Malton Women Council

Purchasing Commercial Properties

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Your Business Location is an important part of your business, regardless of whether you choose to operate your business online, at a physical location, or even at home. Keep reading to learn more about strategies to secure a physical space for your business.

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Factors to Consider

Before purchasing or leasing commercial property, consider:

- Do you want a resale or a brand-new space?
- What size space do you need? A small Office Space or a Big Space with separate rooms and a washroom?
- Where do you want your business to be located? In which neighborhood? Which Plaza?

Hire a realtor to help you purchase commercial property, a financial professional to secure financing, and a lawyer for legal advice before signing a contract. You need someone who is on your side. You may have to pay for services, but these professionals will help you in the long run.

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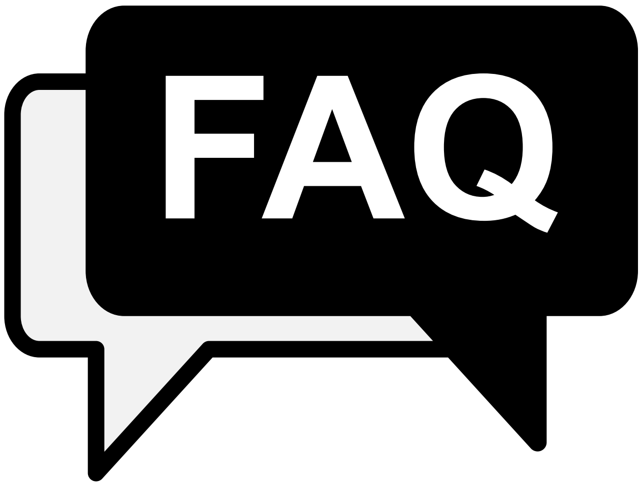
Frequently Asked Questions on Commercial Property

- **Should I rent or purchase commercial property?**
    - Start with renting. Buying a property is more expensive. When you move to a new country, you do not buy a house right away. You start by living in a basement or renting an apartment. The same applies to commercial properties. You may start your business from your own house, then move on to leasing, and eventually purchasing your own property.



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- **How long is a standard lease?**
  - The standard commercial lease ranges between 3 to 10 years (average 5 years), with a renewal option indicated in the contract. Landlords seek long-term tenants. Commercial lawyers can guide you in negotiating the terms of a lease.
  - You must have enough money to regularly pay for your space. Your business needs to be viable enough to last the term of your lease.

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- **Where should I open my business?**
    - **Consider Anchor Tenants.** An anchor tenant is a prominent, usually large business that occupies a large portion of commercial property and draws customers to the area. Examples of anchor tenants include Tim Hortons, Walmart, and No-Frills. People visiting the plaza for Walmart may also visit your store if you are located in the same plaza.

    - **Consider Competition.** If you are opening a salon, you may not want other salons in the same plaza. This will lead to competition over prices. That said, in some cases, opening a store such as a restaurant near other restaurants can be advantageous. An increased concentration of restaurants can draw customers to an area. You will still need to distinguish yourself to reduce the competition. There are advantages and disadvantages to both strategies.

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- **What is an Exclusivity Clause?**
  - Your lawyer can put an exclusivity clause in your commercial property contract. For example, your contract can state that the landlord cannot allow other salons except for yours to exist in the same plaza. An exclusivity clause can help you reduce competition from other businesses.
  - However, an exclusivity clause is open to negotiation. Your landlord may grant you exclusivity but with limitations, or they may disagree completely. For example, if you open an Indian restaurant, they may not let other Indian restaurants rent a unit in the same plaza. However, they may permit restaurants with other cuisines, such as Mexican cuisine, in that plaza.
  - If you purchase a unit rather than lease it, you may not have control over the businesses that establish themselves in the plaza. Even with a lease, if you do not put an exclusivity clause, other businesses of the same type may establish themselves in the same plaza.
  - And if your landlord does not own all units in the plaza, you cannot have full control over the types of businesses in the plaza.

- **What are Leasehold improvements?**
  - Leasehold improvements are modifications made to a leased property that are tailored to the specific needs of a tenant. For example, installing shelves, changing flooring, installing lights and fixtures, and setting up a washroom in your unit.
  - Leasehold improvements are paid for by the landlord, the tenant, or a combination of both. Plan ahead to set aside money for these improvements.
  - You will need a contractor to perform the work, an architect to design, an area decorator to determine how to set up equipment such as chairs and tables, etc.

Strategies for Business Success

- **Have a Business Plan.** A business plan outlines how a business will achieve its goals. A plan includes financial projections, market analysis, and operational strategies. Having a business plan is a must not only to start your business but also to secure funding for your business.

- **Plan for 5 years**. The standard lease is 5 years. Anything you plan for, whether that be leasing property or profitability, plan for 5 years. You might only consider starting a business if within a few months or a year, you can break even and begin to make a profit. It depends on how long you can afford to pay for expenses from your pocket. For example, to keep it simple, if your rent is $1,000/month, can you pay $12,000/year of rent from your pocket? Or can you secure at least a certain number of customers each month, such that in 3 months, you can have enough money to pay your bills?

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- **Franchise vs. Private Business**. You need to have strong skills and experience to start a private business such as a local restaurant. You will also need to work to build your identity and connections. No one knows you. If you operate under a franchise, you can use the branding, products, and operational methods of an established company. Think McDonalds. If you open a McDonald's, they decide the name, interior design, and color scheme of your business. You don't need to promote your restaurant; the franchise will bring customers to your store. People will automatically see the Big M of McDonald's and want to come to your store. With a private restaurant, you will need to work to build a customer base. There are advantages and disadvantages to both.

- **Get Funding.** Don't go into a bank without a business plan. They will interview you. You will also need some personal investment in your business before they fund you. Having financial projections for 5 years and showing data that the business will be profitable in a few months is also important.

- **Buy Commercial Property.** If you want to buy commercial property for your business, you will need at least a 20% down payment, usually 20-35% down payment to receive a loan for around 65% of the purchase price. You may be able to seek help from government programs such as those for newcomers, women, and new businesses if you are unable to pay the full amount.

- **Gain Experience.** Join industry associations in your field. They can offer training and professional development opportunities. Find a mentor. Keep in touch with the trainers who deliver workshops or conferences. You can connect with them as potential mentors. Learn from others. You can start a business by partnering with someone more experienced. For example, as a realtor, you can work with an experienced realtor.

- **Combat fear.** Once you sign a contract, it's difficult to back out. Think before signing a 5-year lease. Be prepared, have a business plan. You need finances to start a business. Preparation will help you combat your fear.

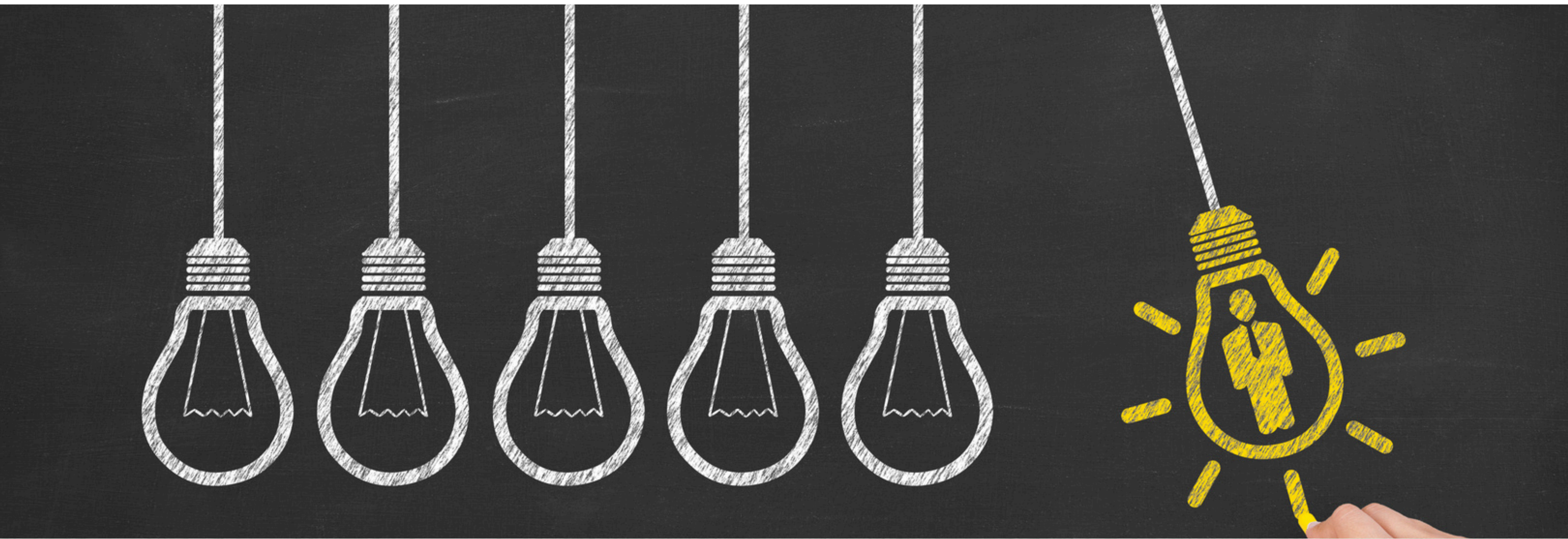
- **Overcome the Struggle.** Many women put aside their dreams for their kids and families. But as you raise your kids or take care of your family, life is still passing by. Regardless of whether you are in your 20s, 30s, or 40s, and how old your kids are, life is going by. The best time to start a business is now. This does not mean jumping in without a plan. But take a realistic approach and begin your entrepreneurial journey.

- **Develop Skills.** You need a combination of soft and hard skills to succeed in business. Soft skills like leadership, customer service, and adaptability can be learned through experience, books, and mentorship. Hard skills like navigating Point of Sale (POS) systems, budgeting, and marketing can be learned and outsourced. You can have a professional teach you how to market your product or manage your finances. You can also pay them to do the work for you. Use tools such as Coursera, Google Skillshop, FedDev Ontario Small Business Services, and Small Business Enterprise Centres to guide you.

- **Network.** Attend professional networking events. Go prepared. Focus on building relationships rather than solely distributing your business card. Focus on providing value, not only on asking for help. You can even start your own speed networking session. Always have a 1-minute pitch ready, and keep your talk relevant. Make a note of important business cards so you do not throw them away. Real networking happens when you carry forward the relationship you initiated when you first met someone. Invite someone over for a coffee. Build a referral network. Recommend your peers' services to potential clients and they will do the same.

Resources and References

- **Mokshi Virk's Mentorship Session for South Asian Businesswomen. Mokshi is a Real Estate Broker, President of the Indo Canadian Association Inc., and Regional Vice President of the Women's World Organization (WWO)**
- **Commercial Lease** https://sbs-spe.feddevontario.canada.ca/en/understanding-your-business-lease
- **Downpayment on Commercial Property** https://mortgagecapitalinvestment.com/how-much-is-a-downpayment-on-a-commercial-mortgage-in-canada/



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