

Leased Premises

Your lease terms and conditions will set out what happens when your premises are damaged or destroyed. Whether you are a landlord or tenant, contact your solicitor to check your rights.

Under the Property Law Act, when leased premises are damaged, the rent and outgoings payable under the lease will be reduced by a fair proportion, based upon the extent on the damage suffered, until such time as the damaged is repaired and the premises reinstated. If the premises cannot be occupied, no rent is payable by the tenant until the landlord has reinstated and made them fit for occupation again.

Under the Auckland District Law Society (ADLS) standard form of commercial lease, where the premises or any part of them become untenable (unfit to occupy), the lease will terminate. Also, if the landlord decides that the premises should be demolished and rebuilt as a result of the damage, he can terminate the lease.

However, where the damage is not sufficient to make the premises untenable, the ADLS says that the landlord must with all reasonable speed, once building consents have been granted, apply any insurance moneys received by him towards repairing or reinstating the premises. Until that time, the rent and outgoings shall be reduced by a reasonable amount. But, if the insurance moneys paid to the landlord are insufficient to cover repairs, or any building consents are not granted, the landlord can terminate the lease.

Most landlords will hold insurance for loss of rent and should be able to recover the rent and other outgoings which would have been paid by the tenant during any period that the rent has been reduced or stopped.