BASELINE'S GUIDE TO

Commercial Property Investment & Finance

BASELINE FINANCE

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INTRODUCTION

Welcome to Commercial Property Investment

Investing in commercial property offers unique opportunities for significant financial returns, diversification, and wealth creation. Unlike residential property, commercial investments are driven primarily by business fundamentals, tenant strength, and economic conditions - factors that make them attractive but require careful consideration and planning.

Many investors have amassed substantial wealth through property investment and development; however, ongoing success is generally attributed to investing in good assets and realising value over long time periods. This guide is not intended to be a fully exhaustive manual, but rather to provide an overview of some of the more important details regarding Commercial Property Investment.

Throughout this guide, we will only reference partnering with specialists. You would not go to your mechanic for financial advice, and so we do not recommend getting legal advice from your buddy Dave at a BBQ (unless Dave happens to be a lawyer, that is).

Why consider commercial property?

Commercial Property Investment brings with it several advantages. Some of the more prominent of these are as follows:

Higher Rental Yields: Typically, commercial properties deliver higher yields compared to residential investments.

Longer Lease Terms: Commercial leases usually span several years, providing stable income.

Diversification: Investing in commercial property can diversify your portfolio, reducing overall risk.

Value Appreciation Potential: Strategic improvements and economic growth can significantly enhance property values.

Strong Income Potential: Leases tend to include annual increases to rentals, which over time can translate into substantial income.

Tenants Pay Most Outgoings: In many Commercial leases (“net leases”), the tenant covers operating expenses such as council rates, insurance, and some maintenance. This reduces the owners' running costs and improves net returns.

Tax Benefits: Commercial investors can access a range of tax deductions, including depreciation, loan interest, and outgoings.

Leverage: Lenders are often willing to finance a significant portion of a Commercial Property purchase, amplifying returns (and losses).

Control and Value-Add Opportunities: Owners can undertake renovations, repurposing, improve lease agreements, and a raft of other changes to enhance a property's value.

SECTION 1 - UNDERSTANDING COMMERCIAL PROPERTY INVESTMENT

WHAT IS COMMERCIAL PROPERTY INVESTMENT?

Commercial property investment involves purchasing properties primarily used for business purposes, such as office buildings, retail stores, warehouses, or industrial facilities. Investors generate returns through rental income and capital appreciation. Or, if the property is owner occupied – saved rental payments.

TYPES OF COMMERCIAL PROPERTIES (ASSET CLASSES)

Commercial Properties are broken down into several different types, each with its own dynamics and drivers. Understanding these definitions is crucial to making informed investment decisions.

Asset Class	Definition	Typical Tenants	Tenant Stability	Recent Performance	Ongoing Desirability
Office Buildings	Buildings for administrative or professional operations	Corporations, legal/accounting firms, govt agencies	High	Stable growth in cities; adapting to hybrid work trends	High for modern, centrally located properties
Retail Spaces	Consumer-facing businesses, standalone or in malls	Supermarkets, cafes, retailers, fashion outlets	Variable	Mixed: suburban growth vs. CBD mall pressure	Strong in high foot-traffic areas
Industrial Properties	Manufacturing, assembly, and production facilities	Manufacturers, automotive repair, small-scale industry	Moderate to High	Growing demand due to reshoring and industrial diversification	High near logistics corridors
Warehouses & Logistics	Storage and distribution centres	E-commerce, logistics firms, wholesale distributors	Very High	Booming due to e-commerce and last-mile delivery demands	Highly desirable in industrial hubs
Medical & Healthcare	Healthcare-related facilities including clinics and diagnostics	Clinics, dentists, pathologists, allied health	Extremely High	Consistent and recession-resistant performance	Very high due to demographic trends and service demand
Hospitality Properties	Accommodation for short stays	Hotels, motels, serviced apartments	Moderate	Stable but depends on location	Strong in high-tourism and business travel locations
Special Purpose Properties	Custom-built for specific uses (e.g. childcare, fuel, storage)	Petrol stations, childcare centres, storage operators	Very High	Stable, essential services; often long-term lease arrangements	Very attractive for yield and long-term lease security

The above categories are broad generalisations of the particular asset class. Each category will have its unique examples of disasters and superstars. The performance of the overall class acts as either the headwind or the tailwind for the performance of the underlying investment.

HOW DOES COMMERCIAL INVESTMENT COMPARE TO RESIDENTIAL INVESTMENT?

Category	Commercial Property	Residential Property
Typical Tenants	Businesses (retailers, professionals, manufacturers etc)	Individuals or families
Lease Length	Long-term (1–10+ years)	Short-term (6–12 months)
Yields	Generally higher (5–9%+)	Typically, lower (2.5–4.5%)
Tenant Outgoings	Often tenant pays most outgoings (net lease)	Landlord usually pays rates, insurance, maintenance
Vacancy Risk	Longer vacancy periods between tenants	Shorter vacancy periods, more tenant demand
Financing	Tougher lending criteria, lower LVR (60–70%)	Easier to finance, higher LVR (up to 90% with LMI)
Maintenance	Less frequent, tenant responsible	Ongoing and landlord-driven
Capital Growth	Slower, more yield-focused	Stronger historical capital growth in major cities
Management	More complex, often requires professional management	DIY more common, simpler to manage
Market Liquidity	Less liquid, fewer buyers	More liquid, larger pool of buyers
Valuation	Income-based (cap rates, yield)	Comparable sales-based
Diversification	Can access different industries (retail, industrial, medical)	Limited to housing segments (apartments, houses)
Regulatory Risk	Subject to economic cycles and business regulation	More politically sensitive (rent freezes, zoning, government incentives)
Entry Costs	Higher upfront (due diligence, legal, GST, fitout)	Lower overall transaction costs
Risk Profile	Higher, especially if single-tenant or niche	Lower, broader market demand
Investment Structure	Often held in Companies, Trusts SMSFs or syndicates	Commonly held in personal names or via Investment Trusts

Commercial property investment offers distinct advantages and challenges when compared to residential real estate. While commercial assets typically deliver stronger yields and lower landlord expenses due to long-term leases and tenant-paid outgoings, they also carry higher barriers to entry, more complex financing requirements, and greater exposure to economic and vacancy risk.

Residential property, on the other hand, benefits from broader market understanding, easier access to finance, and historically stronger capital growth, especially in major cities, though it often requires more hands-on management and incurs higher landlord costs. The choice between the two often comes down to an investor's goals, risk appetite, and capacity to manage the differing dynamics of each asset class.

KEY RISKS ASSOCIATED WITH COMMERCIAL PROPERTY INVESTMENT

So, this is all sounding great but let us take a quick look at some of the risks that Commercial Property investors are typically exposed to, as well as the impact this can have on the overall investment.

1. Tenant Risk

Vacancy Risk: If a tenant vacates and you are unable to re-lease quickly, cash flow dries up.

Concentration Risk: Relying on a single tenant or a small number of tenants increases exposure.

Tenant Default: If a tenant goes bust or stops paying rent, legal recovery and re-leasing can be costly and time-consuming.

2. Market Risk

Economic Conditions: Commercial property is sensitive to economic downturns, especially in sectors like retail and office.

Demand Fluctuations: Changes in population, business activity, or remote work trends can shift demand in specific areas or asset classes.

Interest Rates: Rising rates can reduce investor demand and valuations, and increase holding costs if debt is involved.

3. Asset-Specific Risk

Location Sensitivity: The wrong suburb or street can significantly affect tenant demand and future growth.

Specialised Use: Properties built for specific industries (like cold storage or medical suites) may be harder to re-lease or sell.

Capex Blowouts: Older buildings may need unexpected repairs, renovations, or compliance upgrades.

4. Liquidity Risk

Commercial properties generally take longer to sell or lease than residential properties. If you need to exit quickly, you may have to accept a discount.

5. Development/Construction Risk

This applies if you buy property intending to improve or redevelop. Delays, cost overruns, and planning issues can erode returns. Ask any developer how build costs have changed from 2020 to today.

6. Lease & Legal Risk

Complex Contracts: Longer leases come with clauses that can favour tenants (e.g., make-good obligations or renewal rights).

Zoning & Regulation: Changes to zoning or council regulations can reduce usage flexibility or increase costs.

7. Valuation & Funding Risk

Banks often require lower LVRs (Loan to value ratio) and more detailed valuation for commercial property. If market values drop, refinancing or selling may become difficult.

SECTION 2: THE COMMERCIAL PROPERTY INVESTMENT PROCESS

There are hard and fast ways to proceed with an investment purchase of any variety, but the runway outlined below is a common-sense process to follow.

THE 9 STEPS OF THE COMMERCIAL PROPERTY INVESTMENT PROCESS

1. Define Your Investment Objectives

- Goal: Income, growth, tax minimisation, business premises to occupy?
- Time Horizon: Are you investing for short-term yield or long-term capital gain?
- Risk Profile: Conservative (e.g., long-term leased industrial) or opportunistic (e.g., vacant retail strip)?
- Preferred Asset Class: Office, retail, industrial, medical, mixed-use?

2. Set Your Budget & Finance Strategy

- Determine total investable capital
- Speak to a commercial finance broker (like *Baseline Finance*) to:
    - Understand how much you can borrow
    - Compare loan structures (interest-only vs P&I, lease doc vs full doc)
- Factor in additional costs:
    - Stamp duty
    - Legal fees
    - Valuations and inspections
    - Fit-outs or CAPEX

3. Research the Market

- Study different locations, asset types, and tenant mixes
- Compare current yields, demand drivers, and supply trends
- Consider:
    - Vacancy rates
    - Population growth
    - Infrastructure investment
    - Zoning regulations
- Use reputable platforms (e.g., realcommercial.com.au, REIWA, CoreLogic, leasing agents) or engage a buyer's agent to assist with the supporting due diligence and property search

4. Shortlist Properties

- Identify 2–4 well-located properties that match your goals
- Key considerations:
    - Lease term and tenant strength
    - Net yield (after outgoings)
    - Building condition and CAPEX history
    - Value-add potential (subdivision, refurb, rezoning)
    - Zoning and approved use

5. Perform Due Diligence

- Engage professionals to assist with:
    - Building inspection
    - Valuation (if financed, this would be sought through the finance institution)
    - Lease review (including options, rent reviews, outgoings)
    - Tenant financials (especially in single-tenanted assets)
    - Environmental checks (particularly industrial)
    - Zoning and planning review
    - Legal review (contract and lease structure)

6. Make an Offer/Negotiate Terms

- Engage specialists if needed
- Negotiate:
    - Price
    - Deposit terms
    - Settlement timeframe
    - Lease adjustments/rent-free periods
    - Proceed to sign the Contract of Sale, typically with subject-to clauses (e.g., finance, due diligence, inspections)

7. Secure Finance

- Make a formal application for finance to the Bank
    - Provide updated documents to the lender
    - Formal approval issued
    - A valuation will be required by the lender
    - Legal documents signed
- Settlement usually occurs 30–60 days after contract signing

8. Settle the Property

- Pay the balance of funds
- The title then transfers to you
- Collect tenant lease files, keys, and financial documentation
- Set up landlord insurance, utilities, and strata (if applicable)

9. Property Management & Ongoing Review

- Appoint a commercial property manager
- Monitor:
    - Rent collection and outgoings
    - Lease renewals
    - CAPEX or maintenance
- Annual reviews of rent, valuation, and market conditions
- Consider refinancing or an equity release down the track

PROPERTY VALUATION METHODS

Typically, several inputs determine the end value of a commercial property. These are detailed in valuation reports, which are provided by the bank to the client (provided the client has paid for these reports).

Some of the more common methods used to value a commercial property are:

- Capitalisation (Cap Rate) Method: This method values a property based on the income it generates. The net operating income (NOI) is divided by a market-derived capitalisation rate (cap rate) to calculate the property's value.

- Direct Comparison Method: This method compares the subject property to similar recently sold properties in the area, adjusting for differences in size, location, condition, and lease terms.

- Summation (Cost) Method: Estimates the value based on the cost of the land plus the cost of replacing or reproducing the building, minus depreciation.

KEY COMMERCIAL PROPERTY TERMS TO KNOW

Net Rent: Rental income after outgoings paid by the tenant.

Gross Rent: Total rent before deduction of expenses.

Outgoings: Costs associated with operating a property (rates, insurance, maintenance).

Triple Net Lease: Tenant pays all outgoings (insurance, rates, maintenance).

Gross Lease: Landlord pays all or most of the outgoings.

Face Rent: The advertised rent before any incentives are applied.

Effective Rent: Rent received by the landlord after adjusting for incentives (e.g., rent-free periods).

Incentives: Concessions offered to attract tenants (e.g., fit-out contributions, rent holidays).

Lease Term: The duration of the lease agreement.

Option Period: The tenant's right to extend the lease for additional terms.

Make Good: The tenant's obligation to return the property to a certain condition at lease end.

Covenant Strength: Refers to the financial stability and credibility of a tenant.

Yield: Annual net rent divided by the property purchase price.

Capitalisation Rate (Cap Rate): The expected rate of return used to value income-producing property.

Net Operating Income (NOI): Gross income minus all property operating expenses.

Rental Arrears: Rent that is unpaid beyond the due date.

Zoning: Council-assigned classification dictating how land/property can be used.

Strata Title: Ownership of individual units within a shared building/facility.

Freehold Title: Full ownership of land and buildings, without strata or leasehold limitations.

Tenancy Schedule: A breakdown of leases, rents, and expiry dates across a property.

Building and Pest Report: Assesses the physical condition of the property.

Environmental Report: Identifies contamination risks or site limitations.

Vacancy Rate: The percentage of unoccupied commercial space in each market.

WALE (Weighted Average Lease Expiry): Measures the average time left on leases — a key indicator of income stability.

SECTION 3: FINANCING YOUR COMMERCIAL PROPERTY INVESTMENT

You have found the property. It ticks all the boxes, and you have managed to negotiate a great deal on good terms. Now, it is time to talk finance.

TYPES OF COMMERCIAL PROPERTY LOANS

There are many different types of loans available to purchase a commercial property. As shown in the table below, there are significant differences here between the respective loan options, however, they all play a role depending on your specific circumstances.

Property investment is generally a long-term game; therefore, pairing your purchase with the lowest cost of ongoing funding is an ideal option to maximise net returns.

But what options are there?

Loan Type	Strengths	Weaknesses	Typical Borrower	LVR	Interest Rate	Documentation Required
Full Doc	Lowest rates, highest LVRs, broad lender access	Requires full financials and tax records	PAYG borrowers, established businesses with clean books	Up to 70–80%	Lowest available	Full tax returns, BAS, financial statements
Low Doc	Less paperwork, good for self-employed	Higher rates, stricter LVRs, limited lender options	Self-employed with good equity but limited paperwork	Up to 60–70%	Moderate to high	BAS, accountant letter, bank statements
Lease Doc	Based on lease income, ignores personal serviceability	Lease must be strong (long-term, quality tenant), mid-range rates	Investors with strong tenanted assets, low personal income	Up to 65–70%	Moderate	Lease agreement, rental statement, property details
No Doc	Fast, minimal paperwork, flexible	Highest cost, low LVR, strict property selection	Urgent borrowers, those with bad credit or no paperwork	Up to 50–60%	Highest	Asset value and declaration only

The list above is not exhaustive, and ignores bridging loans, and SMSF loans for example. These (SMSF loans particularly) are specialised areas that are slightly more complex. SMSF loans are full doc loans, with additional requirements to establish a separate Custodian Trust. There are also specific requirements that need to be adhered to in terms of the Superannuation Industry (Supervision) Act 1993 — commonly referred to as the SIS Act.

HOW DOES A BANK ASSESS YOUR LOAN REQUEST?

The specific path a lender will choose will depend on whether the property will be used as an owner-occupied premises, or whether it will be purchased with a 3rd party occupying it. Traditionally, financial institutions have followed the 5 Cs of credit approach (there are variations of this, but the fundamentals remain relevant), focusing on Character, Capacity, Capital, Collateral, and Conditions.

Depending on the purpose of the loan, each component of the 5 Cs will have a slightly different complexion**.**

Credit Factor	Property Investor	Owner-Occupier
Character	Track record in property investment and strong credit conduct.	Business reputation, trading history, and financial discipline of directors/owners.
Capacity	Serviceability based on **net rental income**. Lenders typically require a minimum **1.25x interest cover** or better.	Serviceability based on **business cash flow**. Financials (P&L, BAS, tax returns) are analysed in depth.
Capital	Generally, requires a **30–40% deposit** depending on asset class. Strong personal asset position supports the deal.	May access **higher LVRs (up to 80%)** for strong businesses. Personal and business assets are reviewed.
Collateral	Key focus on lease quality: long lease terms, reliable tenant, and location. Specific security properties are preferred.	Property must suit business operations and retain resale value. General-use assets are preferred.
Conditions	The purpose is **income generation and capital growth**. Often structured with **interest-only** options. Risks include tenant vacancy, market shifts, and lease expiry.	The purpose is to support **business operations**. Typically structured on **P&I terms**, with flexible options. Risks include industry downturns, operational disruptions, and overdependence on business income.

In addition to the above, a lender will also take into consideration other factors. Some of these factors are asset and transaction specific. Other items cast a wider net and reference broader macroeconomic factors.

Asset Type & Use

This is just an extension of “Collateral” above, but it is worth breaking down into more detail.

- Asset class: Is the proposed purchase currently within the banking appetite? Does the intended use make it a suitable acquisition?
- Zoning: Must be compliant and ideally flexible for alternative uses. This gives the property wider appeal, and more liquidity should an exit be required.
- Fit-for-purpose: Is the asset generic enough to re-lease easily, or is it highly specialised?

Location Fundamentals

- Is there demand in the area with limited competing assets? (low vacancy rates, infrastructure growth).
- Population and employment trends: Is this a growing pocket or an area in decline?
- Risk of obsolescence (asset linked to a mining community with dwindling resources).

Loan Structure & Purpose

- Loan term: Shorter terms often apply to riskier or non-income-producing properties. This is because lenders may not be willing to have the asset on their books soon, so they only give short-term funding commitments.
- Repayment type: P&I vs interest-only — banks want to see debt reduction over time unless strong offsetting factors exist.
- Use of funds: Purchase, refinance, equity release — each carries a different risk profile, and prompts likely further investigation.
- Exit strategy: Ultimately banks are in the business of earning interest over an extended period and then getting return of their original capital. They are especially interested in the likely exit and consequential return of funds.

Borrower Group Structure

- Entity structure: Individual, company, trust, or SMSF — each requires specific documentation and analysis. Not all lenders have these structures as a part of their core offering.
- Cross-collateralisation risks: Especially where the borrower has multiple loans or properties involved. Understanding the drivers of income and risks associated with specific security properties (contaminated ones, for example) is key.
- Director or guarantor strength: Personal guarantees are often required and closely evaluated. The stronger a director's personal position, the more likely it is that a lender will step outside of their comfort zone.

Liquidity & Buffering

- Post-settlement cash reserves are crucial. Once the deal is done, a lender will want some assurance that there is capacity to withstand shocks.
- Ability to absorb interest rate rises. Higher-than-expected running costs are also key.

Market Conditions

- Broader economic climate and commercial property trends are considered. A bank will not want to increase its exposure to pockets of the economy that are showing signs of strain.
- Rising interest rates or tighter regulatory conditions will reduce borrowing capacity for purchasers.
- Lender appetite for specific regions or sectors can change quickly (e.g., post-COVID shift away from CBD offices).

KEY FINANCE TERMS TO KNOW

Interest Cover Ratio (ICR): Net Rent divided by interest expense — measures ability to service debt.

Loan-to-Value Ratio (LVR): Loan amount divided by the property value (usually expressed as a %).

Depreciation: The decrease in asset value over time, used for tax deductions.

Equity: The value of the property owned outright (value minus debt).

Gearing: The level of debt compared to equity or total asset value.

Interest-Only Loan: Borrower pays only interest for a period, not principal.

Principal & Interest (P&I): Loan repayments include both interest and principal.

Limited Recourse Borrowing Arrangement (LRBA): A special SMSF loan where the lender's recourse is limited to the property itself.

Refinance: Replacing an existing loan with a new one, often for better terms.

Facility Limit: The maximum loan amount approved by the lender.

Loan Term: The total duration of the loan agreement (e.g., 15 years).

Amortisation: The process of gradually paying off a loan through scheduled P&I payments.

Balloon Payment: A large final repayment due at the end of some loan terms (common in shorter-term commercial loans).

Offset Account: A transaction account linked to a loan where balances reduce the interest payable.

Redraw Facility: Allows you to access extra repayments made on your loan (less common in commercial lending).

Repricing: A review of loan terms, usually to adjust the interest rate during a fixed or variable term.

Fixed Interest Rate: Locked in for a set period — protects against rising rates but reduces flexibility.

Variable Interest Rate: Can change with market conditions — more flexible, but more volatile.

Base Rate/BBSW (Bank Bill Swap Rate): The benchmark wholesale rate lenders use to price commercial loans.

Risk Margin: An additional percentage added by the lender-based on the perceived risk of the deal.

Default Interest Rate: A penalty rate charged if repayments are missed.

ALTERNATIVE FINANCING OPTIONS

Private Lending Options: Including non-bank institutions and individual investors. They offer funding that sits outside traditional banking channels. These loans are typically asset-backed and short-to-medium term.

Best suited to: Investors with time-sensitive deals, poor credit history, or unique asset types that banks avoid.

Vendor Finance: Also known as seller finance. This is when the property seller agrees to "lend" a portion of the purchase price to the buyer, often through deferred payments or instalments.

Best suited to: Investors with good negotiation skills or limited access to traditional finance, especially when buying directly from other investors.

Syndication & Joint Ventures: These structures involve pooling resources (capital, borrowing power, or expertise) between multiple parties to acquire a property that would be difficult to secure individually.

Best suited to: Investors looking to scale quickly or those who want exposure to bigger deals without doing it alone.

Crowdfunding & Emerging Financing Platforms: Real estate crowdfunding platforms allow multiple small investors to co-invest in commercial property through online portals, usually with low minimum investments.

Best suited to: Passive investors looking to diversify with smaller capital amounts, or newer entrants wanting exposure to commercial property without full ownership.

SECTION 4: COMMON MISTAKES IN COMMERCIAL PROPERTY INVESTMENT

Whether you are buying your first commercial asset or growing your portfolio, avoiding these pitfalls can save you thousands, sometimes even your whole deal.

Use this page as your red-flag checklist before signing the dotted line.

ACQUISITION PITFALLS

Half the battle is in buying well. But, often, investors focus on the wrong numbers, overlook critical due diligence, or get emotionally attached to deals that do not stack up. These errors can undermine your income, capital growth, and ability to refinance later.

Relying on Gross Rent: Always calculate based on net rent after outgoings — that is what hits your account.

Weak Lease Terms: Short leases, under-market rents, or poor tenant covenants can ruin your valuation and exit options.

Buying in a Soft Market: High vacancies, declining foot traffic, or a lack of demand signal are all future leasing headaches.

Skipping Due Diligence: Failing to check zoning, structural integrity, environmental risks, or lease clauses can be costly.

Overlooking Re-letability: Highly specialised properties are hard to re-let. Always ask: “If this tenant leaves, how easy is it to re-lease?”

No CAPEX Allowance: Set aside a budget for maintenance, repairs, or refurbishments — even with a good tenant.

FINANCING TRAPS

How you fund the deal is just as important as the deal itself. Commercial finance has more moving parts than residential finance, from serviceability tests to loan structuring. Small oversights here can delay settlement or force a deal to fall over entirely.

Overleveraging: High debt amplifies risk. Always keep a cash buffer for interest rate rises or vacancies.

Wrong Loan Type: Choosing a Lease Doc loan when the lease is short or unreliable can ruin your finance approval.

Assuming Loan Approval: Commercial lending takes longer, and conditions can change mid-process. Get expert advice early.

Neglecting Buffers: Do not commit every dollar to the purchase. You will need funds for fees, fit-outs, and surprises.

Misunderstanding Guarantees: Cross-collateralisation and personal guarantees can expose your home or other investments.

No Exit Strategy: A good exit strategy is especially important in SMSF or short-term investments. Know how you'll refinance, sell, or repay.

MANAGEMENT MISTAKES

Unfortunately, your work does not stop at settlement. Poor property management is one of the fastest ways to deplete value and lose good tenants. Whether self-managing or outsourcing, you must stay proactive and compliant.

DIY Management Without Experience: Commercial leases are legal documents. Errors can cost you more than a manager's fee.

Poor Tenant Communication: Proactive management equals higher retention. You need to view your tenants are your business partners.

Skipping Maintenance: Deferred upkeep hurts tenant satisfaction and resale value. Prevention is cheaper than a cure.

No Vacancy Planning: Even top properties have the potential to sit empty. Budget for 3–6 months of zero income as a safety net.

Ignoring Compliance: Asbestos, fire safety, and building certifications are not optional; they are legal necessities.

STRATEGIC MISSTEPS

Commercial property is not only about numbers, but also about planning. Without clear goals and a structured plan, investors risk chasing short-term gains and missing long-term value. Success starts with strategy.

Chasing Yield Blindly: A 9% return in a bad suburb with no tenant demand is not a promising deal; it is a liability.

Lack of Long-Term Vision: Know whether you are investing for income, capital growth, or SMSF retirement planning.

Skipping Market Research: Understand infrastructure changes, economic shifts, and tenant demand in your area.

Not Using Experts: Brokers, lawyers, valuers, and property managers can save you from expensive mistakes. Make the most of their expertise.

SECTION 5: MAXIMISING INVESTMENT SUCCESS

In this section, we will explore the critical strategies and insights you need to maximise your investment success. From selecting the right property and optimising your financing structure to proactive risk management and leveraging professional advice, these principles will empower you to achieve your commercial property goals. At *Baseline Finance*, we understand the nuances of commercial property investment, and we are committed to providing the guidance and support you need to thrive in this dynamic market.

1. Selecting the Right Location

The key to success here is choosing properties that have favourable:

- Proximity to transport hubs, suppliers, and customers.
- Population growth and infrastructure investment in the area.
- Council zoning and future development plans.
- Vacancy rates and comparable rents in the suburb or region.

2. Improving Property Value

Once you have identified the target property, there are several ways to enhance its value. Some examples of this are:

- Cosmetic upgrades (painting, signage, landscaping).
- Functional improvements (accessibility, amenities, air conditioning).
- Subdividing or reconfiguring for multiple tenancies.
- Adding renewable energy solutions (solar panels, EV chargers).
- Securing higher-quality tenants through incentives.

3. Managing Tenants Effectively

Making sure that your tenant keeps paying the rent and dealing with any issues that arise is essential. So is enforcing your legal rights. Focus on:

- Long-term leases with annual rent increases (e.g., CPI or fixed) (unless there is another plan).
- Communication and relationship management with the tenant.
- Dealing with defaults and vacancy risk as swiftly as possible and finding solutions.
- Fair market-based rent reviews and renegotiation.

4. Portfolio Diversification

Commercial purchases can be bigger in size and dollar value than residential or other asset classes. With that in mind, some things to consider include:

- Spreading risk across different asset classes (e.g., industrial, medical, retail).
- Geographic diversification across different suburbs or states.
- Staggering lease expiries to avoid income cliffs.
- Blending tenant types (essential vs. discretionary).

5. Cash Flow Management

Rarely does anything go perfectly to plan, so it is important to build in some contingencies and be crystal clear about what is coming your way.

- Budget for capital works and major repairs.
- Plan for vacancy periods.
- Create buffers and maintenance sinking funds.

6. Tax and Depreciation Strategies

Getting a good accountant on board is non-negotiable. They bring financial wizardry that can maximise deductions but also ensure asset protection. They will look after:

- Claiming depreciation.
- Structuring loans to maximise deductibility.
- Understanding GST and land tax thresholds.
- Timing renovations and fit-outs for tax efficiency.

7. Regularly Review Financing Arrangements

The finance deal you secured (hopefully with *Baseline Finance's* help) may not be the best solution two years down the line. Some of the things that should be talked about include:

- Removing surplus security properties.
- Reviewing the bank's risk profile to assess whether an interest rate reduction is available.
- Seeking competitor offers.
- Extracting equity from the investment to fund future purchases (if it aligns with your goals and strategy).

8. Exit Strategy Planning

Begin with the end in mind. It is not that the course of action will not change along the journey, but having a solid plan acts as a guardrail to ensure your actions are congruent with the ultimate goals. An exit strategy is key. Things to keep in mind are:

- Sales or long-term holding (wealth-building vs. liquidity).
- Preparation to put a property up for sale (presentation, lease status, yield).
- Being across capital gains tax planning and implications.
- Using equity from one property to fund another (leveraging success).

SECTION 6: ENGAGING SPECIALISTS – BUILDING YOUR INVESTMENT TEAM

Successfully investing in commercial property is not a solo sport. It is a team effort. The right specialists will help you avoid costly mistakes, optimise your outcomes, and make confident, well-informed decisions. Below are the key professionals every commercial property investor should consider engaging, and why they matter.

1. Commercial Finance Brokers (Hey!! That's where we come in at *Baseline Finance*)

A commercial finance broker connects investors with lenders that best suit their financial goals and risk appetite. A broker will help structure the loan, present your application in the best light, negotiate on your behalf, and access loan options not always available directly to borrowers. Moreover, it is about answering questions, being on the end of a phone to discuss things, and providing ongoing support (that includes refinancing, equity release, and funding future purchases).

2. Commercial Buyers' Agents

Buyers' agents specialising in commercial property act solely on your behalf to identify, evaluate, and negotiate investment opportunities. They have deep market knowledge, access to off-market deals, and negotiation experience. Their job is to ensure you do not overpay, avoid low-performing assets, and secure property aligned with your strategy. For time-poor or first-time investors, a good buyer's agent adds immense value.

3. Commercial Property Solicitors & Conveyancers

Commercial property legal transactions are more complex than residential ones. A solicitor or conveyancer reviews contracts, ensures a clear title, checks zoning regulations, negotiates special conditions, and protects your legal interests throughout settlement. They will also identify risks in leases, advise on stamp duty, GST implications, and liaise with the seller's legal team.

4. Accountants

An accountant plays a critical role in structuring your investment for tax efficiency and long-term financial outcomes. They advise on capital gains tax, GST, land tax, depreciation schedules, and how to correctly structure ownership (e.g., company, trust, SMSF). Their guidance can save thousands over the life of your investment and prevent compliance issues.

5. Commercial Insurance Brokers

These specialists ensure your property and income are protected with the right insurance. Commercial properties have unique risk profiles, covering loss of rent, public liability, tenant damage, and fit-out. An insurance broker helps tailor a package that meets lender requirements and protects you from unexpected loss or litigation.

SECTION 7: WHAT'S NEXT?

You have now got a decent foundation in commercial property investment: the key terms, the loan options, the risks, and the steps involved. But theory only takes you so far.

If you are serious about putting this knowledge into action, the next step is to get tailored advice and financing support specific to your goals.

Here is what you can do right now:

BOOK A FREE STRATEGIC FUNDING REVIEW

We'll assess your borrowing capacity, clarify your investment strategy, and map out the next steps, with no obligation.

Book in your slot here:-> https://calendly.com/brad-baselinefin/30min

SEND US YOUR POTENTIAL DEAL OR IDEA

Found a property that you are looking at? We will run the numbers and provide an honest take on the opportunity. Email us at hello@baselinefin.com.au

STAY CONNECTED

Follow us on LinkedIn or subscribe to our weekly market insights to stay ahead of the curve.

A FINAL WORD

We hope you got some value out of this guide. At *Baseline Finance*, we help smart business owners and investors like you turn commercial property goals into funded reality — with clear advice, fast answers, and the sort of support the banks will not provide.

We are about relationships and the long game. Whilst we love Commercial Property, we solve all kinds of funding issues for our clients.

Time for someone in your corner? Call us on 08 6108 3925 or visit www.baselinefin.com.au to get started.

We look forward to hearing from you!