



Dilapidations  
Consultancy

# 3R's of a Dilapidations Claim

Repairing  
Redecorating  
Reinstatement

**Every business** leasing commercial property is required under FRS 102 Accounting Standards to make a provision within their accounts for future known liabilities. Regardless, there are real benefits to a business to fully understand their potential dilapidations exposure during the term and to have a strategy in place for a future exit.

The reality, however, is that the matter is often ignored by tenants until near or after lease expiry when the landlord's dilapidations claim often comes as a surprise and time is lost to implement strategy to minimise exit costs.

The **repairing, redecorating & reinstatement** covenants within leases are the 3R's of a dilapidations claim and will impact on the lease exit cost and strategy implementation.

All leases vary and it is extremely important to have a full understanding of your lease terms within the context of the 3R's and to fully understand the impact that the wording of these may have on a potential dilapidations claim.

Below are some of the key issues and practical considerations when accounting for lease repairs and ultimately minimising a dilapidations claim.

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**Dilapidations is a contentious & complex area of commercial property and can be made even more complex by not having a strategy or accurate dilapidations assessment in place.**

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## Key issues to consider

- Fully understand the content of the lease documentation and the impact certain lease clauses may have on a dilapidations claim.
- Establish the extent of your dilapidations liability to ensure the figure you're accruing is an accurate reflection of the lease terms and existing condition.
- Start planning your lease exit strategy at least 18 months/ 2 years before your lease exit date (*possibly more for a conditional break clause*).
- Consider strategies such as undertaking certain works you will get the benefit of; approaching the landlord early/during the term, undertaking the dilapidations works or ultimately doing nothing.
- Fully understand methods and options of repair and how these integrate with lease terms.
- Market Research – Is the landlord planning to redevelop/extensively refurbish or change of use? Has a planning application been submitted? Speak to other tenants in the building; review the local plan. Is the property being marketed by agents?

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For further information or to discuss any dilapidations matter please call Kevin Murrell on 020 7101 4167 or email [info@m3dilapidationsconsultancy.co.uk](mailto:info@m3dilapidationsconsultancy.co.uk)

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