

How to Secure the Right Leasing Space

A step-by-step guide from site selection to negotiation

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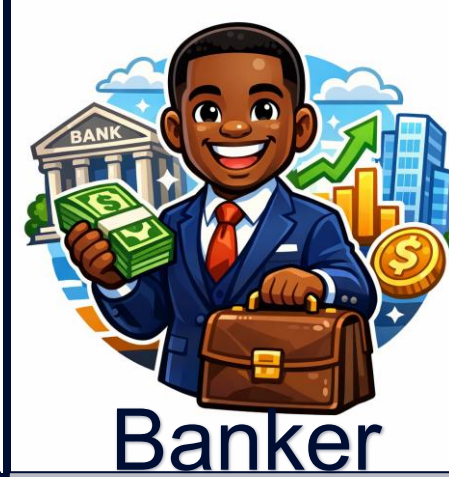
Finds sites, evaluates options and negotiates terms



Reviews lease clauses, ensures compliance and negotiates risk



Prepares budgets, analyses costs and advises on financing



Secures financing and advises on cashflow



Assesses and executes renovations and improvements

Emotional vs. Logical Decision-Making

Residential Real Estate

Residential decisions are often emotional and lifestyle-driven, focusing on how a space *feels*.

Typical questions include:

- *Do I love the kitchen?*
- Can I picture my family living here?
- Does it feel like “home”?
- Is the layout comfortable for daily life?
- Do I like the finishes, light, and flow?
- Will this suit my lifestyle right now?
- How does it compare emotionally to other homes I’ve seen?

The decision is largely driven by **personal preference, comfort, and emotional connection**.



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Commercial Real Estate

Commercial decisions are primarily logical, financial, and strategic, focused on performance and risk.

Typical questions include:

- Will this location **improve my profitability (P&L)**?
- How does this space support my **business operations**?
- Is the rent sustainable relative to revenue?
- What are my **total occupancy costs** (rent, TMI, utilities)?
- Does the layout improve **efficiency, staffing, or workflow**?
- Is the location accessible for customers, staff, and deliveries?
- How does this space support **growth or scalability**?
- What is the **risk profile** of this location?
- How flexible is the lease if my business needs change?
- Does this location strengthen my **brand and visibility**?
- What happens to my business if sales fluctuate?

The decision is driven by **numbers, strategy, and long-term business impact**, not emotion.

Leasing Timeline Overview

Timeline Reality:

This process often takes 3-6 months or more, expect delays. Delays are common and expectations should be managed accordingly.

Property Identification:

Establish criteria, initiate landlord and broker outreach, and identify properties that meet operational and financial requirements.

Tours and Negotiations

Property tours completed; negotiations initiated.

Lease Signing

Drafting, negotiation, and execution of the formal lease agreement (not to be confused with the Offer to Lease).

Preparation and Launch

Secure permits, complete build-out, and prepare for launch.



Know Your Asset Class



Retail

Visibility & Exposure
Access & Parking
Use & Exclusivity
Neighbouring Tenants
CAM Structure



Office

Usable vs. Rentable Area
Building Quality & Services
Parking & Transit Access
Expansion Rights
Operating Cost Structure



Industrial

Clear Height & Loading
Zoning & Permitted Use
Power & Utilities
Access & Logistics
Environmental & Compliance
Risk
Column/Pillar Spacing

Don't Forget to check!

Zoning

The #1 deal killer in commercial leasing. Always verify permitted use with the municipality before time is spent touring or negotiating.

Landlord / Property Management

Always confirm that the landlord permits the proposed use. Restrictive covenants, exclusivities, or landlord discretion may prohibit certain uses even when zoning allows them.

Don't waste yours or your client's time.

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Usable vs. Rentable

Imagine an office floor with four tenants.

Each tenant has:
Their own **private office space** (usable area)

All four tenants share:

- The hallway
- Washrooms
- Main entrance
- Stairs
- Elevator

Those shared areas aren't owned by any one tenant, but they are necessary for everyone to function.

Each tenant is assigned a **proportionate share** of those common areas based on the size of their unit. That share is added to their usable space to calculate their rentable area.



Additional Rents (TMI, CAM, OE)

The Iceberg Analogy

Above the water: Base Rent
Below the water: Additional Rent

Additional Rent May Include often include different things.

Property taxes - Building insurance - Common area maintenance & repairs - Management and shared operating costs - Utilities or services (where applicable)

Gross vs. Net Rent

Gross Rent: Most or all operating costs are bundled into one rate

Net Rent: Base rent + additional rent that is charged separately

Critical Reminder

Always confirm what additional rent includes, excludes, and how it is calculated.



Base Rent



Additional Rents

OTL vs LOI vs Term Sheet

Offer To Lease

Also referred to as Agreement to Lease
A formal, legally binding document

Key characteristics

Binding once accepted
Enforceable under contract law
Used when parties are ready to commit

Term Sheet

A summary of principal terms

Key characteristics

Typically, non-binding
High-level and flexible
Common early-stage or in complex transactions

Letter of Intent (LOI)

A non-binding document

Key characteristics

Generally non-binding (except for specific clauses if stated)
Used to align expectations before legal drafting
Signals seriousness without full commitment



Some Of The Key Negotiation Terms

- Rent/Escalations
- Term Length & Options
- Rent Abatement
- Exclusivity
- TI Allowance
- Conditions



Understanding the Landlord

Identify the landlord type:

Corporate / institutional owners and private (“mom and pop”) landlords evaluate risk differently, with varying levels of flexibility, approval processes, and underwriting standards.

Landlords underwrite the tenant

Lease decisions are based on the tenant’s overall profile, not just the financial terms of the offer.

Credit matters as much as cash

Financial strength, consistency, and reliability are critical factors in landlord approval.

Preparation is essential

Prior to submitting an LOI, be prepared to provide at least two years of tax returns, current P&L, balance sheet & credit report.

Tell the story

Clearly articulate the business concept and why it will succeed at the location. Landlords seek long-term partners, not tenant turnover.



Commercial leasing is as much about tenant quality as it is about rental economics. Landlords don't just choose the highest rent. They choose the lowest risk.

Negotiation Levers

Examples:

Liability Problem:

If Landlords fear vacancy and default. They may demand a Personal Guarantee, putting your client's personal assets (home, savings) at risk if the business fails.

Potential Solution: “Extra or Burn-Off”

Agree to either add an additional Deposit or a personal guarantee for a fixed period of time and as long as there is no default the Personal guarantee is removed.

Demolition Problem:

If the landlord is considering redevelopment or sale, they may seek a demolition clause allowing early termination under defined conditions.

Potential Solution: “Delay or Payback”

Ask that the demolition clause can only be used after the initial term, or if they don't agree, that they pay the tenant back a portion of the build out costs depending on how much time is left on the lease.



Common Commercial Leasing Mistakes



Monthly vs Annual Math

Misquoting "\$25 PSF" as monthly rent. It's usually annual ($\$25 \times \text{SqFt} / 12$).

Ignoring Additional Rent (CAM, TMI & OE)

Forgetting to disclose additional costs (e.g., an extra \$1,500/month) in NNN leases to the client or explain to the client that additional rents are not fixed.

HST / Sales Tax Oversight

Rent and additional rent are typically subject to HST, which materially impacts cash flow if not planned for.

Exit Strategy

Clients often focus on move-in, not move-out

Wrong Forms

Using a Residential forms. Commercial transactions require commercial-specific forms or lawyer-drafted documents.

Consistency Matters

Best practices must be applied every time, with every client, without exception.



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