



TCRC *Property Update*

Are Regular Property Inspections Being Carried Out for Owners?

Property inspections are always the first service to go by the wayside when property managers are "just too busy". If properties are not being inspected regularly how do you know what works the tenant is carrying out and what state the property is in?

Inspecting on a regular basis has the following benefits:

- Maintains a regular contact with Tenants
- Maintains regular contact with Owners
- Serves as a permanent record of the condition of a premises that can be referred to when negotiating lease renewal, market rent or make good (commercial properties)
- Builds client confidence with regular property reports
- Ensures properties are kept in good condition by Tenants
- Maintenance issues are brought to your attention, if left could become capital expenditure issues
- Can be a great resource for new staff members (portfolio managers)
- Audits fire equipment to ensure Tenants are maintaining equipment (commercial properties)
- Recommendations for future works can be made
- Can be used as an audit for property services such as air conditioning, lifts. Collection of service documents can be undertaken
- View and collect Tenant insurance policies whilst on site

The Condition Report Company is available to carry out regular inspections on your behalf. Our staff are trained Agent's Representatives with experience in both the residential and commercial fields.

Budget Time is Looming. Can the Cost of a Condition Report be included in Tenant Budgets?

Condition Reports are quickly being embraced by both commercial Owners and Tenants, with both parties realising the importance of holding a record of the original state of a property.

Unknown to most Owners and Tenants is the ability for Landlords to pass on the cost of Condition Reports under the terms of a lease.

For example: Clause 1(b) of the standard REIV Commercial Lease reads as follows:

"To pay on or before the due date all rates, taxes and (including Land Tax unless the Retail Leases Act applies to this lease), charges assessments, body corporate levies (other than those of a capital nature) **and all other outgoings whatsoever which are now or may at any time in the future be assessed, charged or payable in respect of the Premises or on the owner or occupier of the Premises**".....

Further the standard Law Institute lease also allows for the passing on of costs to Tenants.

Clause 2.1.11 (a) states "The Tenant must –

pay on demand the Landlord's reasonable expenses of -
(a) the negotiation, preparation, settling, execution and stamping of this lease"

Clause 2.1.2 also suggests the Tenant must pay when due the outgoings listed in the lease schedule. In order to be transparent of all the costs involved as part of the lease it is recommended the Condition Report costs are raised at lease negotiation stage, though listing the cost in the schedule is not necessarily required.

If you are a Tenant or Tenant Representative it is imperative you understand that these costs can be passed on. At negotiation stage Tenants would be wise to raise sharing the cost of a Condition Report.

According to the Office of the Small Business Commissioner (SBC), the above clause and any similar clauses would be void at the commencement of a retail tenancy as section 51 (a) of the Retail Leases Act 2003 forbids passing on "Lease Preparation Costs" to retail tenants. However, the SBC agrees the cost of condition reports carried out throughout the term (for example, before the commencement of lessee works) can be on-charged to the lessee.

In relation to the recovery of Condition Report costs, it is recommended you refer to the recovery clauses of your lease.