

Premises for your practice: Own or Rent?

The location and occupancy costs of business premises are major issues facing all business owners.

The decision to buy or rent will depend on market conditions, business objectives, financial position and any advantages that can be negotiated.

Chris White of Prosper Group Property Advisory said for most of the past decade, Sydney metropolitan office tenants have been able to favourably negotiate rents and leases, describing a tenants' market.

Business downsizing and collapses, together with fewer new constructions have partly attributed to this.

Mr White said the pendulum is swinging back to a landlords' market for the foreseeable future, tenant demand will be strong and coupled with low levels of new construction.

This will inevitably mean higher rents and tougher leases for tenants, unless they have strong sourcing and negotiating skills – or for that matter, the time to put them to work.

Occupancy costs will also increase, further reducing leasing opportunities for intending tenants. It is important to read the market signals accurately and formulate the right strategy.

"We are especially mindful of business owners' needs to minimise occupancy costs and associated pressures," said Mr White.

The need for specialised knowledge is essential, especially for time-poor

professionals like those in medicine and health care. Their lack of time puts them at a great disadvantage when examining options, seeing enough properties to make realistic comparisons and simply obtaining good value for money.

"They also need to be highly aware of market conditions to ensure their buy-or-lease decision creates the best financial outcome for them," said Mr White.

"Negotiating skills are another major issue. You need to know what incentives can be obtained, for instance: rent-free periods, fit-out allowances, make-goods, cost-free upgrades and possible long-term rent concessions."

Key factors to consider when arranging a lease include:

- Timing negotiations to tenant-favourable conditions.
- Noting economic conditions and forecasts when structuring rent reviews.
- Being able to provide the landlord with alternatives and win-win solutions to help reduce occupancy costs.

- Coordinating the lease with businesses objectives and allowing for expansion.

The decision to buy premises also needs to heed market signals in order to secure the best advantages and structures.

Loan repayments can often be similar to rent payments. Coupled with depreciation and strategies involving self-managed super funds, many Prosper Group clients are choosing to buy.

Company principals Chris White and Alex Henderson offer expert consultancy in these areas along with asset management and finance. Understanding the whole process enables them to tailor the right solutions.

They and their team have the up-to-date knowledge and experience to help clients in the medical and allied professions overcome their lack of time to note every detail in commercial property transactions.

All team members are experienced, strong negotiators with the market knowledge to circumvent options which provide insufficient advantages to clients.

Their independence and industry-wide network enables them to source the optimum value in the property market – whether favouring buyers or leasers.

To discuss your property needs and plans, call Alex Henderson and Chris White at **(02) 9966 4088** or **1300 664 373** for a preliminary discussion that is both cost and obligation free. Details about Prosper Group are also available at www.prospergroup.com.au