Making moves

A legal guide for office openings and relocations

ashfords

Introduction

Looking to expand, open new headquarters or relocate? Our experts outline what organisations should consider before signing a new lease and how best to avoid any costly pitfalls to make the next move with confidence.

The market for office space in the UK's major cities is becoming increasingly competitive in many locations, driven by overseas companies setting up here for the first time and UK businesses expanding or relocating as their needs evolve.

Many of the organisations we work with are reviewing their options as leases come up for renewal. After a period of downsizing or delaying decisions during the pandemic, organisations now have a clearer picture of what works—and what doesn't—in a hybrid working world.

Priorities have shifted. Sustainability is moving up the agenda, and there's growing demand for buildings with amenities that support employee wellbeing—think gyms, breakout spaces, showers, and bike storage.

Location matters too. Regeneration has transformed previously overlooked areas into more desirable options, and areas that 10 to 15 years ago would have been snubbed are increasingly highly sought after.

Organisations are also paying more attention to who they share a building with. A strong tenant mix is key—they want neighbours that align with their brand and culture, while avoiding direct competitors.

> "Organisations now have a clearer picture of what works – and what doesn't – in a hybrid working world."

Fast, reliable broadband is a must, as is robust security. Flexibility is another top concern, with many seeking lease terms that allow them to adapt how they use their space as needs change.

Whether you're expanding, relocating, or entering the UK market for the first time, this guide provides an overview of some of the legal issues you might need to watch out for, and how to avoid costly mistakes.

Please do get in touch if you are planning a move and need experienced legal guidance.

Sustainability

Increasingly conscious of their employees' expectations, businesses looking at new office space have sustainability front of mind. They will have obligations relating to Environmental, Social and Governance concerns and net zero.

Some will have B Corp status – an independent certification, which means the company must meet high standards of social and environmental performance, transparency and accountability.

Meeting these requirements isn't just about the efficiency and sustainability of the buildings themselves, it's about what's written into the lease agreement.

It's common for landlords to want carpets replaced every three years (for example if a tenant vacates and relocate) regardless of wear and tear or for tenant businesses that have spent substantial sums fitting out their offices to be expected to rip it all out when their lease finishes five or ten years later, for example. Invariably there is no obligation on the landlord to recycle or reuse.

Landlords are often very reluctant to agree to change these sort of lease requirements, especially those with large commercial property portfolios who might want to avoid setting a precedent.

Current legislation and a lack of enforcement from local authorities is not proving enough to get landlords to change but growing pressure from tenants keen to avoid egregious waste is having an impact.

Our experience is that tough negotiations in priority areas can secure businesses the sustainability requirements they require.

"Meeting these requirements isn't just about the efficiency and sustainability of the buildings themselves, it's about what's written into the lease agreement."

Recruitment and retention

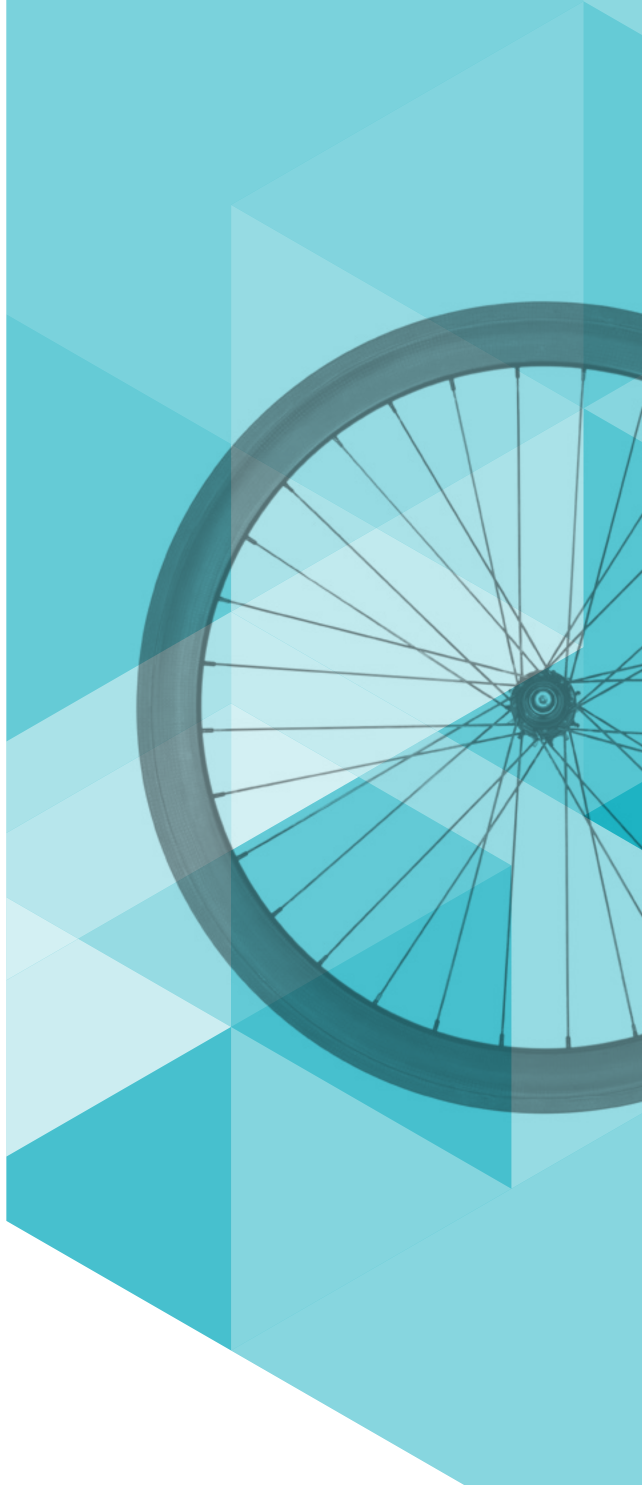
Attracting and retaining top talent is essential for the businesses we advise – and having an appealing workplace is a big part of that.

Employees often value vibrant locations with strong transport links, and many tenants are willing to pay more for buildings that offer amenities like gyms, on-site restaurants, showers, secure bike storage, and inviting breakout spaces.

They're also prepared to invest in extra square footage to create a positive, flexible environment that will help make coming into the office a positive experience. Also, one that supports in-person opportunities to work collaboratively with colleagues.

For businesses seeking these facilities – particularly when they are part of a multi-tenant space, it's important to make sure they will be available for the long-term. When negotiating leases – especially over longer terms like ten years – it should be stipulated that access to any amenities is guaranteed for the duration.

> "…many tenants are willing to pay more for buildings that offer amenities like gyms, on-site restaurants, showers, secure bike storage, and inviting breakout spaces."



Flexibility

Many tenants are looking for greater flexibility in how they use office space. Some want the option to expand in the future, making multi-let buildings appealing—they can lease only what they need now, with room to grow later.

Others may wish to sublet or share the use of parts of their office on a short-term basis, whether to generate extra income or collaborate more closely with a client on a project. This should be considered when negotiating the lease, as some agreements restrict shared occupation or subletting. Too often, businesses only discover these limitations when the need arises – by then, it may be too late.

"Others may wish to sublet or share the use of parts of their office on a short-term basis, whether to generate extra income or collaborate more closely with a client on a project."

← Contents →

Data and security

Access to super-fast broadband is a major consideration when relocating or expanding. Organisations will need to ensure the building has the necessary way leaves in place to allow for this to be installed if the infrastructure is not already in place – these are the rights of way granted by the landlord.

For many organisations, the data they hold is highly sensitive. We see this increasingly being reflected in lease negotiation particularly where organisations share a building.

One common issue, for example, is the use of shared fire exits that could allow people from outside the organisation to access their offices during emergencies or fire drills.

“Access to super-fast broadband is a major consideration when relocating or expanding.”

← Contents →

Exclusivity period

With the wide range of considerations in play, it takes time to negotiate a lease. In a number of cities, London included, there are signs in some locations that we are moving back towards a more competitive, landlords' market, particularly for high spec, premium space.

Prospective tenants may want to negotiate an exclusivity contract whereby the landlord agrees not to talk to any other potential tenants for a certain period, giving tenants time to get their deal done.

This does put time pressure on to get the deal over the line. But, it also gives the business peace of mind that they will hold on to their chosen property.

"This does put time pressure on to get the deal over the line but also gives the business peace of mind..."

Planning timescales

Getting an office move right means ensuring your business has time on its side. A typical relocation can take between 12 and 18 months from start to finish, even longer if it's a complex deal.

Often the need for a decent amount of crossover with leases gets neglected. After a lease starts, organisations still need to fit the property out so it's important to negotiate a rent-free period, typically three months, to avoid the financial burden of paying two leases at once.

Organisations need to make sure this time isn't wasted so should have instructed surveyors and architects, and have fit out plans ready. They should also have landlords consent for the work and contractors ready to go on day one of the lease.

If it's possible for all employees to work from home, some organisations will go without an office for a period of time. However, this isn't ideal for most organisations, so working with advisers to stick to a strict timetable will help ensure everything runs smoothly.

"...it's important to negotiate a rent-free period, typically three months, to avoid the financial burden of paying two leases at once."

Managing your exit

All too often we see clients understandably excited about shiny new offices putting all their time and energy into getting that part of the equation right, without giving enough thought to planning and managing their exit from the old building.

When it comes to keeping costs down and ensuring an office relocation goes to plan, however, it's important to have a clear strategy for how to manage obligations laid out in the lease.

That means thinking carefully about the risks and liabilities relating to the old office, and the choices that need to be made.

Typically, these relate to repairing, decorating, and reinstatement obligations. These should be planned and carried out in good time before the lease ends.

It's important to have a process in place to assess the requirements of the lease. This includes identifying which repairs are necessary and where it may be more cost-effective to negotiate a financial settlement with the landlord instead of doing the work.

In some cases, an organisation may want to try and agree a licence with the landlord to allow them to stay in the property for a limited period to complete the repairing, decorating and reinstatement works.

Often there are negotiations to be had – a landlord may be more relaxed about a tenant failing to repair light fittings if they know they will be upgrading them anyway for example.

"...it's important to have a clear strategy for how to manage obligations laid out in the lease."

Break clauses

Over the last ten years break clauses have probably led to more property related court cases for tenants than any other issue. They can be highly contentious given that, yes, tenants have the option to break the lease, but this is often conditional upon compliance with certain requirements.

Many tenants fail to realise this and don't obtain timely advice. They make the assumption that they can exercise their option to break regardless.

Tenants then find that if they don't do it strictly in accordance with compliance requirements, around repair obligations or reinstatement of any alterations for example, they may be on the hook for the cost of the property if the landlord can't find a new tenant.

Tenants could also get caught up in a costly dispute centring on whether they have complied exactly with the lease or not.

Those relocating need to fully understand the restrictions laid out in their break clause before beginning the process. Those negotiating a new lease need to be mindful of whether they are likely to be able to fulfil break clause obligations should they wish to end the lease earlier than planned.

"Those relocating need to fully understand the restrictions laid out in their break clause..."

In summary

Opening up new headquarters or moving to new premises is a major decision with big implications for a organisations finances and operational requirements.

Finding the right space to meet the needs of the organisation, complement the brand, attract employees and impress clients needs to go hand-in-hand with careful planning and consideration of key priorities.

As well as securing the best possible office space, organisations need to ensure the lease meets their long-term needs. They also need to plan for a smooth move that avoids unnecessary costs or disruption.

Get in touch

Ben Tarrant
Real Estate
E b.tarrant@ashfords.co.uk
T +44 (0) 117 321 8035

Warren Reid
Property Disputes
E w.reid@ashfords.co.uk
T +44 (0) 117 321 8030

Sara Motevali
Real Estate
E s.motevali@ashfords.co.uk
T +44 (0) 117 321 8008

← Contents →

← Contents