

GUIDE TO CHOOSING PREMISES

Your requirements

Drawing up a list of what you need from your premises is a good way to start your search, including:

- size and layout of the premises
- structure and appearance, both internally and externally
- any special structural requirements, such as high ceilings
- facilities and comfort for employees and visitors - including lighting, toilets and kitchen facilities
- utilities, such as power and drainage, and any special requirements
- permission, including planning permission, to use the premises for your type of business
- access and parking space - for deliveries or customers, including disabled customers
- whether you need the flexibility to alter or expand the premises
- whether the premises are suitable for your long-term needs
- location of the premises

After drawing up your list of requirements, you may decide that working from home could suit you. However, there are important legal and practical issues you need to take into account.

Your choice of premises will also depend on your budget. Whether you rent or buy, costs can include:

- initial purchase costs, including legal/professional costs such as solicitor's/surveyors' fees
- initial alterations, fitting out and decoration
- any alterations required to meet building, health and safety and fire regulations
- ongoing rent, service and utility charges, including water, electricity and gas
- business rates
- continuing maintenance and repairs
- building and contents insurance

Choose the right location

Choosing the right location can be something of a balancing act. Ideally, the location should be convenient for your customers, employees and suppliers - without being too expensive.

For shops and other retail businesses, location is of critical importance. Your location must attract customers. If you rely on passing trade, you want to be in an area where enough people who want your product or service can see you. For example, newsagents are often located in or around train stations. You could also benefit from customers who are attracted by other shops in a shopping centre.

For employees, the best location will be easy to travel to. Good public transport links make it easier for employees who don't live within walking distance. Employees also tend to prefer working somewhere with good local facilities.

You may want to be near suppliers for a quick, flexible service. Deliveries may be easier if there are good road and transport links. You may not want to be too near your competitors, though clusters of similar businesses sometimes attract more customers. Your neighbours and your location affect your image.

Location has a major impact on cost. If you need premises in a prime location the costs may be justified.

Renting or buying premises, or working from home

Renting premises suits many businesses and there are a wide range of commercial premises available. The advantages of renting depend on exactly what you have agreed with the landlord. With a typical lease, you agree to occupy the premises for a fixed number of years and pay an agreed rent, though the lease may allow the rent to be reviewed periodically. Upfront costs for leasing premises are often relatively low, though you may pay a premium to purchase the lease. Sometimes you may also have to provide a refundable deposit. You should also take into account legal and other professional fees.

However, there are disadvantages. You may have significant maintenance and repair obligations. The lease may include other obligations and restrictions. You may also have difficulties if your needs change and you want to move before the lease ends.

Most small businesses do not have the capital available to purchase their premises outright. Even if you can borrow to finance the purchase, you may feel that you have better uses for your capital.

If you do choose to buy, it can have several advantages:

- you control your own premises and can stay there as long as you like
- you can choose to occupy the premises yourself, rent them to someone else, or sell them
- your costs are relatively fixed, particularly if you have a fixed-rate mortgage, whereas rents can increase significantly over time
- you can alter the premises to suit yourself - subject to legal restrictions
- over the long term, the value of the property may rise

Against this, you have to weigh the disadvantages. Buying property is an expensive and often time-consuming process, involving significant professional fees and stamp duty. You'll also be responsible for all the maintenance and repairs. If your needs change, selling the property can be difficult and expensive, and you might find that the value has fallen.

If you have the choice, working from home may be a much better option than renting or buying business premises. It's a common choice for people who just need a small office, or who spend most of their time working on client premises.

However, working from home may not be an option if it significantly changes the use of the building, or affects your local area, for example if you have lots of visitors. Also, if you rent your home, your licence or lease may carry restrictions on using it for business purposes.