent in advance (and the Landlord is not entitled to withhold that consent unreasonably).
 - 6.7 To notify the Landlord of all alterations or additions to the property not covered by clauses 6.5 or 6.6.
 - 6.8 To keep any plate glass in the property insured for its full replacement cost with reputable insurers, to give the Landlord details of that insurance on request, and to replace any plate glass which becomes damaged.
 - 6.9 To do any work to the property required under a statute even if it alters or improves the property. The work is to be done on the following conditions:
 - (a) Before doing it, the Tenant is to obtain the Landlord's written consent (and the Landlord is not entitled to withhold that consent unreasonably).
 - (b) The Landlord is to contribute a fair proportion of the cost, taking into account any value of work to the Landlord.
- And any dispute is to be decided by arbitration under clause 17.3.

6.10 If the Tenant fails to do any work which this lease requires and the Landlord gives the Tenant written notice to do it, to do that work. In such a case, the Tenant is to start the work within two months, or immediately in case of emergency, and proceed diligently with it. In default, the Tenant is to permit the Landlord to do the work.

6.11 However, this clause:

- (a) Does not require the Tenant to make good damage by a risk not required to be insured under clause 12.1 unless resulting from the act or default of the Tenant.
- (b) Only requires the Tenant to make good damage caused by an insured risk to the extent that the insurance money has not been paid because of any act or default of the Tenant.

7. TRANSFER ETC

7 The Tenant is to comply with the following.

7.1 The Tenant is not to share occupation of the property and no part of it is to be transferred, sublet or occupied separately from the remainder.

7.2 The Tenant is not to transfer or sublet the whole of the property unless the Landlord gives written consent in advance (and the Landlord is not entitled to withhold that consent unreasonably).

7.3 Any sublease is to be on terms which are consistent with this lease, but is not to permit the sub-tenant to underlet.

7.4 Within four weeks after the property is transferred, mortgaged or sublet, the Landlord's solicitors are to be notified and a copy of the transfer, mortgage or sublease sent to them for registration with the fee payable under clause 2.3.

7.5 If:

- (a) The financial standing of the proposed transferee, and any guarantor, is lower than that of the current Tenant, or the proposed transferee is resident or registered overseas and

- (b) The Landlord reasonably requires.

A Tenant who transfers the whole of the property is to give the Landlord a written guarantee, in the terms set out in the Guarantee Box, that the transferee will perform the Tenant's obligations.

8. OTHER MATTERS

8 The Tenant:

8.1 Is to give the Landlord a copy of any notice concerning the property or any neighbouring property as soon as it is received.

- 8.2** Is to allow the Landlord, during the last six months of the lease term, to fix a notice in a reasonable position on the outside of the property announcing that it is for sale or to let.
- 8.3** Is not to apply for planning permission relating to the use of the property or any addition or alteration unless the Landlord gives written consent in advance (and the Landlord is not entitled to withhold that consent unreasonably where the use or addition or alteration is permitted by this lease or has the Landlord's written consent.)
- 8.4** In occupying and doing work on the property, and in using any part of the Building, is to comply with all statutory requirements.

9. RENT REVIEW – MARKET RENT

- 9.1** On each rent review date, the rent is to increase to the market rent if that is higher than the rent applying before that date.
- 9.2** The market rent is the rent which a willing Tenant would pay for the property on the open market, if let on the rent review date by a willing Landlord on a lease on the same terms as this lease without any premium and for a term equal to the remainder of the lease term, assuming that at that date:
- (a) No account is taken of any goodwill belonging to anyone who has occupied the property.
 - (b) The property is vacant and has not been occupied by the Tenant or any sub-tenant.
 - (c) The property can immediately be used.
 - (d) The property is in the condition required by this lease and any damage caused by any of the risks to be insured under clause 12 has been made good.
 - (e) No Tenant or sub-tenant has previously during the lease term done anything to the property to increase or decrease its rental value. In this paragraph "anything" includes work done by the Tenant to comply with clause 6.9, but nothing else which the Tenant was obliged to do under this lease.
- 9.3** If the Landlord and the Tenant agree the amount of the new rent, a statement of that new rent, signed by them, is to be attached to this lease.
- 9.4** If the Landlord and the Tenant have not agreed the amount of the new rent two months before the rent review date, either of them may require the new rent to be decided by arbitration under clause 17.3.
- 9.5**
- (a) The Tenant is to pay rent at the rate applying before the rent review date until the next rent payment date after the new rent is agreed or decided.
 - (b) Starting on that rent payment date, the Tenant is to pay the new rent.
 - (c) On that payment date, the Tenant is also to pay any amount by which the new rent since the rent review date exceeds the rent paid, with interest at 4% below the Law Society's interest rate on the excess of each instalment from its payment date.

10. DAMAGE

- 10** If the Building is damaged by any of the risks required to be insured under clause 12 and as a result of that damage the property, or any part of it, cannot be used for the use allowed.
- 10.1** The rent, or a fair proportion of it, is to be suspended for three years or, if earlier, until the whole of the property can again be used for the use allowed.
- 10.2** If at any time it is unlikely that the damage will be fully repaired either within three years from the date of the damage, or (if sooner) before the end of the lease term, the Landlord (so long as he has not wilfully delayed the restoration) or the Tenant may end this lease by giving one months notice to the other in which case.
- (a) The insurance money belongs to the Landlord and
 - (b) The Landlord's obligation to make good damage under clause 12 ceases.
- 10.3** A notice under clause 10.2 is only effective if given within three years from the date of the damage.
- 10.4** If the insurers refuse to pay all or part of the insurance money because of the Tenant's act or default:
- (a) To the extent of that refusal, the Tenant cannot claim the benefit of clause 10.1.
 - (b) The Tenant cannot serve notice under clause 10.2.
- 10.5** If the Building is damaged (but not as a result of the act or default of the Tenant) by a risk not required to be insured under clause 12.1 and as a result of that damage the property, or any part of it, cannot be used for the use allowed.
- (a) The rent or a fair proportion of it is to be suspended for three years or, if earlier, until the whole property can again be used for the use allowed and
 - (b) Not earlier than two months after the date of the damage, either the Landlord or the Tenant may, unless the Landlord has previously undertaken promptly to make good the damage, end the lease by giving at least one month's notice to the other.
- 10.6** Any dispute under any part of this clause is to be decided by arbitration under clause 17.3.

LANDLORD'S OBLIGATIONS AND FORFEITURE RIGHTS

11. QUIET ENJOYMENT

- 11** The Landlord is to allow the Tenant to possess and use the property without lawful interference from the Landlord, anyone who derives title from the Landlord or any trustee for the Landlord.

12. INSURANCE

12 The Landlord is to:

12.1 Keep the Building (except the plate glass) insured on reasonable terms with reputable insurers to cover.

- (a) Full rebuilding, site clearance, professional fees; value added tax and three years loss of rent.
- (b) Against fire, lighting, explosion, earthquake, landslip, subsidence, heave, riot, civil commotion, aircraft, aerial devices, storm, flood, water, theft, impact by vehicles, damage by malicious persons and vandals and third party liability and other risks reasonably required by the Landlord.

So far as cover is available at normal insurance rates for the locality and subject to reasonable excesses and exclusions.

12.2 Take all necessary steps to make good as soon as possible all damage to the Building by insured risks except to the extent that the insurance money is not paid because of the act or default of the Tenant.

12.3 Give the Tenant on request once a year:

- (a) Particulars of the policy and evidence from the insurer that it is in force.
- (b) Details of any commission received by the Landlord for that insurance.

13. SERVICES

13 The Landlord is to comply with the following duties in relation to the Building.

13.1 To maintain the state and condition (including the decorations) of:

- (a) The structure, outside, roof, foundations, joists, floor slabs, load bearing walls, beams and columns of the Building and any plant, machinery and fixtures required to provide the services listed in clause 18.
- (b) Those parts of the Building which Tenant's of more than one part can use ("the common parts").

13.2 To decorate the common parts and the outside of the Building every five years, using colours and types of finish reasonably decided by the Landlord.

13.3 To pay promptly all periodic rates, taxes and outgoings relating to the common parts, including any imposed after the date of this lease (even if of a novel nature).

13.4 To pay or contribute to the cost of repairing, maintaining and cleaning party walls, party structures, yards, gardens, roads, paths, gutters, drains, sewers, pipes, conduits, wires, cables and other things used or shared with other property.

- 13.5** To provide the services listed in clause 18, but the Landlord is not to be liable for failure or delay caused by industrial disputes, shortage of supplies, adverse weather conditions or other causes beyond the control of the Landlord.

14. FORFEITURE

- 14** This lease comes to an end if the Landlord forfeits it by entering any part of the property, which the Landlord is entitled to do whenever.
- (a) Payment of any rent is fourteen days overdue, even if it was not formally demanded.
 - (b) The Tenant has not complied with any of the terms of this lease.
 - (c) The Tenant if an individual (and if more than one, any of them) is adjudicated bankrupt or an interim receiver of the Tenant's property is appointed.
 - (d) The Tenant if a company (and if more than one, any of them) goes into liquidation (unless solely for the purpose of amalgamation or reconstruction when solvent), or had an administrative receiver appointed or had an administration order made in respect of it or the directors of the Tenant give notice of their intention to appoint an administrator.

The forfeiture of this lease does not cancel any outstanding obligation of the Tenant or a Guarantor.

15 END OF LEASE

- 15.** When this lease ends the Tenant is to:
- 15.1** Return the property to the Landlord leaving it in the state and condition in which this lease requires the Tenant to keep it.
 - 15.2** (If the Landlord reasonably requires) remove anything the Tenant fixed to the property and make good any damage which that causes.
 - 15.3** Remove all the alterations or additions to the property made by the Tenant or its predecessors without the Landlord's consent (where that consent was required).
 - 15.4** Remove all or any of the alterations or additional to the property made, either with the Landlord's consent or where such consent was not required, by the Tenant or its predecessors in title if:
 - (a) The Landlord reasonably requires, and
 - (b) The Landlord gives the Tenant written notice of the requirement at least six months before the end of this lease, or later if shorter notice is reasonable.

PROPERTY RIGHTS

16 FACILITIES

- 16.1** The Tenant is to have the following rights for the Tenant and visitors, whether or not exclusive:

- (a) To come and go to and from the property over the parts of the Building designed or designated to afford access to the property
- (b) Shelter and support of the property as is now enjoyed.
- (c) To use the existing service wires, pipes and drains, and
- (d) To use the parking area for parking the number of vehicles specified above.

16.2 The Landlord is to have the following rights for the Landlord, Tenant's of other parts of the Building and visitors over the property:

- (a) To come and go to and from other parts of the Building over the parts of the property designated for that purpose.
- (b) Shelter and support as is now enjoyed.
- (c) To use the existing service wires, pipes and drains.

GENERAL

17. PARTIES RESPONSIBILITY

17.1 Whenever more than one person or company is the Landlord, the Tenant or the Guarantor, their obligations can be enforced against all or both of them jointly and against each individually.

SERVICE OF NOTICE

17.2 The rules about serving notices in section 196 of the Law of Property Act 1925 (as since amended) apply to any notice given under this lease.

ARBITRATION

17.3 Any matter which this lease requires to be decided by arbitration is to be referred to a single arbitrator under the Arbitration Act 1996. The Landlord and the Tenant may agree the appointment of an arbitrator, or either of them may apply to the President of the Royal Institution of Chartered Surveyors to make the appointment.

HEADINGS

17.4 The headings do not form part of this lease.

18. SERVICES

These are the services mentioned in clause 13.5 (delete or add as required):

Cleaning of the common parts

Lighting of the common parts

Heating of the common parts

Lift maintenance

Hot and cold water to wash hand basins in the common parts

Porterage

Fire extinguishers in the common parts

Heating in the property

Window cleaning for the Building
Furnishing the common parts

19. RENT REVIEW – INDEX LINKED

- 19.1** Clause 9 does not apply to this lease.
- 19.2** On each rent review date, the rent is to be adjusted by reference to the index, as follows:
- 19.3** The adjusted rent is to be: the initial rent payable under this lease (after any rent free period has expired) multiplied by the index figure at the rent review date and divided by the index figure at the start of the term of this lease.
- 19.4**
- (a) The Tenant is to pay rent at the rate applying before the rent review date until the next rent payment date after the new rent is agreed or decided.
 - (b) Starting on that rent payment date, the Tenant is to pay the new rent.
 - (c) On that rent payment date:
 - (i) The Tenant is also to pay any amount by which the new rent since the rent review date exceeds the rent paid, with interest at 4% below the Law Society's interest rate on the excess of each instalment from its rent payment date.
 - (ii) The Landlord is to refund any amount by which the rent paid exceeds the rent payable since the rent review date, with interest at 4% below the Law Society's interest rate on the excess of each instalment from the date of the receipt.
- 19.5** For the purposes of this clause:
- (a) The index means the "all items" figure of the index of Retail Prices published by the Office for National Statistics or any officially published index intended to supersede it.
 - (b) The index figure for a particular date means the last published figure of the index before that date.
 - (c) If the method of calculation of the index is changed, any official reconciliation between the old and the new method should be adopted.
- 19.6** Any dispute under any part of this clause is to be decided by arbitration under clause 17.3.

GUARANTEE BOX

The terms in this box only take effect if a guarantor is named in clause LR.3 and then only until the Tenant transfers this lease with the Landlord's written consent. The Guarantor must sign this lease.

The Guarantor agrees to compensate the Landlord for any loss incurred as a result of the Tenant failing to comply with an obligation in this lease during the lease term or any statutory extension of it. If the Tenant is insolvent or this lease ends because it is disclaimed, the Guarantor agrees to accept a new lease, if the Landlord so requires, in the same form but at the rent then payable. Even if the Landlord Gives the Tenant extra time to comply with an obligation, or does not insist on strict compliance with terms of this lease, the Guarantor's obligation remains fully effective.

CODE FOR LEASING BUSINESS PREMISES IN ENGLAND AND WALES 2007

This lease is intended to conform to the code, which is endorsed by the Department for Communities and Local Government, the Welsh Assembly Government, the Law Society and other bodies. Please see www.leasingbusinesspremises.co.uk

**THIS DOCUMENT CREATES LEGAL RIGHTS
AND LEGAL OBLIGATIONS. DO NOT SIGN IT
UNTIL YOU HAVE CONSULTED A SOLICITOR**

If a party to this lease is a company:

- (a) Two directors, or
- (b) A director and a company secretary, or
- (c) A single director whose signature is independently witnessed must sign on behalf of the company

Signed as a deed by/on behalf of the Landlord and delivered in the presence of:

Landlord _____

Witness _____

Witness's occupation and address

Signed as a deed by/on behalf of the Tenant and delivered in the presence of:

Tenant _____

Witness _____

Witness's occupation and address

Signed as a deed by/on behalf of the Guarantor and delivered in the presence of:

Guarantor _____

Witness _____

Witness's occupation and address