

LEASING STRATA COMMERCIAL PROPERTY

5 CRITICAL QUESTIONS



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Questions while reviewing? Email hello@lexalia.au or book a 15-min chat

5 Critical Questions Before Leasing Commercial Strata Property

Essential Considerations for Business Owners

Leasing commercial space in a strata building isn't the same as leasing from a single owner. There's an owners corporation with authority over approvals, an additional layer of costs through strata levies, and restrictions in by-laws that might not be obvious from your lease alone.

I work with business owners who discover these complexities after signing, when fitout delays stack up or unexpected costs appear. This checklist covers the questions that help you understand what you're committing to before you sign.

These aren't replacement for legal advice - they're preparation tools to help you know what to ask and what matters for your specific situation.

When to Use This Checklist

Use this before: Signing a lease or heads of agreement for commercial strata property

Best completed: During lease negotiations when you can still negotiate terms or walk away

QUESTION 1

How are strata levies calculated and what am I actually paying?

Strata levies are quarterly contributions that fund common property maintenance, building insurance, and capital works. Your landlord will pass these on to you as outgoings, but the way they're calculated and recovered matters.

Understand whether you're paying based on the lot's unit entitlement (a fixed percentage of total levies) or floor area. Ask for the current quarterly levy amount and whether it includes both administrative fund and sinking fund contributions. Confirm whether special levies for major building works are included in your outgoings or excluded.

The difference between paying regular levies only versus regular plus special levies can be substantial. A roof replacement or facade repair might trigger a \$50,000 special levy for the lot - if your lease says you pay it, that's your cost.

Why this matters: *Strata levies can increase significantly during your lease term through special levies for major works. Knowing what you're exposed to helps you negotiate caps or exclusions that protect you from unpredictable building costs.*

QUESTION 2

What approvals do I need for my fitout and how long will they take?

Most commercial fitouts in strata buildings require both landlord consent and owners corporation approval. Your lease gives you the right to occupy the space, but any work affecting common property or potentially breaching by-laws needs separate owners corporation approval.

Common property includes the building structure, shared services, and external elements. This means drilling into walls, modifying electrical or plumbing, installing signage, or changing ceilings often requires owners corporation consent even after your landlord has agreed.

Owners corporation approvals work on committee meeting schedules and formal resolution processes. What might take a week with a single landlord can take 4-8 weeks or longer in a strata scheme if additional information or reports are required.

Why this matters: Fitout delays directly impact your business opening date and revenue. Understanding the dual approval process and realistic timeframes helps you plan properly and potentially negotiate lease commencement dates that account for strata approval delays.

QUESTION 3

Who fixes things when they break, and what happens if repairs take months?

Your lease likely says the landlord maintains the premises in good repair. In strata buildings, this becomes complicated when the repair involves common property - which includes most of the building's structure and essential services.

If the air conditioning fails and the unit is in common property, the owners corporation must approve and arrange the repair. Your landlord can't simply fix it. This creates delays as repairs go through committee meetings and require formal resolutions.

The question isn't just who's responsible - it's what happens to your rent and business if common property repairs drag on for weeks or months. Does your lease include rent abatement provisions? Can you claim compensation from your landlord for lost business even though they're not the ones delaying the repair?

Why this matters: Repair delays in strata buildings are simply longer than single-owner buildings due to governance processes. Your lease needs to address what happens to your rent and your rights when repairs affecting your business are controlled by the owners corporation, not your landlord.

QUESTION 4

What do the by-laws restrict and will they affect my business operations?

Every strata scheme has registered by-laws that govern use of lots and common property. These by-laws are legally binding on you as a tenant, even though you don't own the lot and even if your lease doesn't specifically mention them.

By-laws commonly restrict operating hours, noise levels, waste management, vehicle access and loading zones, signage, and sometimes specific business uses. A restaurant might discover by-laws limiting cooking odours or extraction systems. A retail business might find restrictions on after-hours deliveries or customer parking.

The owners corporation can also amend by-laws during your lease term through special resolution at a general meeting. New restrictions could be introduced that affect your operations after you've already committed to the lease.

Why this matters: By-law restrictions that conflict with your business needs can make the premises unviable. Reviewing current by-laws before signing and negotiating lease provisions about by-law changes protects you from discovering deal-breaking restrictions after you've committed.

QUESTION 5

What happens if the owners corporation won't approve my intended use or fitout?

This is the risk question that ties the others together. You might negotiate perfect lease terms with your landlord, only to discover the owners corporation refuses consent for your fitout, imposes conditions that make your business model unviable, or enforces by-laws that restrict your operations.

Your landlord can't override the owners corporation. They can advocate for you and work to obtain approvals, but they don't have final authority over common property or by-law compliance.

The question is whether your lease includes any protection if owners corporation approval isn't obtained. Are there conditions precedent that make the lease subject to getting necessary approvals? Can you terminate if the owners corporation refuses consent or imposes unreasonable conditions? Who bears the cost if approval delays push your opening date back months?

Why this matters: *Without lease protections, you could be locked into a lease for premises you can't actually use as intended. Conditions precedent for owners corporation approval and clear termination rights if approval isn't obtained protect you from this scenario.*

IMPORTANT NOTE

This checklist highlights critical considerations when leasing commercial strata property. Every situation is unique, which is why discussing your specific circumstances with a lawyer who understands both commercial leases and strata schemes helps you negotiate terms that actually protect your business interests.

NOT SURE ABOUT A FEW ITEMS? HERE'S WHAT TO DO

If you've worked through these questions and found gaps in your understanding or your proposed lease, that's exactly the point. These questions reveal where you need clarity before committing.

I help business owners review commercial strata leases before signing, negotiate terms that reduce exposure to strata-specific risks, and address issues when owners corporation processes create problems during the lease term.

Ready to discuss your commercial strata lease situation? Contact Jackie Atchison at LexAlia Property & Commercial Law to work through how your specific lease and strata scheme affect your business.

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