

# Professional SERVICES Lease Renewal

## TACTICS AT THE END OF A BUSINESS LEASE

***Planning well ahead is essential for Landlords and Tenants when their business lease is coming to an end. If both parties wish to renew and agreement of new terms is achieved well before the expiry date of the old lease, costs and risks can be kept to a minimum.***

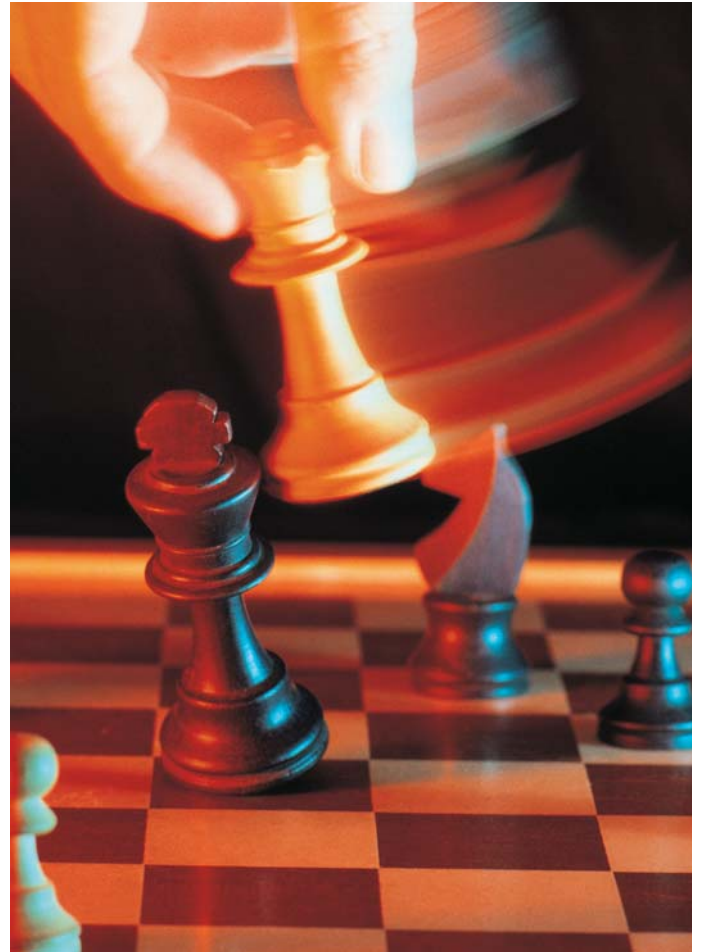
As the lease expiry date approaches and no agreement has been reached both parties may well be advised to consider serving notice under the Landlord & Tenant Act 1954 (as revised in 2003).

The Act enables either the landlord to give notice (Section 25) no earlier than twelve months and no later than six months before the end of the existing lease or the tenant to give notice of between twelve months and six months to request a new tenancy (Section 26). Late notice can be given i.e. once the lease expiry is less than six months away or the lease has already expired. A late notice may result in a loss of additional rent to the landlord if the old rent is low. The landlord may however wish to delay serving notice if the rent he is receiving under the old lease is high. If the tenant wants the certainty of a new lease it may wish to serve maximum notice, particularly if its rent is low.

These procedures initiate the beginning of a series of critical events and there are strict time limits imposed which enable either party to force the renewal process to a conclusion. Agreement can be reached at any stage, but ultimately, without agreement the matter will be put before the Court. This is normally the County Court but if there are complicated disputes of fact or points of law of general importance the High Court will hear the matter.

Costs for this process can be extremely high. This is particularly the case in respect of small properties such as local lock-up shops or small workshops where the rent is relatively low compared to the cost of litigation.

In the unlikely event of a Court Hearing, most lease renewals are concluded by agreement, the Court will issue an Order which sets out the terms of the new lease.



Where the rent is increasing or decreasing by a significant amount the Landlord & Tenant Act 1954 allows for the setting of an interim rent. This is intended to bridge any gap between the leases, however an application to the Court for fixing of an interim rent needs to be carried out at the appropriate stage in the proceedings.

The Regulatory Reform (Business Tenancies) (England and Wales) Order 2003 which introduced a number of reforms to the 1954 Act came

into effect in stages. Amongst these changes include new time limits introduced to avoid delaying tactics. If the new procedures are not adhered to the party's rights can be seriously affected. For instance the tenant can lose its right to have a new lease.

**In conclusion, an early considered action plan is required in good time before the expiry of the old lease otherwise negotiating strengths can be seriously affected. Take advice in good time.**