

How to find your premises

and negotiate for it

Romford sandwich bar owner **Jill Willis** has just written an excellent book called 'Start and Run a Sandwich and Coffee Shop.' Published by How to Books, it's full of practical advice for would-be independents and we're including some extracts here and in subsequent issues. Here she deliberates on the vexed issue of finding a premises

UNDERTAKING RECONNAISSANCE

The first step in your research is to get organized. Buy a large foldable map of your local area and pin it up on your sandwich shop HQ wall.

Then decide how wide your search zone is going to be, taking into account how long it'll take you to get to work. In our experience it is sensible to be no more than 35 minutes' drive away from your sandwich bar, due to early mornings, long days and possible emergency call-outs.

Next, make a list of all the possible locations where you could base your sandwich bar. This should not be too hard, as you'll have already begun to form some opinions of locations based on your early research into the sandwich bar market, and other cafés. There'll also be some locations that you're keen to visit due to regeneration, redevelopment, and gut instinct.

You may need to think outside the box here; most of the good locations will have already been taken, as the 'food to go' market has expanded over the past ten years. Consider parts of towns and cities where previously a sandwich bar might not have been viable: in an up-and-coming neighbourhood, or close to a new business park or trading estate. Also consider streets that are close by a popular and expensive high street location. This is often a sensible way to get the best of both worlds. As long as you entice people in, through well-positioned 'A' boards advertising your café, you could end up with a high footfall but a lower rent.

Now make a checklist of the key factors that you'll consider when viewing a retail unit. Ask yourself the following:

- Does it fit the brief? Are your target customers in this area? Is there passing trade? Is the road a busy thoroughfare, on a bus route, near the station? Is it a high street with popular shops? Is the shop high visibility or hidden away? Is there a captive audience? No matter what your business plan, the lunchtime trade is a vital one for any sandwich bar. To be a success you'll need to tap into one of two captive audiences (or both if your location is prime!): first, office workers who tend to buy their lunch out three or four times per week, and second, shoppers, who'll visit you less frequently, but will spend more per visit.
- Are there any competitors? As the likes of Subway and Costa have been busy securing a foothold on almost every British high street, it's very unlikely that you'll find no competitors. In fact, if there were no competitors it's probably a clear sign not to bother with the area. You need to understand what your competition would be like if you chose this site. It's OK if there are a couple of places, offering different types of food, but if there are already a number of sandwich bars offering what you plan to offer then it's probably best to look elsewhere.



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■ Is there potential for outside seating? The smoking ban has made business difficult for some, while on the other hand it has created an opportunity for others. Don't discount the importance of having one or two outside tables, with shelter. Are the logistics workable? Does the premises have ample parking for you and your staff? Will your customers require parking? Can delivery drivers stop and unload? Is there somewhere to put rubbish for collection?

If you intend to have a van, and make sandwich deliveries, is there somewhere to stop and load? Is the shop based on a traffic blocked one-way system?

Consider developing a scorecard for each retail unit you view. Grade each one out of ten, across the above points and any others that are specific to your business plan. It could prove to be a really useful tactic, and mean that you can be confident of whether the unit offered has potential or not.

PURCHASE OR LEASE?

This should be one of the shortest sections in this book. As, due to the generally safe option of investing money in bricks and mortar, if at all feasible the sensible answer should always be purchase! After all, if you buy a retail unit it will usually increase in value as the years go by, providing you with a nice nest-egg many years from now.

Purchase

You'll find that retail units in good locations don't become available to purchase very often, as landlords generally don't have trouble renting them out, and simply keep their property portfolio bubbling over. However, if you think you may have found a gem of a unit to purchase, check, double-check, triple-check, and then do it all over again until you're completely satisfied you're happy with the terms and condition of the unit.

Ask yourself, if this unit is so great, why are they selling it? There may be a genuine reason such as bereavement, or a small landlord management company closing its portfolio. This is very rare, though, and if you are aware of the unit's availability, so too are the big property developers and landlord companies.

Why don't they want it? After all, they will have ongoing relationships with national agents and will know about such units before they come on to the open market. Don't be naive; there will be a reason why this unit is not attractive to large landlord firms. You need to discover what the reason is, and decide whether it's a deal-breaker for you and your business.

The truth is, though, that not many start-up sandwich bar owners have the cash available to purchase a retail unit in a high footfall high street location . . . so this section suddenly becomes much longer!

Leasing

Leasing is the chosen route for the vast majority of retailers, from large chains through to small independents. There are far more leasehold retail units to choose from, and a smaller deposit is required to purchase a lease than to purchase a mortgage. However, the research you should undertake before deciding to lease a property should be just as thorough as when deciding to purchase a property.

After all, you'll be responsible for paying the rent for as long as your lease is valid, regardless of whether your business is a success or a failure.

Once you've made the decision, and are confident that the unit can offer you all that you need to make your business a success, then you'll begin negotiating a full repairing and insuring lease (FRI). An FRI lease is the usual format of lease used within retail, and simply means the person leasing the property (you) is responsible for the general repair and insuring of the unit.

No two retail leases are the same, as there will always be individual clauses relating to particular premises. For example, a retail landlord in one



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high street may ensure that all of their FRI leases contain a clause outlawing the sale of any hot food from premises trading under an A1 licence.

However, if the only hot food you intend to sell is toasted sandwiches and jacket potatoes, you may be able to negotiate this into the contract.

The important thing is to ensure that you have a very good solicitor, who will study the lease and all relating legal documentation with a fine-tooth comb, making sure that nothing is missed, and there are no nasty clauses waiting to bite you in two years' time.

As well as agreeing to the terms of the lease, you'll also agree to the length of the lease. You should expect this to be for anywhere between five and 20 years. The landlord will usually specify how long they wish the lease period to be for, and this is generally non-negotiable.

MAKING AN OFFER AND NEGOTIATING A DEAL

As leasing is the option the vast majority of retailers take, I'll focus on this, rather than on purchasing a property. Once you have decided that a property is suitable for your business, you will begin the process of making an offer and negotiating the deal.

Heads of terms

The first step is to request a document known as the 'heads of terms' (HoT) from the property agent. This document holds the basic contractual information relating to the property lease, including the length of lease, annual rent, any service charge that is applicable, length of any rent-free period, and the usage licence relating to the property (A1, A2, A3, etc.).

As the average retail lease is over 100 pages long, the purpose of the HoT is to provide an executive summary, so that all parties can agree on the top-line details, and be certain that they want to progress, before beginning to negotiate the intricate details of the lease contract in its entirety.

If you are negotiating with a large national landlord firm then this HoT will be a formal document, one or two pages long. On the other hand if you are dealing with a small local landlord then you may simply receive a brief email.

The important thing is that you receive these details, and that you ensure you are happy with them.

This is your opportunity to negotiate on the amount of annual rent you'll pay, rent-free period you would like, the length of the lease, the usage of the lease, etc. It's important to view the bigger picture when negotiating, and remember that it's not simply about getting a cheaper annual rent.

Added value at this stage could be of real benefit to your business in the longer term. For example, the landlord may not be able to reduce the annual rent; however, they may offer added value in the form of rent free periods, reduced service charges, a free rubbish collection, a free parking space, etc.

The contract

Once you have agreed the HoT (a process that may take a few weeks) the next step is to instruct your solicitor to begin work on the contract itself. Much like buying a house, this process can be a lengthy one and you should anticipate it taking at least two or three months.

Your solicitor will handle the negotiation of the contract from this point onwards, and act as your representative. It is therefore vital that you have explained to them in detail the exact plans you have for your business. For example, your plan may be to sell cold sandwiches for takeaway, but will your business stay like this for ever, or might its offering change slightly as the years go by? You need to ensure that your solicitor knows this, so that they can make sure that the contract is flexible enough to fit your requirements.

As well as ensuring your solicitor is thoroughly briefed on your business plan you'll need to ensure that they understand the deadlines you are working to. If you need to have the keys to the shop and have begun the re-fit by a certain date, then say so, and demand that your solicitor works to meet this deadline.

Your job is to be a firm taskmaster, and make sure they prioritize your workload. From the point of requesting HoT to the day you start trading, you should allow approx six months.

Start and Run a Sandwich and Coffee Shop
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ISBN: 978-1-84528-333-9

Available at all good bookstores priced at £12.99

Orders: 01476 541080

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