



10 tips for leasing business premises

Selecting the right location and securing a good lease is critical to your business success.

The type of business premises you select will depend on:

- the products or services you intend to provide
- your customer demographics and location
- your financial circumstances

These tips will help you avoid costly mistakes.

Top tips

- Read your lease
- Seek advice from our advisers and your lawyer
- Know you can (and should) negotiate the terms of your lease

1. Determine what you can afford

When you sign a lease you are committing to pay the landlord rent for the agreed term, which includes rent increases and other expenses such as repairs and maintenance, rates and taxes. If you are unable to pay rent on time the landlord can terminate your lease and retake possession of the premises.

Advice from your accountant is essential to help you determine what you can realistically afford in terms of rent and other costs associated with leasing.

2. Undertake business planning and market research

Business planning and market research will help you determine the best location and type of premises to suit the needs of your business.

Financial forecasts included in your business plan will allow you to determine the timeframe and investment required to make a profit. This is especially important when negotiating a lease. If forecasts identify that it will take five years to reach your goal, you need to ensure you can lease the premises for this period and beyond, if you wish to capitalise on the goodwill you have created. If you can't, your business may have to relocate or close down.

Knowing your target customers, their age, buying behaviours and habits, can help you decide on an appropriate location for your business. You will also need to consider foot traffic, proximity to public transport, availability of parking, number of competitors, mix of neighbouring tenants and whether the premises are sufficiently visible.

Speak to one of our business advisers who can help you understand your business and practical requirements, including customer demographics, regulatory requirements, lease type and location.

3. Check local government regulations and planning approvals

Local government areas have zoning and planning regulations. These can vary between councils so check carefully before deciding on a location. The local council may require you to seek approval for signage, parking and building work. They may also restrict the permitted uses of the premises.

Use the 'Business Licence Finder' on our website to identify any specific regulations applicable to your business and/or area.

4. Make sure all agreements, guarantees and assurances are in writing

Don't put your trust in verbal agreements; they can be hard to prove, especially if there's a future disagreement. Put everything in writing and include all matters you have discussed and agreed to with the landlord or their agent in relation to leasing, particularly information you have relied on when making a decision to lease the premises.

5. Read our commercial leasing publications

Our practical publications offer advice to help you be better informed about negotiating a lease and avoiding some of the pitfalls. Visit our website to find out more.

6. Understand the main issues to consider during negotiations

Before starting lease negotiations you need to be familiar with some of the key terms and conditions, including those you should avoid or be prepared to accept.

Key terms and conditions typically included in a lease are:

- lease duration (or term) and option to renew
- rent and rent reviews
- permitted use and exclusivity
- tenancy mix and competition
- operating expenses
- other costs
- repairs and maintenance
- assignment and sub-leasing
- default and breaches
- terminations

Make sure the other party understands that all negotiations are subject to and conditional upon the approval of your lawyer and accountant.



7. Don't feel you have to accept the first offer

Be prepared to negotiate and to walk away from negotiations if you can't satisfactorily agree on terms that suit your business needs.

8. Give yourself plenty of time

The process of viewing and leasing business premises takes time and there are several stages to work through. Make sure you allow sufficient time to complete each stage and don't underestimate the time involved (often several months to a year).

9. Don't be pressured into making decisions before reviewing all the documents

When considering leasing premises it's important to allow yourself enough time to properly research and evaluate your options, and to seek advice.

Typically, leasing premises involves:

- researching and inspecting premises
- obtaining preliminary documentation from the landlord, agent or seller regarding the proposed terms of the lease
- seeking legal, financial and business advice as to whether the proposed terms in the preliminary documentation are suitable for your business needs
- negotiating the lease terms
- preparation of final lease documentation
- fit-out and handover of the premises

Don't fall for tactics that pressure you into making a decision before you have an opportunity to seek independent professional advice or to fully review the lease documents. These could include being pushed to make a quick decision, being asked to sign on the day (minimising the importance of reviewing documents) or the landlord or agent telling you there are many other people competing for the premises.



10. Don't sign anything, take possession of the premises or pay rent before you have obtained legal, financial and business advice

A lease is a legally binding contract and a serious financial commitment. Seek financial, legal and business advice before making a decision about your business premises or signing any binding agreements.

Speak to a lawyer to make sure that the lease does not contain illegal or onerous clauses. A lawyer will be able to advise you on the terms to negotiate to ensure your business interests are legally protected. They can also assist you to negotiate with the landlord if required.

Visit smallbusiness.wa.gov.au for more information on leasing business premises or contact one of our business advisers on 13 12 49.

Sign up for our free, monthly e-news via our website homepage and follow us on facebook.com/smallbusinesswa to receive handy hints and tips on running your business.

We also encourage you to join thousands of WA business owners in our Facebook group 'I'm a small business owner in Western Australia' – the perfect place to ask questions and share ideas with your peers.

Note: This information is not a substitute for legal advice.

13 12 49

Small Business Development Corporation
Level 2, 140 William Street, Perth WA 6000
info@smallbusiness.wa.gov.au
smallbusiness.wa.gov.au