

# Leasing Commercial Property

## a short practical guide

Small Business Development Corporation

**A lease is vital to a business and is usually central to the goodwill, value and future sale of the business. It is a legally binding contract.**

While leases may be complex and difficult to understand, it is essential that you understand the terms and conditions before signing or making a commitment.

A lease may be presented as a standard lease but this does not mean that the terms and conditions cannot be changed by negotiation to suit both tenant and landlord. Leases should be tailored to suit the circumstances.

#### Leasing generally involves the following stages:

- inspection and research of premises;
- obtaining preliminary documentation;
- obtaining of advice;
- negotiating of the lease;
- preparation of final documentation; and
- fit-out of the premises.

Each of these activities can take considerable time. Adequate time should be allocated to allow each to be dealt with properly.

All documents relating to the lease should be obtained and read, including any assignment documents.

Always retain a copy of any documents bearing your signature.

#### Important issues

- tenants should ensure that all representations and details given or made by the landlord or the landlord's agent are in writing
- inquiries and research should be undertaken in relation to the business, the lease and the property (including comparisons) **before** making any commitments to buy, lease, take on an assignment or otherwise incur any other obligations

It is strongly recommended that you obtain legal and commercial advice before:

- signing an offer to lease or any other lease related document;
- payment of any deposit or other monies; or
- occupying the leased premises.

**If the conditions of the proposed lease are not acceptable and cannot be negotiated satisfactorily, be prepared to walk away.**

#### Commercial Tenancy (Retail Shops) Agreements Act 1985

In addition to the terms of the lease, many commercial tenancies in Western Australia are regulated by the *Commercial Tenancy (Retail Shops) Agreements Act 1985*. An understanding of this Act is essential.

Under the Act, when a new lease is being considered, a landlord is required to give to the tenant:

- a disclosure statement;
- a proposed lease;
- a Tenant Guide (attached to the lease); and
- an operating expenses budget.

These should be received prior to any commitment to the lease.

If you are considering the assignment of a lease, you should ask the current tenant for a copy of these documents, which he or she would have received from the landlord.

Disputes for leases covered by the Act can be referred to the Commercial Tribunal.

If a lease is subject to the Commercial Tenancy (Retail Shops) Agreements Act, any dispute arising between the tenant and the landlord may be referred to the Commercial Tribunal, through the Registrar of the Tribunal. The fee payable for mediation is currently \$29.00.

### Commercial tenancy advisory service

The Small Business Development Corporation (SBDC) has a specialist Commercial Tenancy Advisory Service to assist landlords and tenants with commercial lease problems and queries.

### The Commercial Tenancy (Retail Shops) Agreements Act 1985.

The Act is available from the State Law Publishers, 10 William Street, Perth, Tel: (08) 9321 7688, and is available on the website [www.slp.wa.gov.au](http://www.slp.wa.gov.au)

### Publications

Publications available from the SBDC bookshop at 553 Hay Street Perth, or online at [www.sbdc.com.au](http://www.sbdc.com.au), include the following titles:

<i>Common questions about the Commercial Tenancy Act for leases entered into on or after 1 July 1999: advice for landlords and tenants</i>	
PLU 420.....	\$5.50
<i>Common questions about the Commercial Tenancy Act for leases entered into before 1 July 1999: advice for landlords and tenants</i>	
PLU 418.....	\$5.50
<i>How to negotiate your way to a better retail lease</i>	
PLU 419.....	\$5.00
<i>Leasing business premises: a commercial and practical guide</i>	
PLU 417.....	\$9.90

### For further information and guidance contact:

Small Business Development Corporation  
553 Hay Street (Cnr Pier Street)  
PERTH WA 6000  
Tel: (08) 9220 0222  
Toll free: 1800 199 125  
Fax: (08) 9221 1132  
Email: [info@sbdc.com.au](mailto:info@sbdc.com.au)  
Website: [www.sbdc.com.au](http://www.sbdc.com.au)

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