

# Repurposing your office space



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“It may be that it is not the size of your space, but how it is laid out that is the issue. Any internal alterations may need landlord’s consent”

Many organisations will be considering their longer-term strategy for survival. Office space is often a large expense, so it is a good time to review whether the space you occupy still meets your needs.

Most occupiers of office space have a leasehold interest – you should check the terms of the lease carefully to ascertain what rights you have and what conditions may be attached.

If your office space no longer meets the needs of your organisation but it is not the right time to move, you may wish to consider some of the following options.

#### **Underletting of part**

If permitted by the lease, it will usually require landlord’s consent, which should not be unreasonably withheld or delayed. There may be other conditions for the terms of the underlease. It is worth establishing these at the outset to inform discussions with any possible undertenants.

#### **Sharing with a group company**

It is common for modern leases to allow companies within the same group as the named tenant to occupy the same space. This will not usually require landlord’s consent, but the landlord should be kept informed about who is in occupation.

## **Desk licences**

This is a more informal arrangement to an underletting of part and permits third parties to use individual desks and to use communal areas and facilities. This has not been favoured by landlords, but the trend towards more agile and flexible working has forced landlords to be more accommodating. It is likely that your lease prohibits sharing of occupation (other than with group companies) – so desk licences would be in breach. However, a landlord may still agree with suitable parameters – such as a limit to the number of desks licenced at any one time and notification requirements.

## **Alterations to redesign the space**

It may be that it is not the size of the space but its configuration that is the issue. If alterations will allow you to make more efficient use of the property, you first need to ascertain the changes that would be required. A tenant is usually able to make non-structural internal alterations, but the lease may require landlord's consent. You should submit detailed drawings and specifications to the landlord for approval at the earliest opportunity.

It may be that your office space no longer meets the needs of your organisation but none of the above options are available

or suitable. If you need to leave your office space, you will need to consider:

## **Break clauses**

If there is an option to bring the lease to an end prior to the contractual end date, you will need to check whether there are any specific break dates and conditions that must be met in order for any break notice to be valid.

Take a look at Farah's article on page 21 for more details on break clauses.

## **Assignment**

This involves disposing of your interest in the remainder of the term of the lease to a third party who will step into your shoes as tenant. Landlord's consent will be required and should not be unreasonably withheld or delayed where the incoming tenant is able to satisfy the landlord that it can comply with the tenant obligations under the lease.

## **Underletting of whole**

Your lease may allow you to create a further leasehold interest in favour of a third party, so that you will be the landlord of the space. You remain liable for the tenant covenants, but the obligation to comply will be passed on to the undertenant in the underlease.