

# Know your rights before renewing your corporate lease agreement

By [Jamie Louw](#)

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As the new year gets under way, many companies will be renewing their lease agreements for the next 12 months. For most companies, Covid-19 has had a radical impact on their space requirements. This is the ideal time for tenants to reconsider their existing lease agreement.



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With the decline in space demand, many landlords have recently begun diversifying to retain as much market share as possible within their tenant base. It has become a growing trend for landlords to offer fully inclusive lease agreements that incorporate maintenance and repairs. Whilst it may look like an ideal solution, it is not always advisable nor necessarily in the best interest of the lessee to contract on this basis as tenants are left with minimal influence - particularly when they do not have the in-house expertise to manage equipment guarantees, quality of work and legislative compliance.

To this end, here are practical hints and tips that should be considered when negotiating a lease agreement:

## Don't get hooked in with promises of a low rental price per m2 or a tenant installation allowance

It is important to understand the exact cost of total ownership before signing a lease. An offer to fit out and modify the office space with new carpets, tiles, partitioning, electrical work and painting may seem attractive, but it is important to consider what the long-term operating costs will be in order to run the facility optimally. A work space that is well maintained and fully functional has a direct impact on the mental and emotional well-being of staff and will ultimately also improve their productivity.



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## Don't sign a lease agreement which includes facilities management in the contract

In many instances, landlords may present a lease agreement which includes facilities management. While this may seem to be appealing, it should be carefully considered as it could present certain challenges, such as inflexible service methods and frequencies, delayed communication, lack of a properly defined scope of work, lack of supervision and oversight of work.

Service dissatisfaction could be a painful, inflexible process when the service is locked into particularly long-term leases. Guard against being locked into services of a standalone nature that prevent you from having the flexibility and agility to address your challenges or changing needs. In a direct contracting relationship between tenant and FM professional, these challenges are mitigated and services are provided to enable the core business of the tenant organisation. This ensures increased productivity and minimal frustration.

## Don't skip on maintenance and repair tasks

All maintenance and repair jobs must be done as soon as they require attention. Certain assets have legislated service frequencies that specify service periods and scope to ensure warranties are maintained. Other items require less maintenance, but regular servicing and assessments remain key to ensure that the asset remains in good working order.

FM professionals understand the importance of planned and preventative maintenance (PPM) activities versus reactive maintenance. When compiling an asset lifecycle management plan of an organisation's assets, it is important to carefully plan, budget and execute maintenance tasks according to planned schedules. This ensures costs are kept to a minimum due to unexpected and expensive repairs. A proper asset lifecycle management plan will provide key information to the tenant organisation on the advantages of repair or replacement alternatives.



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## Do weigh up fit-for-purpose vs future expansion

Leasing a space that is fit for purpose and suits your current operating needs is central to the decision that you will be taking. However, make sure that you don't lock yourself into a facility without considering the future growth and expansion of the business. A professional FM service provider will focus on what's fit for your purpose, ensure compliance to legislation, lease obligation and achieve ROI.

## Do scrutinise your monthly rental bill carefully and ask for a detailed breakdown

All too often, operating expenses have been lumped together and vaguely marked as “overheads”. It is important for tenants to understand the cost elements that are lumped together.

A professional FM organisation will ensure that you are provided with a breakdown of your monthly rental. Expenses such as water and electricity usage, parking bay use and rental costs, incidental costs to access facilities, repairs and maintenance, cleaning, catering and security costs are only some of the items that can be accurately measured and audited to provide tenants with verified costs applicable. By splitting up and itemising each of these expenses, you will be able to benchmark and develop metrics to gain a better understanding of where your money is going. Ultimately, this will allow for more accurate budgeting, forecasting and controlling of costs. Savings achieved may be redirected to increase value-add projects that will improve the overall experience of your facility.



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## Do hold your landlord accountable for health and safety

If a landlord says they can attend to maintenance support quickly and effectively, they should also be held responsible for the safe evacuation drills of all their tenants. While you are responsible for the safety of your staff inside your premises, the landlord is responsible for the common areas. A reputable FM service provider will be ISO 45001 certified which seeks to ensure health and safety in every area of its operations incorporating safety as a way of executing tasks.

## Do sign a clear SLA directly with the service provider of your choice

Successful facilities management is rooted in good relationships. For it to work optimally, both parties need to be formally engaged by having signed a service level agreement (SLA) that clearly states which services will be provided, at which costs, frequency and what the expected levels of quality will be. The lessee plays an active role in developing and agreeing to the service level outcomes, and must ensure it receives the service it pays for. Make sure you appoint a company that specialises in FM and has a good track record of handling issues with a quick turn-around time and within budget. Vet them thoroughly and contact references to confirm the legitimacy and professionalism of the company.



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Before you sign a lease agreement, make sure you understand the contract and that you know exactly what you are committing to. You can avoid nasty and unexpected surprises by getting a commercial lawyer to review the contract, addendums and contractual requirements in respect of costs and clarify any clauses that you feel uncertain about. Likewise, get an FM professional to conduct a thorough pre-inspection of the entire facility and help you understand the age, state and level of operation of the assets (e.g., lifts and air-conditioners) in the property you are planning to lease. By taking an asset-orientated approach, all service requirements within the broader facilities ecosystem are carefully managed and executed in line with the life cycle of the asset. Reactive work is reduced and proactive efforts are amplified for the sustainable use of the asset over its lifecycle.

FM professionals provide time, cost and quality value propositions that are no longer seen as a luxury, but a necessity for modern businesses.

## ABOUT THE AUTHOR

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