

## **YOUR FIRST PREMISES – GETTING IT RIGHT**

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Of all initial decisions made by any business, the one most difficult to alter is the acquisition of the property. This is one commitment which is not easily changed. Questions to be asked are: What?, Where?, How?, How Much?, How Long?.

### **WHAT?**

The physical criteria required for the successful operation of any business need to be determined well in advance. It is necessary to establish whether you require a shop, office, warehouse, factory premises, etc. How much space is needed? How should it be configured? What physical access requirements are there for loading, dispatch, customer/public areas, floor loading capacity, lighting, heating, electrical and gas supply, toilet facilities and so on?

It is essential to establish that proper planning permission is obtained from the local planning authority who are accessible and helpful. If the permission does not already exist, it is necessary to make applications. It is worthwhile consulting with the planning officers about their requirements and the likely outcome. Ever increasing problems with crime are causing many business difficulties – make yourself familiar with risks and what may need to be done to bring any property up to a secure state.

### **WHERE?**

Many infant businesses stand or fall on their location. The requirements for customer accessibility, goods delivery and dispatch are critical.

### **HOW?**

It is most common for new businesses to rent premises. Terms available for leasing vary from full repairing and insuring terms, committing a tenant to a long term liability and extensive responsibilities, down to short term licences in serviced facilities. Tenancy agreements in the latter situations provide fully inclusive rents for short periods and are easier to terminate but offer less security and greater dependence upon your landlord.

Fuller leasing agreements often involve personal guarantees, may be considerably less attractive to the business start up and could prove restrictive to moving up or down. Remember that leases normally include restrictions on the use of premises by trade and, perhaps, hours. Ensure they will not unduly prejudice your business.

### **HOW MUCH?**

Values/prices can go down as well as up. The economic climate is reflected in supply and demand. A detailed examination of properties that are available on the market will soon establish for you a range of costs to be contemplated, and the special incentives available (e.g. rent free periods, fitting out costs, etc.). Whether you are buying or selling in one form or another you or the landlord will have to maintain/insure the property. Therefore, budgeting should clearly make provision for items that are not being provided. If there are provisions for payment of services charges, check what this commitment will be. Rents are not fixed forever and leases are likely to specify rent review (upwards only).

Local Authority rates are another cost which have to be taken into consideration.

#### HOW LONG?

Few new businesses are likely to have the same requirement for premises as they progress and flexibility can, therefore, prove to be important. Lease breaks can be negotiated in some situations to enable you to terminate/exchange premises. Short term agreements may provide flexibility but not security. Property ownership proves difficult where the property market is stagnant. There is little more frustrating than finding business expansion opportunities restricted by limited accommodation or more upsetting than finding that a business cannot afford or escape its commitment.

#### WHO CAN ADVISE YOU?

Before signing documents or making verbal agreements on property, it is wise to consult a solicitor who will advise you of the commitment you are making and ensure that the documents are properly prepared. If you have queries in relation to the effects of covenants for building maintenance, rent review or value it is wise to consult a surveyor who should be a member of the Institute of Chartered Surveyors. Property transactions are a minefield for the unwary but if you are to make a commitment, ensure you do it properly.

#### PS – THE ENVIRONMENT/HEALTH & SAFETY

Regulation of business operation in relation to Environmental and Health & Safety issues is changing rapidly. It is important you ensure that your premises are able to comply with current and proposed legislation and that all emissions of drainage, fumes, noise, etc., are within the prescribed limits, and you can meet all Health & Safety requirements.