

GP PRACTICE LEASE NEGOTIATION – KEY CONSIDERATIONS



GP Practice Leases will mainly follow similar terms to that of a standard commercial property lease, however there are a number of unique provisions which will need to be carefully considered. A GP Lease will require NHS approval ahead of signing which will require compliance with NHS regulations to ensure rent reimbursements are protected.

We have considered the key terms below which make a GP Practice Lease distinctive and which are particularly worth considering when negotiating Lease terms as a GP to achieve an NHS approved Lease. These should in turn make for a smoother transaction.



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Armageddon Clause

An Armageddon clause is a type of break clause which allows for early termination of the Lease where certain conditions are met and/or complied with and should be considered even if periodic break clauses are agreed as part of more general negotiations. Whilst break clauses are relatively common in commercial leases, an Armageddon clause seeks to protect GPs in certain circumstances such as where they lose their Core Contract (voluntarily or otherwise) and as a result, rent reimbursement or certain other events which may impact their ability to operate the Practice and/or make rent payments with a resulting risk of shortfall where the GPs are then personally liable for payment.



As with more standard break clauses, the tenant is required to give prior written notice to the Landlord which, here, is usually around 5 months, together with fulfilling certain conditions such as ensuring all rents and other payments are paid up to date and the property being free from all third party occupation. These conditions must be met in order for the termination to be valid.

A failure to comply will result in the termination being invalid and the Tenant being liable for performing the obligations in the Lease for the remainder of the term to include payment of rent, with the GPs remaining bound to the Lease with no recovery of rent.

If such clause is not incorporated, there is no automatic right for the GPs to end the Lease in circumstances where their Core Contract ceases/terminates and/or rent reimbursement is withdrawn, leaving the GPs personally liable for rent and other payments due.

Assignment and underletting

From time to time, there may be changes to the GP Practice which would require the Lease to be assigned, such as in the event of retirement of GPs or otherwise a new appointment. In these circumstances, there should be no requirement to obtain the Landlord's consent to a replacement or additional GP provided the GPs remain entitled to rent reimbursement.

In assignments of this type, there should be no requirement for any accompanying Authorised Guarantee Agreement to be entered into by any outgoing GP (which would ordinarily be required on assignment) which would guarantee that the assignee (incoming GP) (but not any subsequent assignee) performs all the obligations imposed by the Lease on the Tenant.

A deed of covenant may however be required to be entered into between any incoming GP and the Landlord to confirm that the incoming GP will comply with the obligations and terms of the Lease to establish a direct contractual relationship between the new GP(s) and the Landlord.

These provisions allow for the release of existing GPs from their liability under the Lease and provide greater flexibility to allow for changes to the partnership over time, providing simplified succession planning and assisting to minimise administration and costs with no formal Licence to Assign to be entered into.

Whilst Landlords may otherwise be reluctant to allow for tenants to share occupation of the property, as the NHS encourages use of primary care premises to be maximised so far as possible, the Lease should incorporate an ability for the tenant to share occupation of the property with other healthcare providers or occupiers providing similar services.

Rent Review

Where GPs receive rent reimbursement as part of their Lease arrangement, the agreed rent payable under the Lease will not be able to exceed the District Valuer's determination, even where the Landlord's initial determination of rent is higher.

The Lease will usually incorporate more standard commercial rent review mechanisms, with additional rent review provisions included to provide an obligation for the rent review notice or memorandum to be forwarded to the relevant NHS body who will then appoint a District Valuer to formally assess the rent and essentially ratify this or otherwise determine the rent which will be payable and will match what the Practice will be entitled to by way of rent reimbursement to avoid a shortfall which would otherwise be the personal responsibility of the GPs.

The additional provisions will apply so long as the Tenant under the Lease receives rent reimbursement but may cease, such as in the event of an assignment of Lease to a tenant without the benefit of rent reimbursement at which point the standard rent review provisions will apply.



This article is intended to provide guidance only in relation to key points to be considered as part of wider GP Practice Lease negotiations and does not provide any exhaustive commentary in respect of required terms. Each transaction will need to be considered based on its particular circumstances in respect of which full and specific advice should be sought.

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