

Business Lease Renewal

Who's Protected

1 Tenant

2 Occupying for business purposes

3 Not excluded

Most business tenant's leases are protected by the Landlord and Tenant Act 1954. The main exclusion is the tenant contracting out of the Act by signing a declaration prior to the lease being granted. This will be referred to in the lease.

What does it mean?

Statutory Continuation

At the end of the fixed term, the lease will continue at the same term and rent until the tenant gives 3 months' notice to quit or the procedure below is commenced.

Interim Rent

Either Landlord or Tenant may apply to the Court to set an interim rent pending the lease renewal / termination.

Right to a New Lease

Subject to Landlord's rights of opposition, the Tenant has the right to a new lease.

The process is commenced by either landlord or tenant serving notice.

Serving Notices

The Landlord or Tenant can start the process of lease renewal / termination by serving a notice. The notice must specify a nominal termination date for the existing lease after the contractual term in 6 to 12 months' time. It is vital the correct notice is used and time limits adhered to.

Opposing New Lease

Landlord's Notice s25

Landlord sets out ground(s) for not granting a new lease.

- a) Failure to Repair
- b) Persistent Delay in Paying Rent
- c) Substantial Breach of Other Obligation
- d) Alternative Accommodation
- e) Subletting of Part
- f) Demolition / Reconstruction.
Landlord has firm intention to demolish / reconstruct / carry out substantial works to the premises.
- g) Landlord to occupy for Business Purposes.
Landlord must have owned property for 5 years.

Not Opposing New Lease

Landlord's Notice s25

Landlord provides proposals for new rent, length, other items. Negotiations commence between the parties' surveyors as to the terms of renewal.

There is no requirement for the tenant to serve a counter notice.

Seeking New Lease

Tenant's Notice s26

Tenant provides proposals for new rent, length, other items.



Landlord's Counter Notice

If opposed to a new lease, the Landlord can within 2 months serve notice opposing a new lease and setting out grounds(s) for termination (as per 'Opposing New Lease' to the left).

If there is no opposition to a new lease, the landlord need not serve counter notice and may proceed to negotiate the terms.

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Continued

Negotiations and Next Steps

Initial negotiations are usually conducted by the parties' surveyors with the renewal rent typically the principal area for disagreement. By the Termination Date in the notice one of the following steps must be taken or the Tenant will lose their right to a new lease:

Extension to Negotiations

The parties can agree to extend the period for negotiations provided this is in writing prior to the termination date.

It is not unusual for the parties to leave negotiations to the last minute or for there to be multiple extensions agreed.

Apply to Court

Most parties sensibly seek to avoid taking the matter to court, but if the terms of the new lease cannot be agreed or the tenant seeks to challenge the landlord's ground for terminating the lease, an application must be made to the court prior to the termination date (or any agreed extension).

The court will set a timetable for exchange of evidence clarifying what remains in dispute supported by reports from the parties' surveyors. Our leaflet on [Court Claims](#) provides more detail.

Court proceedings can substantially delay the grant of a new lease and it is common for an application for an interim rent to be made at the same time. Costs remain at the court's discretion and are usually awarded to the winning party.

Renewal Lease or Termination

No Renewal Lease

If the tenant does not challenge an opposed renewal or the landlord is successful at court in establishing a ground of opposition, no renewal lease will be granted and the tenant must vacate.

Compensation for Tenant

If the landlord successfully obtains possession on grounds e, f and g, the tenant will be entitled to compensation from the landlord equal to the rateable value of the property.

Where the tenant has been in occupation for 14 years this increases to double the rateable value.

Any agreement to exclude compensation, often included in the lease itself, will be ineffective where the tenant has been in occupation for 5 years.

New Lease Granted

Most lease renewals are dealt with by agreement without the involvement of the court. The terms of the renewal lease are nonetheless guided by the order a court would likely make.

If agreement is not reached, the new lease will commence 3 months after the conclusion of court proceedings.

Rent set at an open market rent

Property included the landlord has the choice to re-let the premises as per the existing lease or offer those parts the tenant occupies for business purposes. The tenant will likely lose renewal rights in respect of sublet property.

Duration whatever is reasonable, up to 15 years, taking into account amongst other things the length of existing lease and any continuation tenancy, the landlord's plans for the property and past relationship between parties.

Other Terms as per the existing lease, subject to the parties agreeing new terms or reasonable inclusion of new terms.

For more advice contact Matthew Knight on 01722 410664 or email matthew.knight@sampsoncoward.co.uk