



FI REAL ESTATE
MANAGEMENT

LEASING INDUSTRIAL SPACE THAT'S RIGHT FOR YOU:

a step-by-step guide

www.fi-rem.com

Demand for industrial space has never been this intense

Prior to the pandemic, the already thriving online retail market made up around a fifth of all retail sales in 2019.

Locking down physical bricks-and-mortar shops for much of 2020 only fuelled internet purchases, forcing online retailers to up their warehouse occupancy by more than 600%*.

Demand has continued to grow into 2021, pushing take up of industrial space to a record high, with 24.5m sq ft let in the first half of the year**.

This spiked appetite for industrial space has seen supply struggle to meet the demands of changing consumer habits and an ever-evolving logistics sector. Consequently, vacancy rates are at their lowest on record (4.24%).

The time has never been better to invest in a new industrial unit - especially if you're just starting out and embarking on a new business venture - and FI Real Estate Management is well placed to make it a reality.

In this guide, we outline the necessary steps when leasing industrial space, as well as the kinds of questions you should consider before taking the next step.

At FI Real Estate Management, we thrive off seeing our tenants succeed in our units. And with our wide-ranging property portfolio, we're confident we have a suitable solution for your business.

We'll make it our mission to really understand your company's inner workings, exhausting all options and possibilities: from how we can achieve the fairest terms for you, to discovering the best unit in the most suitable location.

Moving into a new unit can seem like a big job, but here at FI Real Estate Management, we seek to make it that little bit more manageable.

*Source: UK Warehousing Association

** Source: Savills Big Shed Briefing



Step 1:

The groundwork

So you've decided the time is right to acquire some industrial space. Where do you start and what are the necessary next steps to make it happen?

A builder wouldn't construct an industrial unit without doing the proper groundwork and you shouldn't jump into leasing a unit without getting the fundamentals in place either.

Here, we're outlining the important factors you'll need to determine from the outset.

Space use

Firming up how you intend to use the space is a sound starting point.

Due to the property use class structure, our units enjoy the versatility of catering for multiple diverse purposes, so you effectively utilise the same space for manufacturing, storage, processing, and shipping amongst others.

Should a unit not quite fall in line with your intentions, our team can assist with the Change of Use application to convert the class use if there is a specialist use involved.



Industrial use classes at a glance

Class E: Commercial, Business and Service

- Offices that don't provide professional and financial services - B1 (a) in Wales
- Research and Development of products and processes - B1 (b) in Wales
- Light Industrial appropriate in a residential area - B1 (c) in Wales

B2: General Industrial

B3-B7: Usage, processing and manufacture of chemicals, metalwork, acids, oils, and animal by-products

B8: Storage or distribution



Size matters

Now you know what you'll be using the space for, you can begin thinking about how big you want it to be.

When it comes to commercial space, bigger is always better, allowing your business to operate more comfortably and flexibly.

But bigger can attract larger costs so it's wise to not get too carried away at the risk of creating any financial issues down the line.

At FI Real Estate Management, we're well versed in pairing tenants with units that complement their operations, so have an open chat with our team of professional asset managers who'll be able to identify and suggest a space as big as you need.

Location contention

It's all well and good having the perfect industrial unit at the right price, but it can be more of a hindrance than a benefit to your business if it's in the wrong location.

With 6m sq ft of industrial space throughout the UK and a further 2.5m sq ft of new build in the pipeline, we most definitely have an industrial unit in a spot where you need it. Our asset managers are knowledgeable of each local area and the potential support available from local authorities, such as grants, loans and funding.

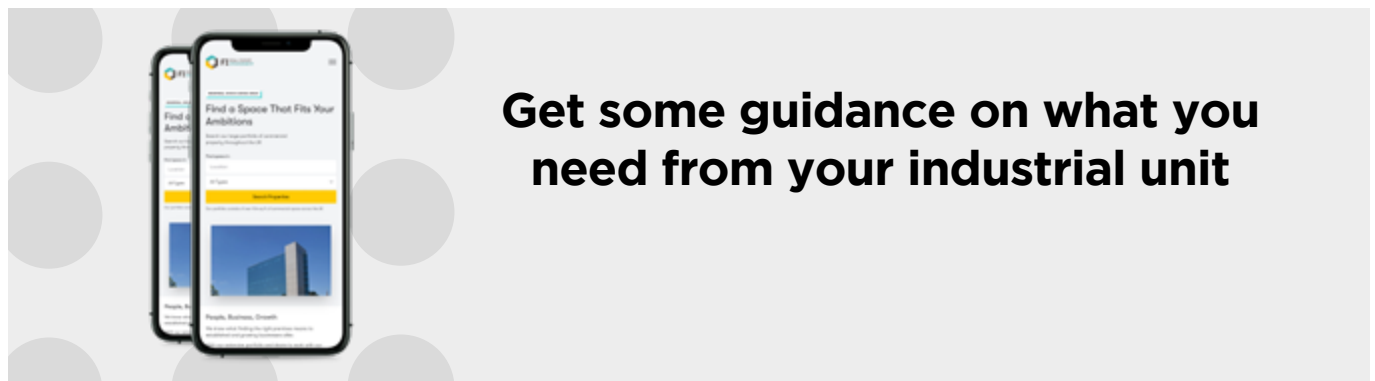


What you need

Does the unit have everything you need? That's another important question to answer.

Different businesses boast different requirements. One may need a dock leveller, a higher level access door or a bespoke office, whilst another might simply need an empty shell.

No one is better placed to understand what your business needs than you, so scribble down all the must-haves when compiling your list of potential units.



One common trait amongst all businesses looking for industrial space is that FI Real Estate Management will know a space that ticks all the required boxes.

We're not shy about adapting spaces to make them right for your business either. For instance, if you need an electric roller shutter door or a bespoke lighting design, it's likely we'll be able to help you with these more specific requirements.

Don't rule something out because it doesn't instantly tick all the boxes - it may be possible to create what you need with minimal capital outlay.

When you need it

Business moves fast and it's possible that you needed this new industrial unit yesterday.

That's why at FI Real Estate Management, if your unit is vacant and ready, we can pull out the stops to get you in your unit as quickly as possible by drawing up a temporary licence ahead of signing the final lease. Our close relationship with landlords means we can get any issues resolved swiftly too.



Step 2: Viewing the unit

You can only get so far online when searching for industrial space. To really confirm if a space is right for you, there's no alternative for heading over and viewing it in person.

You wouldn't buy a house without having a nosey around, and similarly, it isn't advised to lease a new unit without physically standing in the space and getting a genuine feel for it. These are our tips for when you finally go viewing...

Getting there

We've already touched on the importance of location but your own physical journey to the unit should give a solid indication of how easy it is to find.

Will your suppliers, workforce and visitors be able to access it easily? Is the surrounding area how you'd imagined for what you saw online? In the event that you can't physically get there, we can facilitate a virtual viewing.

Does it work?

Looks aren't everything. Viewing a property gives you a chance to see it first-hand without the online filter, but this is your chance to assess how the space works practically.

Will it meet your loading and access requirements? Does the height of the unit work for you? If the unit is situated in a busy traffic-heavy area, could it become an issue and hinder your business' operations? Is there a good tenant mix in the area that complements your business?

Positive personnel

It's important to strike a positive working relationship with your landlord and to be convinced that they'll act in a professional manner that fairly serves your interests.

Any landlord will be keen to win over prospective tenants from the off, so the onus is more on them to impress. It's our responsibility to act with integrity and manage expectations for both parties to create a mutually beneficial outcome.

QUIZ the agent

Take the opportunity to put our on-site team on the spot and ask specific questions about the unit - this could weed out any potentially unforeseen surprises.

- ✓ Who are the nearby/ neighbouring companies, and will you be sharing anything with them, such as parking spaces? Could your businesses be mutually beneficial?

- ✓ If there's anything you like the look of, like fixtures or furniture, find out if they'll still be there when you move in.

- ✓ Can the property be sublet at any point during the tenancy?

At FI Real Estate Management, we'll identify who is responsible for insuring, repairing and maintaining the building, and verify what the property can and can't be used for.

For instance, we'll work with the local councils to determine whether your intended use is acceptable to the planning authority. If you need to change

the building's use, our asset managers will guide you through the process or find solutions to minimise the time and cost involved in this process.

By asking these questions face-to-face, you'll benefit from receiving an instant response and likely glean additional information you may not have got over email. We also have direct access to landlords so we can get any questions answered quickly with transparency.

Step 3: Negotiating your lease

So you've viewed the unit, it lived up to expectations, and you're excited about finally getting in there. The finishing line is in sight but don't hire the moving vans just yet because it's time to pick through the paperwork.

This last step is arguably the most important because it's the final hurdle of the journey.

Here are some other key points you need to be aware of when negotiating your lease.

Streamlined comms

At FI Real Estate Management, the person you do the deal with is the person you will be dealing with for any property-related matters throughout your lease.

We value consistency and loathe miscommunication, so that's why we keep things simple with a single point of contact from beginning to end.

What's included?

Your rent is one regular expenditure that any occupier can expect, but it rarely includes other operating costs, such as service charge.

Will you, the occupier, be responsible for keeping the lights on literally? Who is footing the bill to keep your unit powered?

This is the time that you get all these details down in black and white and create a stronger tenant-landlord relationship, keeping costs down.

Of course, not all utility providers were created equally, so at FI Real Estate Management, we can take care of pulling in reliable, high-quality companies, thus sparing you another round of juggling contracts.

Making sense

Leases can be complicated documents and plain English words can take a different meaning within a lease. Take the time to comprehend any complicated terms and ensure you understand everything you're about to sign.

After you've signed, you can expect fantastic support. That includes our tenant pack, which explains everything in layman's terms, as well as a specialised service from our dedicated team of asset managers.

Set the date(s)

It's important to establish when exactly your lease begins and when it is due to expire. But it's perhaps equally vital to pin down any other significant dates. If the space isn't ready to move in right away, when will work be completed and when can you realistically occupy it?

Outgrowing a space

Hopefully, this new unit will trigger a growth spurt for your company and if you outgrow the space so much, it can hinder how you operate.

At FI Real Estate Management, we won't let physical space limit your growth and it's not rare for us to simply renegotiate current terms and pull all the necessary strings to get you into a new space that meets your new requirements.

Risk of rising rent

It should go without saying that you should only lease industrial space your company can afford. However, regular rent increases aren't uncommon and typically built in, so ensure these are spelled out in your lease. The more we know about your long-term business strategy, the more we can tailor the figures to your needs.



Jargon checklist

You're bound to encounter your fair share of specialist terms and phrases along the journey to your new industrial space. Here, we're going to clear them up before they get the chance to cause any unnecessary headscratching.



Rent

A regular payment made to a landlord by a tenant occupying a property.

Rent review

The process of assessing and adjusting the rent paid on a commercial property, usually to reflect current market value. In theory, commercial rents can increase or decrease, depending on demand, surrounding area, inflation amongst other factors.

Term

The agreed duration of the lease. Typically, it's anything between five and 500 years.

Heads of terms (HOTs)

A document that summarises the intended terms of a commercial transaction. HOTs aren't usually legally binding, but they express the intent to complete the transaction and serve as a starting point for further negotiations between parties.

Parties

The people or companies involved in the contract - typically, the tenant and the landlord - but can also include a management company comprising leaseholders in the building.

Service charge

A payment made by a tenant towards the cost of services and repairs beyond those specifically for the property.

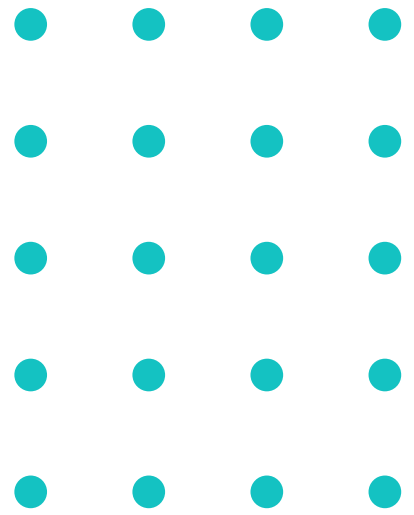
At FI Real Estate Management, we won't bore you with overly complicated lingo. Instead, we opt for a more straight-talking approach, so you understand precisely what you're signing up for.



Anatomy of a cost: what affects what you pay?

Rent isn't simply a figure that's plucked out of thin air. How much you pay per month is decided by multiple factors.

Here are some of the key ingredients that can influence that monthly invoice.



Size

Larger spaces tend to come with loftier price tags.

Location

If your new unit sits on a popular and in-demand industrial estate, expect to pay a premium. In contrast, industrial space on a more secluded, less well-known estate will be much more affordable.

Condition

A newly furnished unit will command a higher rent than a less loved property that hasn't seen a drop of paint in some time.

Length of lease

Short term leases usually mean that a space will become vacant sooner than a landlord would like so they may inflate the monthly rent as a result.

Market demand

If you're not the only interested party, the price of a unit could be driven skywards.

Other costs

Rent isn't the only outgoing when leasing an industrial unit. There are a few other costs you'll have to consider ahead of getting the keys. Here are the most common financial factors to consider.

- **Rent deposit:** Usually the equivalent to three-six months' rent and often payable when a lease starts.
- **Business rates:** Generally around half of the rent charged, all commercial tenants pay these to the Government. Contact the area's local authority for what business rates should be and whether you're entitled to any business rates relief.
- **VAT:** Landlords tend to charge VAT on goods and services but you may be able to reclaim it.
- **Service or maintenance charge:** Essentially a contribution towards the estate's upkeep, security, signage and surrounding area amongst other essential services.
- **Insurance:** Landlords will insure the building on your behalf and pass on the cost to you. Note, you'd need to obtain your own insurance for contents and public liability.
- **Dilapidations:** It's not uncommon to be charged to return a unit to a lettable condition.
- **Waste & utilities:** It's likely your unit will need electricity and water at the very least and at FI Real Estate Management, we can spare you another round of contract negotiation by calling on our own reliable, high-quality providers.

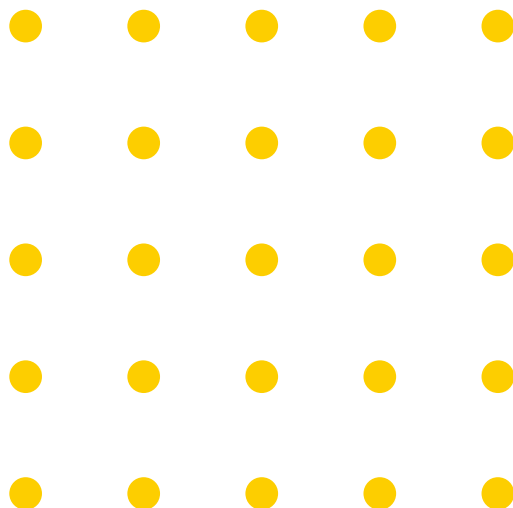
What if I...



Need more/less space?

Life can deliver all sorts of surprises, and if business really takes off and you need to upsize, then we'll try our best to find a larger space as close as possible to your original unit.

In contrast, if you want to downsize, we can explore the options and renegotiate your contract to reflect the smaller size and you can carry on as you were.



Common challenges when leasing new industrial space

By this point, you'll be able to appreciate that leasing industrial space isn't as simple as it should be, so here we're highlighting final things to consider..



Lack of communication

This isn't the time for keeping secrets. A tenant will always see better results and swift progress by being completely open with their landlord.

When tenants speak freely about their business, FI Real Estate Management is better equipped to provide informed advice, establish a stronger working relationship, introduce tenants to a wider business network, and communicate beyond the realms of lease negotiations. In short, help us to help you.



Property uses

We've already touched on this but take note of the property's permitted uses. If the list of potential future uses is lengthy, the property is more likely to be considered more valuable down the line which may be reflected in scheduled rent rises.

It's all very well reading this now but when you're trying to run a company at the same time, certain factors can be neglected.

However, the keen and knowledgeable team at FI Real Estate Management can guide you through the process, ensuring your new industrial space will serve you well and includes everything you need to succeed and thrive.



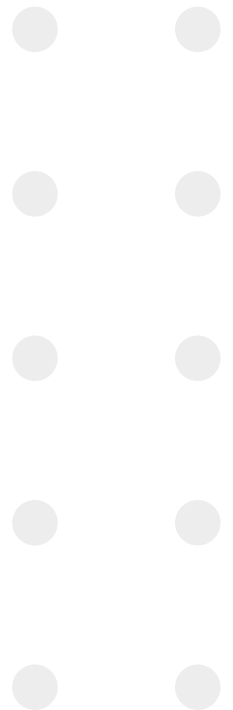
Car parking

If a unit boasts car parking spaces at the front, it's natural to assume that they come with the unit, but that isn't always the case. Spaces may be allocated to different businesses or belong to a private firm, so always double check what the deal is with any nearby parking.

Ltd

Insolvent limited companies

When a limited company becomes insolvent, that doesn't necessarily mean the lease is rendered invalid.



Thank you

We hope that this eBook has clarified the process of leasing new industrial space and outlined the major steps involved.

With a property portfolio of more than 10 million sq ft and over 40 years' experience in asset and property management, FI Real Estate Management is recognised as one of the UK's most established names in commercial property. But we pride ourselves on being more than just a landlord.

After moving into your new industrial unit, you will be looked after by a dedicated team at FI Real Estate Management to ensure you receive the best service.

FI Real Estate Management can also proactively help fuel your business growth via our tenant-to-supplier initiative and by connecting you to our wider business network.

Tell us what you want from your new industrial unit and we'll take it from there.

Alternatively, call us directly on **0845 500 61 61.**

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