

STEP

5

UPDATING THE BUDGET FOR YOUR SHOP – OFFER STAGE

OPEN

Now you have reviewed your lease, it's time to assess the impact on your initial budget.

While you might not be able to generate exact numbers for every item on your budget yet, by running through your *1.1 Property Inspection Checklist* and the guide on the following pages, you will be able to identify some expensive items that could seriously impact your budget.

If these items are pushing your costs above your budget, you should go back to your landlord and request a higher contribution. It can help if you explain to the landlord that you have allocated a certain budget for the fitout and because items you require are missing or under-sized in the tenancy, you will need to pay more to rectify this. It can also help if you explain that the Design Guidelines are asking for specifics that are too expensive for your budget. If you do so, the leasing agent may go back and request some leeway with the design manager.

TOP TIPS FOR THE OFFER STAGE

#1: BE HONEST ABOUT YOUR BUDGET

It is worth being honest at this point about your budget with the leasing agent: they are keen to get the deal signed, so may push back on the landlord for more help with the fitout, especially if a tenancy has been empty for a long time.

#2: MAKE A DEAL

Try and negotiate a larger incentive. Some landlords may increase the rent or ask you to sign up for a longer term to cover the additional money going into your incentive. And while that might sound unfair, it can be worth it to secure the location that you want.

#3: FIND ALTERNATIVE FINANCE

If your landlord won't provide any extra cash, you may need to look at getting some finance to help with your fitout costs. You can go down the traditional bank route (asking for a loan) or check in with equipment suppliers - they will typically provide lease or finance arrangements. If you require finance, see if you can wrangle some extra rent-free time from the landlord to reduce your operating costs for the first year or so. Just make sure to include all of the costs to pay back your loan in your business plan.

GET HELP

If you're feeling overwhelmed by the details or need help with any aspect of setting up your shop, give us a call on 0424 113 116.

We can help you evaluate your lease and its impact on your fitout from only \$800 + GST.

OFFER STAGE BUDGET UPDATE – GUIDE

Ideally, you should update your budget before you finalise your negotiations regarding any incentive the landlord is providing.

That said, tenants can often renegotiate and even pull out of a deal all the way up to signing their lease.

Many times, tenants only realise they can't make a tenancy work for them after they have received pricing from a shopfitter that is too far outside their budget, but by that stage they have

incurred lots of costs, including lawyer's fees and designer's fees, and they have wasted weeks if not months when they could have been working on a more suitable property.

INSTRUCTIONS



Referring to your 1.1 Property Inspection Checklist, work through each of the items and think about how they might increase the cost of your fitout.

Then use this *Offer Stage Budget Update Checklist* to pay careful attention to the big-ticket items that might drive up your budget. Then enter the numbers into your updated budget worksheet (at the end of this section).

Watch out for these big-ticket items as they can drive your costs up significantly:

1: SHOPFRONT

Often there will be a shopfront included in a strip shop, but if not, you will be up for some hefty costs to put one in, especially if the landlord has stipulated that they require a fancy shopfront in their Fitout Guide.

In some tenancies these stipulations can run to 20% or more of your fitout costs for the shopfront alone. So make sure you check closely what is required of you in the Fitout Guide before signing your lease. As a guide, a standard glazed shopfront, 6 metres wide and 3 metres tall, with a single door, will start from approximately \$10,000.

2: POWER

You should definitely push the landlord to give you an adequate power supply and a switchboard big enough to hold all of your circuits.

A new switchboard can cost thousands of dollars. If there is no meter, you may also have to pay to have one installed, and it can take months for the energy retailer to sort that out for you. So try to push back on your landlord to get the new meter arranged for you too.



3: AIR-CONDITIONING / HEATING

If the existing system is unsuitable or inadequate it will need to be upgraded, and this will not come cheap. Depending on the size of the tenancy and other base build info, allow anywhere from \$10,000 to \$100,000.

If you think installing air-conditioning/heating might be complicated, get the information on the base building system and provisions and send it to a friendly contractor to give you some idea of how much it will cost. Contact the base building contractor if needs be, because they will know the system better than anyone.

4: FIRE SERVICES

Some buildings do not have sprinklers, which is one big cost you won't have to worry about. Whether they are there or not depends on how the entire building has been assessed by the original building certifier. The rules are complex and determined by things like the height of the building, what it is used for, and what other kinds of fire services have been included.

If there are sprinklers and you're making changes to the layout, you will be up for some high costs as the system will need to be drained down, then heads moved or added, then the system re-filled. Then they will need to come back again and fit off into your ceiling. For a food tenancy, you should allow \$20,000 for fire sprinklers.

5: FIRE HOSE REELS

Watch out for these! If the building is relying on fire hose reels, as soon as you start designing your fitout you may need to move them.

Fire hose reels are located dependent on access to the point of entry and how long the hoses are. If you put walls in the way, you might need to move or add more reels, and that can be expensive – anywhere from \$10,000 upwards.

6: HYDRAULICS

The two big costs here will be if there is no grease trap and if the slab is on ground and needs to be cut out to allow for falls. A new grease trap will cost you up to \$10,000. But your landlord should always provide a grease trap if they are leasing you a shop to be used for food – otherwise, it's not fit for purpose! Push back hard on them so you don't have to cover these costs yourself.

Cutting the slab can cost about \$10,000 as well, depending on the number of points you have. Be aware that if you can just cut a hole (core) and drop drainage below the slab (suspended slab), you may still have costs for x-raying the slab. Allow another \$5,000 if that's the case.

7: KITCHEN EXHAUST

If your kitchen exhaust needs special filters (e.g: an ESP unit), additional duct work, or if there's no system at all, then you could be up for a lot of extra costs: anywhere from \$5,000 for minor works to \$50,000 for special treatment systems, or even \$150,000 for a whole new system!

8: ODDITIES

Make sure you think about what you will be installing in terms of heavy or unwieldy items (those big round pizza ovens are fabulous, but will the oven be able to fit through the front door when it comes to installing it?) and allow some extra funds.

Heavy items can also drive your fitout costs. For example, installing a safe in a preexisting building may require propping the building underneath and installing a steel floor to support the weight.

PROJECT BUDGET UPDATE 1 – WORKSHEET

INSTRUCTIONS:



Now that you've worked through your **1.1 Property Inspection Checklist** and your **5.1 Offer Stage Budget Update Guide**, it's time to update your budget template.

You won't be able to enter a specific estimate for every item in your budget at this stage, but you should be able to update some of the larger-cost items to build an increasingly accurate project budget.

Item	Budgeted Amount	Actual
LEGAL & LEASE FEES		
1: Solicitors Fees		
2: Landlord Fees		
DESIGN COSTS		
3: Drawings / Interior Designer		
4: Building Certifier / Surveyor		
5: Engineers		
5A: Fire		
5B: Mechanical & HVAC		
5C: Electrical		
5D: Structural		
5E: Hydraulic		
5F: Plumbing		
OTHER FEES		
6: Project Management		
7: Regulatory Fees		
SUBTOTAL		

Item	Budgeted Amount	Actual
SUBTOTAL FROM PREVIOUS PAGE		
FITOUT COSTS		
8: Preliminaries		
9: Electrical & Communications		
10: Fire Services		
11: Mechanical		
12: Hydraulics		
13: Building Control Systems		
14: Kitchen Exhaust		
15: Walls & Ceilings		
16: Painting		
17: Tiling		
18: Flooring		
19: Glazing		
20: Shopfront		
21: Joinery / Cabinetry / Stainless		
(POSSIBLE) DIRECT COSTS		
22: Signage		
23: Security System		
24: Displays & Racking		
25: Equipment		
26: Furniture		
OTHER COSTS		
27: Contingency		
28: Long Service Leave		
29:		
30:		
31:		
32:		
33:		
34:		
35:		
TOTAL		