

Commercial Renting Guide for first time tenants

Glossary:

Net Rental: Amount of rent payable per annum. Outgoings and GST are payable by the tenant on top of these amounts

Gross Rental: Amount of rent payable by the tenant, being all inclusive (except utilities such as water, telephone and gas). Outgoings are paid by the owner.

Outgoings: Outgoings are typically paid by the tenant and include:

- Council Rates
- Water Rates
- Strata Levies
- Property Management Fees
- Insurance
- Land Tax (On a multiple holding or special trust basis)
- Repairs & Maintenance

Gross Lettable area (GLA): The Property Council of Australia requires properties of an industrial nature to be measured by GLA. This measurement is taken from the outside of the wall of a building. This size is usually larger than the size quoted on the strata plan.

Net Lettable Area (NLA): This standard of measurement is commonly used in commercial buildings (Offices and shops)

Lease Terms: Generally most owners of properties will require at least a 3 year lease term or longer. Some properties will be available for shorter terms but this will be dependent on the owners flexibility.

Rate per sqm: In order to compare properties on a like for like basis, some properties are denoted on a rate per sqm basis. This figure, say \$300/m² would be multiplied by the square meterage (say 100m²) to calculate the annual rental of \$30,000.

Zoning:

There are a number of different zonings in the local area which dictactes what types of buildings can be located in different areas. Common zonings are:

- 4b – Light Industrial (Castle Hill Trading Zone, Rouse Hill Industrial Zone)
- 4a – General Industrial (Seven Hills, Riverstone, Arndell Park)
- 10a – Employment Zone (Norwest Business Park)
- 5e – Business Zone (Dural Employment area)
- 3a - Business Use (Terminus St, Castle Hill)

What steps are involved in getting a deal done?

- 1) Contact the agent and give a brief of your requirements
- 2) The agent will send you a list of properties that could be suitable for your business
- 3) Arrange a time to inspect suitable properties on the list
- 4) Select a suitable property
- 5) Send an offer in writing to the agent (A sample can be found on this website or from the agent)
- 6) If negotiations are successful, a Heads of Agreement will be drawn up, which you will be asked to sign and a bond of a months rent will be paid
- 7) The Heads of Agreement will be sent to the lessor's solicitor and they will prepare formal documentation for both parties to sign.

Typically a tenant is required to fund the following:

Bond: Equivalent of 3 months of the gross rental
Rental: First months rent
Legal Fees: Preparation of leases. Costs vary between solicitors

What ongoing costs do I have?

Air conditioning maintenance: Required quarterly
Utilities: Telephone, Electricity etc.
Outgoings: Paid monthly (For Net leases)

What costs do I have at the end of the lease?

Make good – Commercial agreements contain a make good clause, requiring the tenant to return the premises to the same condition it was provided. Whilst general wear and tear is acceptable, avoidable damage will have to be paid for. Eg. Tenants may be required to replace carpets if floor mats have not been used and chairs have damaged the carpet. Tenants will be required to re-paint all painted surfaces.

Disclaimer: This information has been provided by Norwest Commercial and Industrial Real Estate in good faith solely for potential purchasers / lessees to assist them in the process of occupying commercial premises. Please note that this is a general guide only and not to be construed as forming part of a contract. Any prospective purchasers / lessees should rely on your own sources before determining whether to enter into a contract.