

Dilapidations Review

Property Report

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Course Work Requirements

Course work requirement:

Oral presentation on Dilaps 1/12/08 &
8/12/08

Structural survey assignment 3000
words 23/03/08 or 20/4/08

Timed exam 25/05/09 or 1/06/09



Dilapidations Process

- ✓ Client rings for advice / quote
- ✓ Talk to client
- ✓ Confirm instruction
- ✓ Gather available information
- ✓ View property
- ✓ Prepare Schedule of Condition and Property Report or Dilapidations report
- ✓ Advise and agree way forward with your client
- ✓ Meet other surveyor
- ✓ Negotiate and agree
- ✓ Negotiate and disagree and go to court

Property Report

- Looks at key problems
- Gives a summary of your findings
- Relates them to the lease
- Relate them to the client

Key problems

- Property issues in relation to the lease
- What type of lease is it?
- Most are FRI leases
- Key issues for your client – Existing condition and further requirements

Get to know your client

1. Accountants
2. Bakery restaurant
3. Bank
4. Building society
5. Children Nursery
6. Dental Practice
7. Doctors Surgery
8. Dry cleaners
9. Fast Food

Lease

Read the lease and summarise it

You will normally have to work on a
Heads of Terms initially

Terms:

1. **Subject to Contract.**
2. **Demise**
All those premises known as Address of Property
3. **Lease**
For a term of 12 years on full repairing and insuring terms with rent reviews at 4 yearly intervals.
4. **Tenants' Break Option**
The tenants to have break options at the end of Year 4 and Year 8 on not less than 3 months' written notice.
5. **Rent**
£32,000 per annum exclusive with 3 months rent free at the commencement of the term.
6. **Rates**
Rateable Value £17,750.
Rates payable £ - £8,200.50.
7. **References**
Solicitor to obtain the usual references.
8. **Sureties/Rent Deposit**
As part of the negotiations it has been agreed that the Landlord will require a rent deposit.

In order to take the property off the market, the proposed tenants have paid a non-returnable reservation fee of £5,000 to the landlord's solicitor. This £5,000 will be used as part payment of the rent deposit should the transaction proceed to a satisfactory conclusion.
9. **VAT**
The Landlord has elected to waive its exemption and VAT at the standard rate is payable by the occupiers on the rent and all other costs where applicable.

Heads of Terms

- Demise – Ground Floor only
- Lease - 12 year Full Repairing & Insuring
- Break clause - option at the end of year four and year eight

Questions you should be asking?



- Major defects in next 12 years
- Defects requiring immediate repair
- High level issues – what the roof configuration is, gutters, down pipes
- What the roof structure is like
- What the first floor is like (without actually going on to it)
- Any cracks are they important cracks!
- Sketch front, rear and floor plans

Reading Leases Fast!

Ask the solicitor to only send
you the relevant bits

Reading Leases Fast

You are looking for the 'Three Rs' and a 'Yield up' Clause

- ❖ Repair Covenant
- ❖ Redecoration Covenant
- ❖ Reinstatement Covenant
- ❖ Statutory covenant
- ❖ Yield up clause

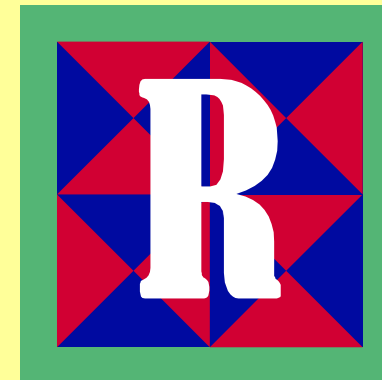
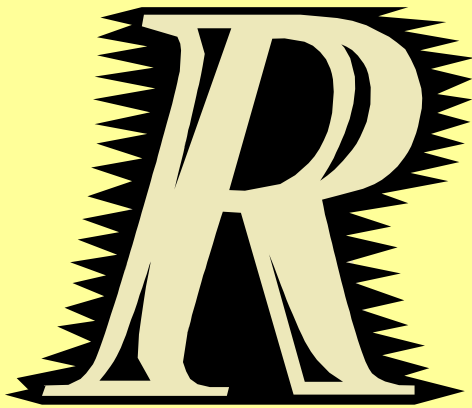


Or, better still

Ask the solicitor to give you the relevant clauses (it's a lot easier)

The 3Rs

If we had the lease we would have
looked for 3Rs and yield up



(3) Repairs

Throughout the said term well and substantially to repair and keep in good and substantial repair and condition the Demised Premises including all appurtenances thereto belonging and the sanitary water heating cooling and ventilating apparatus the sewers drains conduits gutters watercourses boundary walls and fences pipes cables wires ducts and mains and apparatus associated therewith and any equipment and fittings ancillary thereto forming part of the Demised Premises or solely serving the same and to renew and replace from time to time all Landlord's fixtures and fittings being part of the Demises Premises which may become beyond repair

(4) Redecoration

In a proper and workmanlike manner to paint with three coats of good quality paint all the wood metal and other parts of the Demised Premises heretofore or usually painted as to the external work in the third year and as to the internal work in the third year of the said term and in each case the painting to be done as well in the last three months of the term (howsoever determined) provided that there is an interval of two years between the works with good quality materials

(5) Works required by statute local and other authorities

To observe and perform all requirements of and to do and execute or cause to be done and executed all such works and things as under or by virtue of any Acts of Parliament local Acts Building Regulations or bye-laws already or hereafter to be passed and rules and regulations hereunder now are or shall or may be directed or required to be done or executed upon or in respect of the Demised Premises or any part thereof or in respect of the user thereof whether by the owner Landlord Tenant or occupier thereof and at all times during the term hereby granted to indemnify and keep indemnified the Landlord against all claims demands expenses and liabilities in respect thereof

(25) Yielding up

To yield up the Demised Premises (but not with trade and other tenant's fixtures) with vacant possession (subject to the provisions of the Landlord and Tenant Act 1954) at the determination of the said term in good and substantial repair and condition in accordance with the covenants hereinbefore contained

Good News

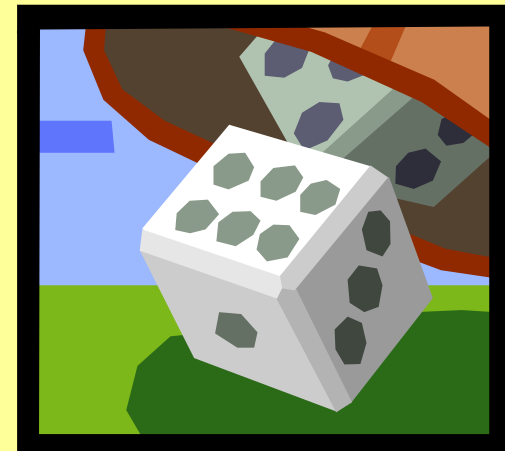
- Only a small extract
- And most modern leases are Full Repairing and Insuring

Mainly FRI Leases

Leases come in all Shapes and Sizes – or do they?

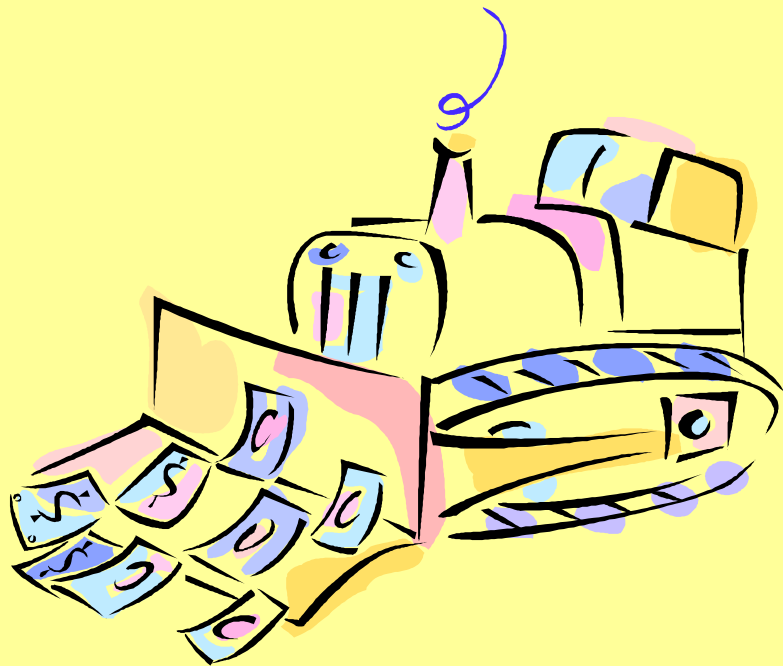
Six options, just a roll of the dice!

- ① Full Repairing and Insuring
- ② Full Repairing and Insuring
- ③ Full Repairing and Insuring
- ④ Full Repairing and Insuring
- ⑤ Limited Liability Internal Only
- ⑥ Limited Liability Schedule of Condition



So, as you can see you are most likely to get a Full Repairing and Insuring Lease, and then it is down to the detail wording of the lease, which is best interpreted by a solicitor.

If a tenant does not have a Schedule of Condition what happens?



Towards the end of the lease the landlord will serve a Schedule of Dilapidations requesting everything is brought up to the standard in the lease and this could be very expensive.