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# Dilapidations & Break Clauses: Breaking The Rules

*James McAllister, Director of The Dilapidations Consultancy, outlines the legal hurdles to be considered if signing or disposing of a business lease with regard to break clauses and dilapidations.*

**[Abstract]**

Most businesses will occupy premises they do not own. This requires the company or company owner to take a business lease where terms can vary from a matter of months to decades. Traditionally, commercial property leases were 20-25 years, often known as the 'institutional lease', but the changing nature of business occupation over recent years, coupled with increasing economic uncertainty, has seen the average term of the business lease contract substantially.

Few commercial landlords now enjoy the luxury of a tenant signing a 10+ year lease; fewer still can take comfort in their new incumbent signing a lease for a significant term without the imposition of a break clause operational a few years in to the term. More often than not, landlords will have to offer significant inducements, such as extended rent-free periods, reverse premiums or capital contributions for any improvement works the tenant may wish to undertake once they have signed on the dotted line. This is endemic of the current climate and has strengthened the business tenant's negotiating power like never before. This has culminated in the simple fact that commercial leases of any sizeable term without a break clause provision are a very rare thing indeed.

Aside from the already increasingly complex and onerous repairing obligations of a standard commercial lease, the hazards of improperly executing a break clause add to the potential pitfalls for the unwary and ill-advised business tenant.

*(Continued...)*

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