



HOW TO CHOOSE AND BUY A BUSINESS PREMISES

CHOOSING A BUSINESS PREMISES

It's important to choose the right premises for your business, as it's likely to be one of your biggest outlays when you're setting up or expanding, and it could play a major role in your ultimate success. We have put together this guide to help you choose a business premises that is the best for your business.

SIZE

You need to think about how big your business premises need to be. This may be a tricky one, as while you don't want to be paying for lots of space you don't need, it's important to take into account possible future expansion so you don't grow out of your premises too quickly. Bear in mind that there are health and safety regulations in place to ensure that workers have enough space at work. There should be a minimum of 11 cubic metres per person in an office or other workroom, with room height counted as a maximum of three metres. You may need more than this if a lot of the space will be occupied by furniture or other objects. There's more information on the guidelines on the [HSE website](#). You'll also need to consider how much room you need for things like furniture, equipment and stock, making sure that you're leaving enough space for people to move around and use equipment safely.

FACILITIES

In most cases, your business premises will need to be connected to basic services like power, plumbing, heating, phone and internet. But depending on the type of business you will be running, you may also need additional services, like special arrangements for power and ventilation if you're running specialist equipment, or the capacity to deal with toxic waste. You'll need to find business premises that either have these facilities already, or premises where you're able to set them up. If new internet connections are needed you should contact the providers early on as there can be long lead in times and wayleaves may be needed from the Landlord.



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PERMISSIONS

Bear in mind that special permissions and licences may be required for certain business activities, and that you should investigate whether this is possible at the site before you commit to a business premises. If the building is currently used for a different purpose (for example, it's currently in residential use), you are likely to need planning permission to change the use. You'll also usually need planning permission if you're planning to make any alterations or extensions.

SECURITY AND ACCESS

It's important to make sure that your business premises can be properly secured, but the specific security measures you need are likely to depend on whether you'll have particularly valuable stock or equipment. Depending on the nature of your business, you may decide you need 24/7 security guards and CCTV cameras, or just good door locks and storage. Make sure that the business premises you're considering either already have the security measures in place that you need, or that there's the possibility of adding them. In terms of access, think about whether you'll only need access to the premises during working weekday hours, or whether you need to be able to enter at other times of day or night. If you're considering an office in a shared office block, there may be access restrictions that you'll need to take into account.

THE PROS OF BUYING BUSINESS PREMISES

Most businesses rent business premises rather than buying them outright, but there are several advantages to buying commercial property. You retain control of the premises, whereas if you rent, you're subject to the decisions of your landlord, who may decide to raise the rent or sell the building. In the medium to long term you may see the investment you make in buying your premises increase in value whereas you would not benefit from any increase in value if you rented.

THE DOWNSIDES OF BUYING A BUSINESS PROPERTY

However, there are also some disadvantages to buying business premises. It's likely to tie up a lot of your business capital, which may be better spent on other things. If your business grows or shrinks, the premises you've bought may no longer be suitable which could mean additional expenditure. The value of commercial property may decrease rather than increase, so there's the chance that you may lose money in the long term. Before you make a decision on purchasing commercial property, speak to an [advisor](#) to understand the implications on your business.



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HOW TO BUY COMMERCIAL PROPERTY

If you've decided that purchasing premises is the right decision for your business and you've firmed up your list of requirements, it's time to take action. You can search for available commercial properties through online portals like [rightmove](#), [Zoopla](#) and [PrimeLocation](#). You can also speak to estate agents who deal with commercial property sales, and check newspaper listings.

As well as making sure the premises meet your requirements also check the business rates, the energy costs and the use class (which determines what a particular property may be used for) of any properties you look at. Once you've found the right business premises, you'll likely need to apply for a commercial mortgage, unless you have enough money to buy it outright. You'll also need to instruct a [commercial property solicitor](#) to deal with the legal aspects of the purchase. It's also a good idea to commission a building survey to identify any structural problems. You'll need business buildings insurance too, which can be purchased as part of a comprehensive business insurance policy. Once all the searches have been completed, the contract has been finalised and the finance is in place, you'll be in a position to complete the purchase of your business premises.

WHAT ARE THE COSTS OF BUYING A COMMERCIAL PROPERTY?

Generally, a deposit is required when contracts are exchanged to buy commercial property. The remainder is then paid when the deal completes.

However, there are several other costs to consider when it comes to buying commercial property. These can include:

- Advice: Most buyers need assistance from professionals, including a commercial estate agent, lender and [solicitor](#)
- Stamp Duty Land Tax: You must pay this tax if you buy commercial property.
- Stamp Duty has now been replaced with the Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales
- VAT
- Fees associated with arranging a commercial mortgage
- Decorating and refurbishing the commercial property
- Buying and fitting out the space with furniture and equipment
- Hiring a firm to help transport furniture and equipment
- Setting up facilities, including establishing IT



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Unfortunately, the bills don't end there. You should also consider the ongoing costs of maintaining commercial property too. If you plan to let out the commercial property, you will likely want to share some of these bills with your tenant.

The costs of owning a commercial property might include:

- Insurance
- Repairs and maintenance
- Services, including security and cleaning
- Local authority charges, including waste collection
- Retaining a commercial property estate agent to manage the building
- Commercial mortgage repayments, if applicable

Business rates are also a major consideration for owners of commercial property. They are a tax on non-domestic buildings.

Business rates are worked out by multiplying the rateable value of the commercial property - set by the Valuation Office Agency (VOA) - by the Uniform Business Rate (UBR) and revised every five years.

The local council will provide you with a business rates bill each year. There are exemptions available, such as small business relief and rural rate relief.

Another factor to consider is energy costs. The vendor will give you an Energy Performance Certificate (EPC). It will provide guidance on how energy efficient the commercial property is - and importantly, what your likely energy bills will be. The EPC, valid for 10 years, will show the energy rating for the building from 'A' (most efficient) to 'G' (least efficient). For example, air con systems and boilers can have a significant impact on your energy costs.

It is worth exploring whether you can claim capital allowances towards some business costs too.



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SECURE A BUSINESS LOAN TO DO THE DEAL

You may require a loan to help boost your buying position. A commercial mortgage is widely considered one of the most common forms of finance used to buy commercial property. There is now a range of lending sources. You should look across the market to compare mortgages and secure the best deal.

It is a good idea engage with a specialist [commercial property solicitor](#) at this point to help guide you through what can begin to be a complex legal process.

Lenders require a significant amount of information before agreeing a commercial mortgage. They will typically ask you for a range of details, which might include a business plan, commercial mortgage repayment proposal and business bank statements and accounts. Commercial mortgages typically range from three to 25 years. You may want to seek professional help from a commercial mortgage broker.

PUT IN AN OFFER

When you have found a commercial property to buy, you will need to make a written offer – usually to the vendor's commercial estate agent.

If the vendor refuses your offer, it is worth trying to negotiate to reach a mutually acceptable level. Remember that the seller has a number of factors to consider, including your price and the speed at which you can complete the deal.

When your offer is accepted, it is worth requesting that the commercial property is taken off the market to prevent other interested parties from closing in on your deal. You should carry out a local authority search to unearth anything that might impact the commercial property and the wider area.

The search may include details of relevant planning applications, building regulations, transport development and other issues, such as contaminated land. After all, you don't want to find a nasty surprise lurking further down the line that will impact the value of your commercial property.



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EXCHANGE CONTRACTS AND COMPLETE ON COMMERCIAL PROPERTY

If you have not already spoken to a [solicitor](#) you will now need the legal expertise of one. A document detailing the main points of the sale agreement will be drafted up once your offer has been lodged and accepted. It is called the heads of terms.

The document will include the type of agreement, how the deal will be financed and proposed timescales.

Your commercial estate agent and solicitor will then start to negotiate the final details of your contract with the seller.

You can request that an exclusivity agreement – otherwise known as a lock-out agreement - be put in place. It will allow you a specified timescale to carry out the due diligence knowing that the seller will not negotiate with another party.

A survey of the commercial property will typically be carried out to make sure it is structurally sound and there are no major flaws that have not been accounted for.

You may also want to use this time to secure planning consent from the local council if you want to redevelop the commercial property.

- Contracts will be exchanged when:
- both parties are satisfied with the contract
- you are happy with the state of the commercial property
- the finance to do the deal has been raised

This is when buying a commercial property becomes recognised in the eyes of the law.

Other boxes to be ticked, which your solicitor can provide advice on, tend to include:

- setting up insurance
- paying Stamp Duty Land Tax
- registering your ownership of the commercial property with Land Registry

The deal will complete when the formal documents are signed, dated and delivered. Your solicitor will hand over the remainder of the purchase price to the seller's solicitor, and you will receive the keys to your new commercial property.



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WE CAN HELP

At Stephen Rimmer our team works with a wide range of businesses and investors across all areas of commercial property law. With a strong commercial mindset, our solicitors offer pragmatic advice tailored to your priorities and business goals.

Follow [this link](#) for an introduction to the Commercial Property Team or call us on 01323 434 420 to see how we can help you.