Guide to preparing for end of lease

This guide has been developed by the Victorian Small Business Commission (VSBC) to support retail tenants in understanding and meeting their responsibilities at the end of their lease.

We spoke with staff who support our mediation service, dispute resolution specialists and other key stakeholders about the issues that can cause the most problems when a lease is ending. Why? So you can avoid these issues and focus on closing – or relocating – your small business.

***“At the end of the day specificity, clarity and ensuring everything is in writing are what’s most important to ensure a smooth transition at the end of the lease.”* – VSBC mediator**

Before your lease ends

**Understand your requirements when it comes to giving notice**

If there are no further [options to renew the lease](https://www.vsbc.vic.gov.au/your-rights-and-responsibilities/options-and-renewals-for-retail-leases/), the landlord must notify you in writing within 6–12 months of the date the lease expires to let you know whether they will offer a lease renewal or not.

If an option exists, the landlord must notify you of the last date you can exercise the option at least three months before that date.

Where the lease isn’t going to be renewed, unless the lease provides otherwise, the tenant doesn’t need to give notice before vacating the premises on the last day of the lease. However it’s a good idea to start communicating early with your landlord about the process.

If your lease has expired and you and your landlord have entered into a monthly agreement where the terms and conditions of the lease are still in place (known as ‘holding over’), you or your landlord can end the tenancy at any given time following a month’s written notice by either party – unless you have a written agreement for a different notice period.

**It’s important to check your notice requirements with your landlord or agent to make sure you’re not liable for any additional rent.**

If you want to [end your lease early](https://www.vsbc.vic.gov.au/your-rights-and-responsibilities/retail-tenants-and-landlords/ending-a-retail-lease-early/), you should first read your lease closely to check and confirm your rights and obligations.

**Make sure you understand ‘make good’ requirements**

In your lease, the make good clause will specify the condition in which you need to leave the premises.

For example, you might have an obligation to:

* remove the fit-out
* repair any damage above fair wear and tear
* return the premises to the condition it was in at the start of the lease.

It’s important to have a clear understanding of what these commitments mean in a practical sense.

Ideally, you will have a detailed report of how the premises looked at the start of the lease. But that’s not always the case. If you don’t, Checklist 1 (see below) walks through common considerations. It’s not exhaustive and will need to be adapted to suit your premises.

**If you’re unsure of any considerations, check with your landlord or agent.**

Checklist 1

|  |  |  |
| --- | --- | --- |
| **Item** | **Yes/No** | **Anticipated cost** |
| Do you need to **paint** the premises? |  | $ |
| Does the requirement to paint refer to **internal walls, facades or both**? |  | $ |
| Do you need to remove any **flooring** that has been installed? |  | $ |
| Are there **external signs** that you need to remove? |  | $ |
| Are there any **cracked windows** that you need to fix? |  | $ |
| Are there **partitions or other installations** that you need to remove? |  | $ |
| Are there any **items that you need to return in proper working order**? |  | $ |
| Are there parts of the property that you need to **repair** because you installed and/or removed items? |  | $ |
| Do you need to **clean** the property and remove all rubbish? |  | $ |
| Total amount | $ | |

**Ask for an early inspection**

It’s a good idea to walk through the premises with your landlord or agent *before* a lease agreement ends. This gives you time to remove or repair anything that will impact your ability to make good.

You and your landlord might have different perceptions of the value of any changes you have made to the premises during your tenancy, so the earlier you start talking about this, the better.

**Keep conversations or agreements about the state of the premises *in writing***

If a landlord or agent says you don’t need to make any change to the premises, get this in writing. The same applies if there are specific jobs that need to be done. Get as much clarity as you can about what is required so there is no confusion about responsibilities and expectations are managed.

Once you have this information, it’s a good idea to prepare a full inventory of all fit-outs and fixtures at the premises and to share this with your landlord or agent.

From our mediations, we know that make good can get complicated when there have been multiple tenants throughout a lease. This is why it’s important to have a clear understanding as to whether you are responsible for actions of past tenants who might have transferred their lease or sold their business to you.

**Confirm when essential services should be disconnected**

As well as confirming this with your landlord or agent, contact your electricity, internet, gas and water service providers to confirm this date.

We know that disputes can happen when essential services are not disconnected at the right time. This is why having the conversation with your landlord or agent early on is best, as it gives you time to contact your service providers to get the information you need.

**Check your records for all rent and outgoings paid throughout the tenancy**

Crosscheck these with your landlord or agent early on so there are no surprises after you vacate the premises.

Final day of tenancy

Checklist 2

|  |  |
| --- | --- |
| **Item** | **Yes/No** |
| Has all the **furniture** been removed from the premises? |  |
| Have you removed all the **rubbish**? |  |
| Have you returned all **keys and/or swipe cards** to the landlord or agent? |  |

Once your lease has ended and you have met all of your obligations, **your landlord must give you back your security deposit within 30 days, along with any interest earned**.Your landlord must also account for the interest (e.g. by providing you with account statements).

More information

For more information, see our hub of guidance on [leasing rights and responsibilities](https://www.vsbc.vic.gov.au/your-rights-and-responsibilities/). If there are any unresolved issues at the end of the lease, don’t hesitate to [contact us](https://www.vsbc.vic.gov.au/contact-us/) for guidance on your options.