

# FRI Lease Due Diligence Checklist

Use this checklist to capture the essentials of Full Repairing and Insuring (FRI) lease risk management: technical due diligence, drafting levers, operational controls, break option compliance, and yield up planning.

## Pre-Lease Technical Due Diligence

- Full building fabric survey: roofs, façades, structure, damp/water ingress, drainage.
- M&E condition survey with lifecycle profiles for HVAC, electrical, lifts, fire systems, water services.
- Compliance review: fire safety (FRA, alarms, AOVs), electrical (EICR), gas, legionella, pressure systems.
- Environmental issues: asbestos (R&D survey for alterations), contamination, deleterious materials.
- Photographic Schedule of Condition drafted to high standard (narrative + annotated photos).
- Identify pre-existing disrepair; propose clause that limits your duty to 'no worse than' the schedule.
- Map demised vs common parts and service media (riser/plant responsibilities).
- Review insurance provisions and reinstatement mechanics (insured & uninsured risks).

## Drafting & Negotiation Focus

- Replace 'put and keep' with 'keep in no worse condition than evidenced by the Schedule of Condition'.
- Define repair standards by reference to age, character, and locality; exclude inherent/latent defects.
- Clarify structural vs non-structural and service media responsibilities (including renewals).
- Decoration cycles: internal/external frequencies, quality standards, brand colours, and final redecoration.
- Reinstatement elections: landlord to elect at least 6 months before expiry or deemed waived.
- Break-clause compliance wording aligned with repair/decoration/reinstatement and vacant possession.
- Jervis v Harris: notice periods, cost reasonableness, tenant step-in rights, limits on scope.
- Service charge alignment for multi-let buildings; avoid double recovery.

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## During the Term (PPM & Records)

- Implement a PPM plan covering fabric, M&E, compliance, and testing schedules.
- Maintain evidence: test certificates, commissioning records, O&M manuals, as-builts, approvals.
- Log all defects with cause analysis; classify works as repair vs renewal with technical basis.
- Manage alterations by consent; update drawings; re-commission systems after works.
- Track decoration cycles and budget; avoid end-loaded spend near expiry.

## Break Option Countdown

- Term-9 months: audit compliance against repair/decoration/reinstatement and vacant possession conditions.
- Agree any waivers or alternatives with landlord in writing.
- Programme works and access; confirm CDM duties if applicable.
- Compile evidence pack (photos, certificates, invoices) demonstrating compliance.

## Yield-Up (Last 18 Months)

- Term-18: commission condition/M&E review; identify life-expired plant and fabric priorities.
- Term-12: request landlord's reinstatement election; confirm decoration scope and timing.
- Term-9: commence works and procure long-lead items; QA inspections.
- Term-6: confirm approvals and access; align with any landlord works to mitigate supersession disputes.
- Term-3: close snags; compile handover pack (keys, manuals, test certs, as-builts, photos).

## Valuation & Settlement Strategy

- Prepare Section 18(1) diminution appraisal; gather market evidence and redevelopment intentions.
- Challenge betterment and supersession; align scope with the true lease standard.
- Consider ADR early (mediation/expert determination) under the Dilapidations Protocol.

Tip: keep photos and evidence in a structured data room (condition baseline, approvals, testing & certification, O&M, as-builts).