



A MESSAGE FROM THE MANAGING DIRECTOR

ALARM BELLS RINGING FOR COMMERCIAL LANDLORDS AND INVESTORS

Minimising the biggest risks

Recently I received a concerning property transcript about the speed of the rental crisis in Victoria and Australia and thought our reader profile (Landlords, Agents and property managers) would like to share the information to help minimise the commercial risks.

In the report from Credit Watch, Commercial property special council, Brendon McGrath acknowledged there are a number of risks inherent on being a Commercial landlord saying "where a tenant becomes insolvent the flow on events can be significant including loss of rental income, costs associated with make good marketing and re-letting the premises, unfunded ongoing commitments such as mortgage repayments, rates, taxes and insurances. In some cases a tenant insolvency can even lead to decrease in property value and have a decrease in foot traffic within a centre.

In summary, he mentioned **5 practical steps** that can be taken to minimise insolvency impacts on a commercial landlord.

- 1. Screen carefully** It is always good practice to conduct thorough background and credit checks on prospective tenants to assess their financial stability. Successful tenants can boost a landlord's positive reputation, thereby helping to attract future tenants and to hopefully increase property values.
- 2. Get the lease right** Landlords should ensure that leases contain clauses that contemplate what happens in the event of an insolvency, such as terms dealing with termination rights, access and retention of property.
- 3. Put security guarantees in place** Often, tenants who know their security deposit is at stake will have more incentive to comply with the terms of the lease, including paying rent and property care.
- 4. Diversify your tenants** Having a diverse group of tenants from different industries can reduce the impact of a single tenant's insolvency on the overall performance of a landlord's portfolio.
- 5. Be aware of third-party interests** Chief among these third parties are banks/lenders and franchisers; both of which can exert substantial control over the operations and tenant viability

David Hassett MD AESI

THE GREEN LIFE-SAVER



Often the only thing you can see through smoke is the Exit Sign!

All exits in your building must be clearly visible and conspicuously marked with a directional illuminated EXIT sign so that building occupants can determine the direction of the nearest exit from any point.

How many exits are required in an industrial building?

Normally, a workplace must have at least two exit routes to permit prompt evacuation of employees and building occupants during an emergency. Depending on the number of employees and size of the building,

DO YOU KNOW YOUR FIRE SAFETY RESPONSIBILITIES?

Fire safety is always a contentious issue in retail commercial leases, particularly in terms of which party (tenant or landlord) bears the responsibility to take care of installation, replacement and repair work. In a recent court case, even though the lease stated that fire safety is the responsibility of the tenant the Court decided that the works required to make the property fire safe were of a structural nature and therefore the Landlord was deemed responsible for the alterations and the costs.



WARNING! BUILDING INSPECTORS ARE UP AND ABOUT

Councils are hungry, and following a number of recent enquiries from property owners and managing agents it seems that Municipal Councils are currently on the move checking if buildings are safety compliant and suitable for occupancy. If Council finds there has been a contravention of building regulations they will give the owner 30 days to show cause why they should not undertake works as set out in the Building Notice. Insufficient cause may result in a Building Order being served and at worst the building could be shut down. The Owner needs to act quickly!

Call AESI for immediate no obligation advice and assistance (no charge for AESI clients).

BEWARE BUILDING INSURANCE PITFALLS

Often, we are approached by either the landlord or tenant with questions on commercial building insurance, mostly when the premises are vacant and in between tenancies. The fact is that in order to get building insurance cover, it is the responsibility of the landlord to ensure that the premises has essential fire prevention equipment in place and that it complies with current safety standards. Note: Insurances maybe invalid if illegal operations exist.

NEED MORE INFORMATION?

Maintaining the safety of your property is paramount to protecting lives and your valuable investment.

AESI advisory and maintenance services can help:

- Building Legislation and Building Safety Reports
- Essential Safety Measures inspections
- Evacuation Plans and Training
- Occupational Health & Safety Audit and Report
- Asbestos Property Reports and Audits
- Fire Safety Repairs and Maintenance

WORKPLACE WINTER SAFETY CHECK

Fire Extinguishers and Fire Blankets

- Do you have enough fire extinguishers located throughout your building and placed near obvious fire zones?
- Have they been inspected and refilled or replaced according to their inspection tags and expiration dates?
- Do you have the correct class of fire extinguisher for your location?
- Are instructions for use clearly visible?

Smoke Alarms and Emergency Lights:

- Are the batteries in your smoke detector working?
- Do the emergency exit lights illuminate when tested?
- If you have a central station fire alarm is everything fully operational?
- Do you have an evacuation and fire emergency plan?



IMPORTANT TOO FOR LANDLORDS TO MAINTAIN WORKPLACE STANDARDS

As a commercial Landlord you need to ensure your building is up to a certain standard and to make sure that your property does what the Lease says it is going to do. You also should to be aware of the type of business or industry your prospective Tenant is going to undertake in the premises and to make sure that this does not create a general nuisance.

- Your rates and/or owner corporation fees have to be up to date for any new Lease.
- The property must suit the purposes of your Tenant. That is, if your Tenant has heavy or vibrating equipment as a normal part of their business, your premises need to handle the weight of the vibrations and any other disturbances.
- If your Tenant has an industrial business where there is a lot of noise, air pollution or dangerous goods, you need to ensure that this does not impact on the local area.

AESI ... EXPERTS IN FIRE SAFETY & ESSENTIAL SAFETY MEASURES

For confidential advice and assistance contact AESI.

Australian Essential Safety Inspections Pty Ltd
Suite 7, 476 Canterbury Rd, Forest Hill VIC 3131

Phone: 03 9894 2064

Email: office@aes.com.au Website: www.aesi.com.au

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