

Choosing business premises: 10 things you need to know

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Looking for the perfect space for your startup?

Whether it's an office, shop, or manufacturing facility, choosing the right premises is vital.

Here are ten key considerations to keep in mind when finding your business's new home.



1. Commercial classification

In the UK, commercial properties are classed in different categories depending on their use.

In 2020 these "Use Classes" were amended, making it easier for buildings to change use without the need for planning permission. (For example, changing an office space into a restaurant or cafe).

However, "*drinking establishments*" and "*hot food takeaways*" now require planning permission whenever the use of the premises changes.

[Find out more on gov.uk.](#)

TIP: Check whether or not the building's classification matches your business before committing to any premises!

2. Costs

Make sure you've done your homework when it comes to budgeting for business premises. On top of regular rent or mortgage payments, you'll also need to cover:

- Business rates
- Business insurance
- Energy and utility bills

You may also need to budget for:

- Professional fees (like mortgage lender or estate agent fees)
- Stamp Duty Land Tax (if purchasing property over a certain value)
- Cleaning and maintenance
- Service charges for communal areas
- Costs associated with moving
- Equipping or fitting out the space



If you need your own space but want to minimise costs, you could consider:

- Try out co-working spaces
- Explore flexible options like pop-up shops
- Consider outsourcing some aspects of your business, to reduce the need for workspace on site

Business premises incentives

Some regional agencies offer incentives to attract specific businesses. These could be reduced business rates or a subsidy towards staff costs. [Contact your local Growth Hub](#) for more information about these opportunities.

If you're worried about covering the bills for your small business, you may be able to get a discount from your local council known as business rates relief.

[FIND OUT MORE](#)



3. Location

There are lots of factors to consider when choosing a location for your business, but no matter what sector you're in you need to consider access. Can your customers get to you easily? What about your staff? Do you need access for deliveries?

Consider local transport links, like public transport, private car parking and congestion charges. Shops and restaurants are more likely to thrive in areas with high footfall. Warehouses and factories will need to be close to major roads and railways, and reliable high speed internet is crucial for almost all businesses

Your ideal location will depend on your type of business.

Not all areas of the country are equal when it comes to offering the conditions required for a small business to succeed.

The top 3 cities to start a business are Edinburgh, Leeds and Kingston upon Hull.

Surprised? Read on to find out why!

[FIND YOUR PERFECT LOCATION](#)



4. Lease duration

Commercial leases can be much longer than domestic leases - and as a start-up business, you have no way of knowing in which direction your new business will go. Your flourishing business could grow more quickly than you anticipated, meaning that you require bigger premises to support such growth. Or you may find that things do not go to plan, and that you no longer require as much space or wish to terminate the letting in its entirety.

So it's important to retain as much flexibility as possible. Try and negotiate a tenant only break clause at a specific point (for example, after three years of a five year lease). This means that if you need to end the lease early, you won't be penalised.



Subletting your commercial premises

Some leases allow you to sublet the property to other businesses. This can be really handy if you need to move on to different premises, but are still committed to renting the original space for a certain period of time.

If your tenancy agreement includes the right to sublet, you can rent all or part of the premises to someone else (your "subtenant").

In a subleasing arrangement, the subtenant pays rent to you and you continue to pay the landlord under the terms of your lease.

5. Capacity

You might find premises that are suitable for you right now - but think about what size your business will be in a few years' time. Are you likely to expand, hire more staff, or need more storage for stock and equipment?

Relocation can be very disruptive (and costly!) so try and strike a balance between affordability and scalability. And make sure you visit the property before entering into a contract, because floor plans can be deceiving!

Growing your business? Get scaleup advice from Smarta

6. Condition

Another reason to visit the premises before making any commitments is so that you can inspect the condition of the property. Damp, mould and dodgy plumbing aren't just minor inconveniences - they can have a significant impact.

These problems not only create an uncomfortable environment for you and your team, but they'll put off potential clients and customers from dealing with you.

Plus they could cost you time and money if they cause damage to stock. They might even pose health and safety risks to your staff and visitors, potentially causing illness or injury.

No matter how well-prepared you are, accidents can happen - whether that's someone slipping over in your shop, damage to your stock or premises, or a client-facing mistake that loses you money.

Read up on business insurance to make sure



you're covered.

**WHAT BUSINESS INSURANCE
DO I NEED?**



7. Legal compliances for business premises

It's crucial to make sure your business is legally compliant. Ignoring the rules can land you in legal trouble, leading to fines or even the closure of your business. It also affects the reputation of your business.

Some businesses require a license to trade legally. If you don't have the appropriate licence to operate your business, you won't be able to get business insurance. You may also face a fine or be shut down.

DO I NEED A LICENCE?



Depending on your industry, there may be specific laws about where your business can be located or certain requirements you need to meet. Talk to your local authority, as they will be able to guide you.

8. Questions to ask before renting business premises

You're looking for the best deal for you and your business - but remember that the landlord is looking for the best deal they can get, too!

To make sure you're making the right decision for your business, ask questions like:

- **Rent** – How much? When is it reviewed? Are there any rent-free periods?
- **Business rates** – What is the rateable value? Who is responsible for paying?
- **Bills** – Who is responsible for utility bills? Are they included in the rent?
- **Other charges** – Do you have to pay a service charge? Or to use the car park?
- **Lease** – How long is the lease? Are there break clauses? Can you sublet? Do you have the right to renew?

Know your rights

Under the Landlord and Tenant Act, **most commercial tenants have the right to renew their business lease when it ends.**

9. Finding business premises

Once you know what you're looking for, you'll be able to focus on searching for premises.

Your local authority is a great place to begin your search. They can advise on available locations as well as any legal requirements your premises need to meet.

You can also search through a commercial estate agents, or hire a chartered surveyor to recommend a shortlist of suitable properties.

Or why not try asking your personal contacts? Through networking you may be able to find properties that aren't yet on the market, or find a space that you can share or sublet when you're starting out.

10. Business premises paperwork

Heads of Terms

Once you've made an offer on business premise, you'll discuss the terms with the landlord. Once agreed, these will be written up in a document called the 'Heads of Terms'.

It includes details such as the rental value, length of rental term, payment schedule and timetable for occupancy.

Once the Heads of Terms are agreed, the contract will be based on this, for you to sign when you're ready to complete the deal.

Condition report

If you are renting, you should document the condition of the property, with photographs. This will ensure that you're not held liable for any existing damage to the property when you vacate it.

Local searches

If you're planning to be in your premises for a long time, you may also want to pay for local searches to find out if there are any plans that could impact your business. For example, changes to roads or parking regulations.



The above points provide an insight into the sort of issues that need to be considered when you want to negotiate a commercial lease.

A reputable commercial solicitor will ensure these points (and more) are picked up during the negotiation process.

Ready to get moving?

Whether renting or buying you'll need to pay some upfront costs. If your startup is outgrowing its current space you may have to move quickly to avoid an impact on your business.

It could be worth exploring a [low-interest Start Up Loan](#) to help secure your perfect premises.

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Two women with curly hair are smiling. The woman on the left is wearing a black top and holding a white folder. The woman on the right is wearing a floral top and holding a black folder.

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