

MERE COMMERCIAL

FAQ'S FOR PROSPECTIVE BUYERS AND TENANT'S OF COMMERCIAL PREMISES OR BUSINESSES

How do I find out more information about a property or business? If you have any further questions after looking at our sales or letting particulars, you can email or phone us and we will be pleased to help or endeavour to find out the answer where we can.

How do I arrange to view a property and what information will I need to provide? Contact our office and arrangements can be made to view at a mutually convenient time. Either our client or a representative from Mere Commercial will show you round. You will need to provide your full contact details including your address and telephone number and other relevant information such as whether you have a property to sell or require a mortgage or, if it's a property to lease, the proposed use and some background about your business or experience.

What should I do if I want to use the property for a different purpose than its existing use? If in doubt about your proposed use of the property, you are strongly advised to contact the planning department at the local authority regarding all necessary consents and licenses required. Some of the main planning use classes for commercial properties are as follows: A1 Shops; A2 Financial and professional services; A3 Restaurants and Cafes; A4 Drink Establishments; A5 Hot Food Takeaway; B1 Business (light industrial & office); B2 General Industrial; B8 Storage and distribution; C1 Hotels and Hostels and D1 Non residential institutions.

What are the main outgoings for a property? Other than rent or mortgage, the main property outgoings will be rates, insurance, utilities and, in shared buildings, there may be a service charge for the upkeep of common areas.

Is the rateable value the amount i will pay for business rates? No. The rates payable is a multiple of the national rate in the £ (around 45-50p in the £) and the rateable value. The rates paid is then adjusted for any transitional, small business, charitable, rural and other reliefs. The rates payable can vary according to the specific occupier and reliefs and therefore we do not always quote rates payable in the sales and letting particulars. Properties with a rateable value of £12,000 or less, benefit from 100% small business relief and stepped relief between £12,000 and £15,000. If a property is empty no rates are payable for 3 months for shops and offices and 6 months for industrial property except if a property is listed in which case no rates are payable while a property is empty. Contact us or the local rating authority for further information.

How much stamp duty will I pay on completion of a purchase or lease? Stamp duty is payable on non-residential property as a percentage of the purchase price as follows:

Up to £150,000	Nil
£150,001-£250,000	2% of the portion
£250,001 +	5% of the portion

Stamp duty is not payable on fixtures and fittings, where they form part of the price agreed, but is payable on goodwill where it is deemed to be tied to the property. Part residential accommodation within a commercial property may be charged at residential stamp duty rates.

When leasing a property Stamp duty is only payable where the total net present value of the rent over the term of the lease exceeds £150,000.

Will I pay VAT on the purchase price or rent? Property is generally exempt from VAT and a purchaser or tenant does not have to pay VAT on the purchase price or rent. However, if a vendor or landlord has waived the exemption so they can recover VAT on related costs, VAT would become payable on the sale price or rent. If you are a VAT registered business, you can, of course, recover the VAT in that instance. Where VAT is payable it will generally be indicated on particulars but a statement that the price/rent quoted is exclusive of VAT will be made in any case as a vendor or landlord could subsequently waive the exemption, although this is rare.

What is an EPC? An Energy Performance Certificate is an energy efficiency rating for a property from A (most energy efficient) to G (least energy efficient). It is now a legal requirement for almost all property being sold or leased to have an EPC. A building must have a rating above F to be leased.

Do I need an Asbestos Survey? Asbestos was used as an insulation, fire retardant and panelling material and can occur in any buildings built or converted during the 20th century. It was banned due to links to lung fibrosis and cancer. Owners and occupiers are responsible for managing any asbestos in their property. An asbestos survey is recommended to identify any asbestos and any course of action necessary. This can be carried out by the vendor, the purchaser, landlord or tenant.

Will I be able to see the trading accounts of a business I am interested in? Yes. However, vendors of businesses will normally only allow their accounts to be seen by bona fide applicants after a viewing.

What should I look for in the trading accounts? It is recommended that you consult with your accountant or financial adviser. Most profit and loss accounts will show three main figures; Sales or Turnover; Gross Profit (Sales less Cost of Sales) and Net Profit (Gross Profit less Overheads). Consider whether each part of the figures could be changed by running the business differently – number of staff, opening times etc. Overheads also normally include finance and depreciation. Finance is specific to the particular owner of the business and depreciation is a non cash item. See what the figures look like without these deductions.

Will I have to take on existing staff when I buy a business? The 'Transfer of Undertakings (Protection of Employment) Regulations preserve employees' terms and conditions when a business, or part of one, is transferred to a new employer. The new employer takes over the contracts of employment of all employees who were employed in the business immediately before the transfer. Employees no longer required may be entitled to redundancy payments.

Who should I speak to about a loan or mortgage? We can put you in touch with a broker. Most lenders will require a business plan and cash flow forecasts for business loans or a commercial mortgage. In general, rates and deposits required will be much higher than for residential property.

What should I do and what information should I provide if I wish to make an offer to buy a business or property? Offers can be made verbally or in writing to our office and all offers will be reported to our client unless we have been specifically instructed not to report offers below a certain level. Proof of identity and finance will be required and confirmation on whether the purchase is dependent on another sale and what stage that sale has reached. Remember, the agent is acting for the vendor / landlord and the buyer / tenant should seek their own professional advice before making an offer.

What happens if there are other offers? If there is more than one party making offers to buy a property or business, the vendor may decide to ask for best and final offers or continue to receive offers until other parties have dropped out. We will discuss these procedures with the vendor and the vendor will decide how they wish to proceed and to whom they eventually sell a property.

What should I do and what information should I provide if I wish to rent a property available to let? We will provide an application form if you are interested in letting a property. Landlords will usually consider applications based on the impact of the proposed use on the property and other tenants, the financial standing of the proposed tenant and other lease terms and not necessarily on the amount of rent a tenant is prepared to offer. References will normally be requested and sometimes landlords will ask to see copies of previous trading accounts, meet the prospective tenants and request a business plan or other information.

What other lease terms will need to be agreed? The landlord and tenant will need to agree the length of lease, break clause, rent free periods and rent reviews. The landlord will normally stipulate service charge and buildings insurance responsibilities, repairs, decoration, assignment or subletting clauses, permitted use, payment of other outgoings and exclusion of the Landlord and Tenant Act 1954 (rights to renew). In commercial leases the tenant is usually responsible for fitting out, heating, electrical wiring, lighting, plumbing etc.

What happens next? Once a sale or letting has been agreed, heads of terms are prepared detailing the parties, their solicitors and the terms agreed and will be circulated by us to all parties and their solicitors.

What should I be doing after a sale or letting has been agreed? You should instruct your solicitors promptly at this stage and contact your lender, if appropriate. Your lender will probably require a valuation of the property and you may wish to arrange for a building survey to be carried out. Any surveys and due diligence should be carried out at an early stage after an agreement has been reached to avoid any delays later on. You should keep in touch with your solicitor during the sale/ letting.

How is the agreed price split between the property, fixtures and fittings and goodwill? In the sale of a business and some other sales, the parties will agree an overall price and then a split of the price between the property, goodwill and fixtures and fittings. There are various tax implications and the vendor's accountant will normally propose a split which can be agreed upon.

What happens when I buy a business where the property is held on a lease? The price will be for the business only and the existing lease will be transferred (assigned) to you or a new lease granted. The landlord may require references or other information before giving consent. You will then take on all the obligations including the rent payable.

What does SAV mean? Stock at Valuation. In a business sale, the parties will have to agree the value of the consumable/ disposable stock separately on the day of completion and a sum in addition to the agreed price is paid over for the stock. Stocktakers are usually employed for this purpose.

What happens on exchange of contracts? When exchange of contracts takes place both parties are irrevocably committed and the purchaser pays a deposit (usually 10% of the agreed sale price). However, keys will not be handed over until the sale or letting has completed.

What happens on completion? On completion of a sale the balance of the money is transferred to the vendor and the purchaser takes possession of the property. On completion of a letting the first tranche of rent is paid and the tenant takes possession.

Buyers/ Tenants should seek their own professional advice on the above matters.