

Mhairi McEwan was shocked by the time and effort she had to spend negotiating an office lease last year. She had been renting space in the same building in Hampton Wick, southwest London, for her marketing consultancy, Brand Learning, for many years. Yet it still took several months of hard bargaining to reach a deal.

"It was incredibly stressful," she said. "It just dragged on and there were a lot of technical aspects. The whole thing is stacked in favour of the landlord."

Eventually McEwan managed to secure several benefits for her business: notably, a break clause halfway through the 10-year lease, a reduction in her total rent bill — even though she was taking 30% more space — and money to refurbish the reception area. A new lease was finally signed for 12,500 sq ft of space to house 130 employees. Vince Cable, the local MP, attended the office opening ceremony.

Having another office to fall back on if the talks broke down was a key weapon in McEwan's armoury. "It is essential you don't put all your eggs in one basket," she said. "And if you want a good deal you have to be prepared to negotiate it."

With the property market in a parlous state and landlords having to pay business rates on all empty properties with a rateable value of more than £2,600 for the first time in April, there is no better time for small companies to try to renegotiate better leases when they come up for renewal.

Sir Philip Green, the tycoon behind Arcadia, has already taken the lead. He is renegotiating the leases on 500 small shops as they come up for renewal.

Green has clout, of course. Yet small-business owners can benefit, too, in a number of ways. They may be able to get a break clause halfway through the lease period or a rent-free period at the start. It may also be possible to get temporary short-term lease — in effect a rolling contract with a month's notice either way.

It is worth remembering that



Mhairi McEwan found it hard going to lease her office by the Thames

A better rent deal is only a call away

landlords usually prefer to give rent-free periods than lower the rent they charge per square foot.

A small company's ability to negotiate more favourable terms depends largely on location, according to Martyn Chase of DTZ, the chartered surveyors. In a prime shopping centre such as Brent Cross, north London, the chances would be virtually zero because the market has improved since last year and there is demand for space. But in smaller malls in smaller towns, there may be opportunities.

Landlords of shopping centres are often keen to attract independent retailers to mix with the usual high street names.

Even the dreaded upwards-only five-year rent reviews have been largely rendered irrelevant, said Chase, as breaks at the five-year point mean that landlords and tenants are simply agreeing to sign a new lease rather than review the existing one.

Even if negotiating with your

landlord produces little of benefit, the worst thing a small business can do is not ask, he said: "Too many people are frightened to."

Andrew Bacon at Leaseholders United, the business property specialist, and an adviser to the Forum of Private Business, said the introduction of business rates on small empty properties in April was a real opportunity for firms to get a better deal.

Business rates are typically

charged at about 40% of a property's rental income. Up to now those with a rateable value below £18,000 a year were exempt.

However, Bacon warned that small firms remained at a disadvantage. "The biggest problem is getting hold of information. Whereas Sir Philip Green, for example, would know through his agents who has managed to agree a cheap deal, small-business owners are generally not able to

find out that sort of information as there is no national database."

The best way to strengthen their negotiating position, said Bacon, was to go armed with as much information as possible. He advised talking to businesses nearby to find out how much they pay, and counting how many local properties are occupied.

He said: "Where there is a lot of empty property, the landlord is in a much weaker negotiating position. In some parades of shops you will be able to get a good deal. Landlords recognise that it is better to have a tenant rather than having to pay rates on an empty site."

Tony Wallford, partner at Green Square, a business consultancy, said that while all small firms should have a chat with their landlords, they should also be realistic: "You can get quite a long way by negotiating but you have to be careful not to call the landlords' bluff. Don't threaten to leave unless you really mean it — because they might just say yes."

What to ask for

- Get a break clause halfway through the lease
- Consider a temporary short lease if it would be suitable
- See if you can get help towards refurbishment
- Line up an alternative to help force the landlord's hand
- Look around — are there empty shops and offices?
- Get as much information as you can about the state of the local market before you start negotiating