

# Locating your business

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*A guide for business operators in South Australia*

[www.statedevelopment.sa.gov.au/smallbusiness](http://www.statedevelopment.sa.gov.au/smallbusiness)



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# 01 Overview

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In this guide, the importance of location is examined and factors involved in choosing an appropriate business location are discussed.

The focus is on retail businesses since location is critical to their success. Mistakes in locating a retail outlet are relatively permanent and usually difficult and expensive to overcome.

Where an established business is purchased, the suitability of that location still needs to be checked as it will be reflected in the price paid for goodwill.

Knowing what to look for and look out for in a lease is vital and you need to be prepared to seek professional legal advice. You can also visit the **Office of the Small Business Commissioner** website for information on retail leasing: [www.sasbc.sa.gov.au](http://www.sasbc.sa.gov.au) (Toll Free: 1800 072 722 / Telephone: (08) 8303 2026)

Readers are advised:

- The purpose of this guide is to provide general introductory information.
- The guide does not purport to contain all the information that would be relevant to any particular business opportunity.
- The guide is provided to interested persons on the basis that they will be responsible for making their own assessment of that opportunity with the assistance of the information provided.
- All figures contained in the guide should be regarded as estimates only based on general samples and may be subject to error.
- The information in the guide should not be relied upon in substitution for professional advice and individual investigation.
- Persons interested in pursuing any particular business opportunity are strongly advised to fully inform themselves by taking professional advice as to the extent of their rights and obligations—particularly in relation to any proposed investment.
- The guide is provided subject to the terms of the formal disclaimer, which appears on the last page.

## 02 Importance of location

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Location of a business is important because it is the link between demand and supply in the marketplace—demand by customers for goods and services and the supply of essential resources such as raw materials, merchandise and labour.

The relative importance of location will vary from one industry to another. In the case of a retail outlet, it must be located to attract passing traffic but the high rentals of some sites may impact adversely on profitability and preclude them from consideration. A small manufacturer, on the other hand, may be heavily influenced by supply factors such as availability of raw materials and skilled labour.

Choice of location should not be a once-only decision. It needs to be reviewed at the time of lease renewal and when establishment of a new outlet is under consideration.

## 03 Choosing your business location

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### WORKING FROM HOME

It may be possible for you to start off working from home, especially if you are providing a service.

With the sophistication of telecommunications and computer technology, locating a business at home is increasingly recognised as a viable option. However, you should check any requirements that your local council may have. Visit the **Local Government Association (LGA) of South Australia** website ([www.lga.sa.gov.au/page.aspx](http://www.lga.sa.gov.au/page.aspx)). SA Councils work together through the Local Government Association and home business owners can use this website to find and telephone the local council where their business is located to determine the home business legislation and rules with which they must comply.

For further information on working from home, see the **Department for State Development's** *Home business essentials* guide.

CHECKPOINT	Y	N	NOTES
Could you start your business from home?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you contacted the local council about your plans and its requirements?	<input type="checkbox"/>	<input type="checkbox"/>	
Is your home suitable? If not, could certain alterations be carried out to make it suitable?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you costed any alterations that need to be made?	<input type="checkbox"/>	<input type="checkbox"/>	
Do you anticipate any problems running your business from home? What are they?	<input type="checkbox"/>	<input type="checkbox"/>	

## 04 Factors in site selection

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Your business may be of a nature that is not suitable to be conducted from a home base, or your home-based business may outgrow its operating environment.

Here's a checklist of what to take into account when making a decision about site selection:

### CHECKPOINT

Basics	Y	N	NOTES
Have you determined your requirements (size, street frontage, services etc.) before approaching the market?	<input type="checkbox"/>	<input type="checkbox"/>	
Do you propose to lease or purchase?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you made contact with previous tenants or owners to determine the history of the site? Have any disadvantages become apparent?	<input type="checkbox"/>	<input type="checkbox"/>	
Is the site suitably zoned?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you assessed the site in terms of the sales potential of the area, economic and demographic factors and competition?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>The customer</b>			
Is the site suitably located in relation to your target market?	<input type="checkbox"/>	<input type="checkbox"/>	
Is your location accessible and visible to both foot and vehicle traffic and car parking facilities?	<input type="checkbox"/>	<input type="checkbox"/>	
Do you know how many people and vehicles pass your planned location daily? How important is each to your business?	<input type="checkbox"/>	<input type="checkbox"/>	
If location on a particular side of the street is important, are the proposed premises on the best side?	<input type="checkbox"/>	<input type="checkbox"/>	
Does the site project the right image about your business?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Transport</b>			
Is public transport available? Is it an important issue?	<input type="checkbox"/>	<input type="checkbox"/>	
Does the cost of shipment of goods to and from the site loom as a major factor?	<input type="checkbox"/>	<input type="checkbox"/>	

## 04 Factors in site selection

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### CHECKPOINT...CONTINUED

<b>Neighbourhood</b>	<b>Y</b>	<b>N</b>	<b>NOTES</b>
Are neighbouring businesses suitable and do they appear healthy?	<input type="checkbox"/>	<input type="checkbox"/>	
Are complementary businesses close by?	<input type="checkbox"/>	<input type="checkbox"/>	
Are there any vacant premises? Why? For how long? Have similar businesses failed/succeeded in this location?	<input type="checkbox"/>	<input type="checkbox"/>	
Are there any major changes contemplated in the area?	<input type="checkbox"/>	<input type="checkbox"/>	
Are there any restrictions on signage in the area?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Financial</b>			
Can you afford the premises? Have you assessed alternatives?	<input type="checkbox"/>	<input type="checkbox"/>	
Are the terms of the lease on offer suitable?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you identified and costed all outgoings for which you will be responsible?	<input type="checkbox"/>	<input type="checkbox"/>	
Do you know what amount of security deposit or bank guarantee is required?	<input type="checkbox"/>	<input type="checkbox"/>	
Have you determined what insurances you are obliged to have in place?	<input type="checkbox"/>	<input type="checkbox"/>	
Are you aware of what indemnities you must give to the landlord?	<input type="checkbox"/>	<input type="checkbox"/>	
Do you know the position if you breach the terms of the lease?	<input type="checkbox"/>	<input type="checkbox"/>	
If you are a company, do you understand fully what providing directors' guarantees means?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Long range</b>			
Do the premises offer scope for expansion?	<input type="checkbox"/>	<input type="checkbox"/>	
Will zoning restrictions conflict with future needs?	<input type="checkbox"/>	<input type="checkbox"/>	

## 05 Coming to terms with your lease

A lease is a contract. Like any other legal document, it should be studied carefully before signing. Once a lease is signed, you are committed to paying rent and outgoings and fulfilling all other obligations in the lease for the term specified.

**You are strongly advised to seek legal advice before committing yourself.** It is easy to be preoccupied and emotionally involved with moving into premises and fail to give the lease proper attention or seek professional advice.

You must be able to answer these key questions before signing a lease:

CHECKPOINT	TIP
What is its duration? If you are taking over an existing lease, how much longer does it have to run?	A financier may be unwilling to lend over a term which substantially exceeds that available under a lease.
Does the lease have an option(s) to renew?	When exercising an option, do so exactly in the manner provided in the lease within the timeframe specified.
What is the rental and how often does it have to be paid?	Determine the percentage of turnover which will be taken up by occupancy costs (target seven to ten per cent) and build the frequency of rental payments into your cash flow projections.  If you desire to match rental payments to peaks in your cash flow seek a rent-free period for fit-out, negotiate this up-front.
Does the lease include a “right of assignment” clause?	If it is decided to sell the business, the lease must be able to be assigned (transferred).  Be aware of the conditions under which this can occur.
Does the lease contain an arbitration clause?	This provision gives you an avenue to resolve any disagreement between you and the landlord over future rental at the time of an increase or taking up an option.
Does the lease allow for the type of business you intend conducting?	It is your responsibility to ensure that your use of the premises is permitted under council zoning. Talk to the council.
Can you sub-let all or part of the premises? If so, under what conditions?	This provision of the lease becomes important if you do not need all the premises and wish to sub-let the area in excess of requirements.
Who is responsible for council rates, water costs, legal fees, stamp duty etc. under the lease?	Ensure the landlord’s solicitor’s fees do not include “negotiations” – they should relate solely to preparation, stamping and execution of the lease.

## 05 Coming to terms with your lease

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Rental increases are the most common recurring problem arising from the occupancy of leased premises. The timing and amount of an increase can often catch you by surprise.

### CHECKPOINT

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Be aware of the provisions in your lease which deal with the time and method of adjustment of rental.

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Budget for rent increases.

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Be prepared to advance sound and convincing arguments in relation to the amount of any increase where it is considered excessive or likely to place undue financial strain on your business.

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Seek professional advice as required.

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Remember that arbitration is available to resolve any dispute which arises.

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The **Office of the Small Business Commissioner** ([www.sasbc.sa.gov.au](http://www.sasbc.sa.gov.au) / Toll Free: 1800 072 722 / Telephone: (08) 8303 2026)

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## 06 Summary

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- 1** *Retail outlets are probably affected more by their location than any other type of business.*

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- 2** *Site selection requires assessment of cost, traffic flow, visibility, accessibility, zoning, parking, transport facilities, site history, compatibility of neighbours, convenience and aesthetic considerations.*

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- 3** *Choice of location should be reviewed regularly.*

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- 4** *Study all terms and conditions in a lease and seek professional legal advice before signing.*

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