

How To Buy Commercial Property: Your 13-Point Checklist



1. Your Identity As The Buyer?

At face value this might seem like an odd question but it has huge consequences. Are you buying the property as an individual, as a company or through a [Self-Invested Personal Pension \(SIPP\)](#)?

Get it wrong at the start and you could end up paying far more tax than necessary in the future. It is critical that you get expert tax advice right from day one.

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2. Are You Buying With A Mortgage Or Cash?

This is another important consideration – and one that's connected directly to point one above.

The mortgage lender will need to see your track record before parting with any funds. So a new company without supporting personal guarantees may struggle to [get a commercial property loan](#) or an appropriate loan-to-value ratio.

3. Will You Need Searches To Be Carried Out?

Buying any form of property without carrying out searches would seem inconceivable to the more cautious among us. Searches are optional if you are a cash buyer but compulsory if you are buying with a mortgage.

In any event, as solicitors specialising in commercial property we recommend that you carry out the following searches:

- Local Authority Search – what’s the planning history of the property? Have any covenants been breached? Has there been any enforcement action?
- Planning/Building Regulations Search – have any building regulations been breached? Will any local plans affect the value and usefulness of the property?
- Environmental Search – what are the risks with regard to contamination, flooding, subsidence, overhead electricity pylons, hazardous activities in the area, fracking?

4. Will Your Company Be Moving Into The Property?

Every commercial property purchase is important – but even more so when you and your colleagues working there have to live with the consequences of your purchase every day.

Will the property be large enough or flexible enough to accommodate the needs of your growing company? Will you be able to modify it as your business requirements change?

And while the property may suit your needs, will you be able to let it out if your company needs to expand to larger premises? Is it modern and versatile enough to appeal to a wide range of tenants?

5. Is It A Long-Term Or A Short-Term Buy?

This is something to consider in parallel with the previous point. Don’t fall into the trap of cutting corners simply because it’s a short-term purchase.

6. Planning Permission

Do you have planning permission for your specific use? Will the use class have a broad appeal to other businesses if you plan to let out the property?

7. Stamp Duty Land Tax (SDLT)

Few taxes are simple so you won’t be surprised to learn that Stamp Duty Land Tax (SDLT) can be a minefield.

Factors that will affect your SDLT liability will include price, whether you are a company or an individual and whether you own other properties. Reliefs and exemptions are available in certain circumstances. It’s a good idea to investigate these at the outset as you may be able to structure the transaction in a certain way to be more tax efficient.

8. Energy Performance Certificate (EPC)

Unless the property is exempt from the EPC Regulations, the seller of the property has to provide you with an Energy Performance Certificate (EPC) by law or risk a fine of between £500 and £5,000.

Properties are graded from A (highest) to G (lowest) based on their energy efficiency. Properties rated D or below will be of less appeal to future buyers or tenants and may be unlettable in the future (unless works are carried out to improve the energy rating).

9. Fire Risk Assessment

This assessment should be completed by the seller of the property. It is based on a system of self-certification and assessment where appropriate.

Lack of an assessment is a criminal offence and could invalidate the building's insurance.

We recommend that you as the buyer carry out your own fire risk assessment – especially if you are planning any modifications.

Even putting in a simple partition wall could have an impact because you might need to install extra fire precautions.

10. Asbestos Report

The duty holder (usually the person legally responsible for the structural repair of the premises) must carry out an assessment to determine whether asbestos is present so they can manage the risk.

The assessment requires a specialist survey from a suitably qualified surveyor who will have undertaken specific training. The potential liability for non-compliance is extremely serious and constitutes a criminal offence.

The seller of the building is responsible for having an asbestos report drawn up. Again, as the buyer you should consider investigating the potential asbestos content of the building – particularly if you are proposing to modify it.

11. Survey

Some buyers consider this less important if they plan to be in the property for only four or five years.

But 'buyer beware' – you don't want to be stuck with a property that is difficult to sell or let or needs major investment in it to rectify any defects or items of disrepair.

A survey should highlight any such defects and allow you to renegotiate on the purchase price or oblige the seller to complete the works before you proceed with your purchase.

12. Insurance

Some of the points outlined already will impact on the insurance. Will you be able to insure the property at a reasonable market rate? Is that likely to continue for the foreseeable future?

13. Tenants


Is there already a tenant in the property? On what terms are they there? Have they kept to the covenants? Do they have a protected lease? This would give them a legal right to remain in the premises even after the lease term has come to an end.

How long do they intend to stay? What are their plans? Will they need to expand to larger premises soon? Or conversely, how viable is their business – do they have a long-term future?

Whatever their situation, are they reasonable people? Will it be easy and stress-free to deal with them?

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