

The Small Business Lease Survival Toolkit

Practical tools for navigating lease
renewals and managing costs.

Everything you need to prepare for lease renewal,
negotiating better terms, and keeping your
business viable in an unpredictable rent market.

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WHERE GOOD BUSINESS GROWS



About This Toolkit: Created by Better Way Alliance and CommercialRent.ca to support small businesses navigating commercial lease renewals in Canada. This toolkit provides general guidance and should not be considered legal advice.

Consult with qualified professionals for your specific situation.

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CommercialRent.ca: Canada's Commercial Rent Resource Hub

You're Not Powerless

Rent increases of 50%, 100%, or even 300% are forcing businesses across Canada to relocate or close. If you're facing lease renewal, you're probably feeling the pressure.

Here's what you need to know: **you have more negotiating power than you think.** Landlords lose \$100,000-\$200,000 replacing a tenant in a typical 2,000 square foot space. Vacancy is expensive. Your track record as a reliable tenant matters.

This toolkit gives you:

- ✓ A clear timeline so you start early (12-18 months is ideal)
- ✓ Benchmarking tools so you know what's fair
- ✓ Negotiation scripts that actually work
- ✓ Cost management strategies you can implement today
- ✓ Professional resources for when you need backup

You don't need to be a real estate expert. You just need to be prepared, informed, and willing to advocate for fair terms. That's what this toolkit is for.

Start early. The single biggest mistake business owners make is waiting until 3-6 months before lease expiry. At that point, you've lost most of your leverage. Begin this process 12-18 months out, even if it feels premature.

What's Inside

- **Section 1: Lease Renewal Prep** – Timeline, benchmarking, document gathering, red flags to watch for
- **Section 2: Negotiation Playbook** – Scripts, graduated increase proposals, what "fair" looks like, when to walk away
- **Section 3: Cost Management** – Tracking tools, quick wins, operating cost audits, emergency planning
- **Section 4: Professional Resources** – When to get help, who to call, what services are available

Note: This toolkit provides general guidance. Commercial lease law varies by province and every situation is different. When in doubt, consult with a lawyer or lease consultant who specializes in commercial real estate.

Section 1: Lease Renewal Prep

The key to a successful lease renewal is starting early and gathering the right information. Here's your roadmap.

Your 12-18 Month Timeline

12-18 Months Out Initial Assessment

- Review your current lease in detail
- Note renewal terms and expiry date
- Start informal corridor rent research
- Assess your business performance and trajectory

9-12 Months Out Serious Preparation

- Gather all financial documentation
- Complete formal rent benchmarking
- Identify lease terms you want to change
- Explore alternative locations (leverage)

6-9 Months Out Opening Conversations

- Request meeting with landlord
- Present your renewal interest and concerns
- Ask for their expectations
- Begin formal negotiations

3-6 Months Out Finalization

- Review proposed terms with lawyer if needed
- Negotiate final details
- Sign new lease or make relocation plans
- Allow time for tenant improvements if moving

Why start so early? Landlords know you have limited options if you wait until the last minute. Starting 12-18 months out signals you're serious, prepared, and willing to explore alternatives if terms aren't fair. It completely changes the negotiation dynamic.

Document Gathering Checklist

Before any renewal conversation, assemble these documents. They establish credibility and give you negotiating ammunition.

- ☐ **Your current lease** – Every page, including schedules and amendments
- ☐ **Rent payment history** – Proof you've been a reliable tenant
- ☐ **Operating cost statements** – Last 3 years of TMI/CAM charges
- ☐ **Property tax increases** – What's actually gone up vs what you've been charged
- ☐ **Maintenance requests log** – Documentation of landlord responsiveness
- ☐ **Business financials** – Revenue trends, profit margins (you won't share all this, but know your numbers)
- ☐ **Improvements made** – Photos and receipts for any tenant improvements you funded
- ☐ **Corridor rent research** – Comparable spaces and asking rates (see next section)
- ☐ **Insurance certificates** – Proof of current coverage
- ☐ **Business license** – Current and in good standing

Quick Rent Benchmarking Guide

You need to know if what your landlord is asking is reasonable. Here's how to find out:

1. Research Comparable Spaces

- **Check commercial real estate listings** – Realtor.ca, LoopNet, local commercial brokers
 - **Talk to neighboring business owners** – Many will share general rent ranges if asked discreetly
 - **Contact your BIA** – Some track rent data for their district
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- **Ask commercial brokers-**
They know market rates and many will give you a ballpark for free

2. Make Fair Comparisons

When benchmarking, compare:

- **Rent per square foot** – Your total rent ÷ square footage
- **Location quality** – Corner vs mid-block, foot traffic, parking access
- **Condition** – Age of building, recent renovations, HVAC, electrical
- **Lease structure** – Net vs gross, who pays what

Rent Comparison Worksheet

Property	Size (sq ft)	Monthly Rent	\$/sq ft	Notes
Your Current Space	_____	\$ _____	\$ _____	_____
Comparable 1	_____	\$ _____	\$ _____	_____
Comparable 2	_____	\$ _____	\$ _____	_____
Comparable 3	_____	\$ _____	\$ _____	_____
Market Rate Range: \$ _____ to \$ _____ per square foot				

Red Flags in Your Current Lease

Review your existing lease for these problematic terms. Renewal is your chance to negotiate them out.

Unlimited rent increases – "Landlord may increase rent at their discretion" gives you zero predictability.

Vague operating cost language – "Tenant responsible for proportionate share of operating costs" without detailed definitions lets landlords pass through anything.

No cap on property tax pass-throughs – Property taxes can spike 20-30% in a single year in hot markets.

Personal guarantee with no cap – Makes you personally liable for all rent, even if your business fails.

Short notice termination clause – Landlord can terminate with 60-90 days notice while you're locked in.

No right to assign or sublet – Traps you if business circumstances change.

Automatic renewal without notice – You miss the window and get locked into another term at whatever rate landlord sets.

Triple net lease without cost breakdown – You're responsible for taxes, insurance, and maintenance but without itemized caps or transparency on what's included.

Understanding Your Lease Structure

Lease Type	What It Means	Watch Out For
Gross Lease	You pay one rent amount, landlord covers all operating costs	Hidden increases buried in base rent
Net Lease	You pay base rent + property taxes	Tax increases can be significant
Double Net	You pay base rent + taxes + insurance	Insurance rate spikes
Triple Net	You pay base rent + taxes + insurance + maintenance	Vague "maintenance" definitions

TMI Audit Tip: Request an itemized breakdown of your "additional rent" or TMI charges for the past 3 years. Look for line items that have increased faster than inflation or seem unrelated to your space (e.g., lobby renovation costs in a multi-tenant building where you're a small tenant).

Section 2: Negotiation Playbook

Lease renewal doesn't have to be adversarial. The best outcomes happen when both sides see it as a partnership. Here's how to navigate the conversation.

Opening the Conversation

Request a meeting 9-12 months before lease expiry. Here's a script that works:

Email Template: Requesting Renewal Discussion

Subject: Lease Renewal Discussion - [Your Business Name] at [Address]

Hi [Landlord/Property Manager Name],

I hope you're well. Our lease at [address] expires on [date], and I wanted to reach out early to discuss renewal.

We've been good tenants for [X years], always paid rent on time, and invested significantly in improvements to the space. We'd like to stay, but given the challenging business environment, we need to ensure the terms work for both of us.

Could we schedule a meeting in the next few weeks to discuss renewal options? I'd like to understand your expectations and share our perspective. Thanks for your time.

[Your Name]

First Meeting Goals

- **Listen first** - Let them share their renewal terms before countering
- **Express genuine interest** - "We want to stay, but need fair terms"
- **Share your track record** - On-time payments, improvements made, community presence
- **Ask questions** - "What's driving this increase?" "Can we explore alternatives?"
- **Don't commit immediately** - "I need to review this with my accountant/partner"

The Graduated Increase Proposal

Instead of a massive one-time increase, propose predictable annual increases tied to inflation. This is easier for you to plan around and gives landlords predictable income growth.

Graduated Increase Language

"I understand you need rent growth, but a [X%] increase all at once would put us in a difficult position. What if we structured it as a 5-year term with annual increases of CPI + 2%? That gives you predictable income growth and lets us budget accordingly."

Current rent: \$4,000/month

Landlord's ask: \$6,000/month (50% increase)

Your counter: Start at \$4,400 (10% bump), then CPI + 2% annually

Over 5 years at 3% CPI, you'd be at ~\$5,100/month by year 5. They get growth, you get predictability.

What "Fair" Looks Like

International best practices suggest annual rent increases between inflation (CPI) + 1-3%. This allows property owners to earn reasonable returns while giving tenants predictability.

Scenario	Current Rent	Fair Range (CPI + 1-3%)	Aggressive Ask
Stable neighborhood	\$3,000	\$3,120 - \$3,180	\$4,500+ (50%)
Improving corridor	\$5,000	\$5,200 - \$5,300	\$7,000+ (40%)
Hot market	\$8,000	\$8,320 - \$8,480	\$16,000+ (100%)

Note: These are guidelines. Actual "fair" rent depends on local market conditions, property improvements, and your lease structure.

Alternative Negotiation Strategies

1. Percentage Rent Structure

Tie a portion of rent to your revenue. Common in retail.

Example: Base rent of \$3,000/month + 3% of gross revenue over \$500,000 annually. Landlord benefits when you succeed, shares risk when business is slow.

2. Shorter Term with Options

If you can't agree on long-term terms, negotiate a shorter lease (2-3 years) with options to extend. Careful - landlords will often negotiate higher rent upfront in a shorter lease.

Example: 3-year term at agreed rate, with two 2-year options to extend at pre-set increases (e.g., CPI + 2%). Gives both parties flexibility.

3. Tenant Improvement Allowance

If they won't budge on rent, ask for a TI allowance to offset renovation costs.

Example: Accept their rent ask in exchange for \$20,000 toward new HVAC, flooring, or storefront improvements.

4. Operating Cost Caps

If on a net lease, negotiate caps on controllable operating costs.

Example: "TMI increases capped at 5% annually" or "Property tax increases above 10% in a single year are split 50/50."

Document everything. Get all agreed-upon terms in writing before signing. Verbal promises don't hold up if there's a dispute later. If the landlord says "we'll fix the roof before you move in," that needs to be in the lease.

When to Walk Away vs When to Compromise

Walk Away If:

- **The rent increase makes your business unviable** – Run the numbers. If you can't maintain reasonable profit margins, it's not worth staying.
- **Landlord refuses any negotiation** – "Take it or leave it" from day one shows bad faith.
- **They won't fix serious maintenance issues** – Broken HVAC, leaking roof, electrical problems that affect operations.
- **Personal guarantee demands are excessive** – Unlimited personal liability with no cap is risky.
- **You've found a better alternative** – Better location, lower rent, more supportive landlord.

Calculating Your Walk-Away Point

Break-Even Rent Calculator

Monthly Revenue:	\$ _____

Target Net Profit Margin:	_____ %

Fixed Costs (non-rent):	\$ _____

Variable Costs (COGS, labor):	\$ _____

Maximum Viable Rent:	\$ _____

Formula: Maximum Rent = (Revenue × (1 - Target Margin)) - Fixed Costs - Variable Costs

Example Calculation:

Monthly revenue: \$50,000

Target margin: 15% (\$7,500)

Fixed costs (utilities, insurance, etc.): \$5,000

Variable costs (COGS, labor): \$30,000

Maximum viable rent: \$50,000 - \$7,500 - \$5,000 - \$30,000 = **\$7,500/month**

If landlord wants \$10,000/month, you'd need to either increase revenue by \$2,500/month or cut \$2,500 in costs elsewhere. Is that realistic?

Consider Compromising If:

The increase is reasonable and gradual – CPI + 2-3% annually is defensible.

Your location is critical to success – Foot traffic, visibility, brand association with the neighborhood.

Moving costs exceed the rent savings – Tenant improvements, business interruption, customer notification, signage.

Landlord is willing to negotiate – Shows good faith and potential for long-term partnership.

You can offset costs elsewhere – Energy savings, insurance bundling, staffing adjustments.

Section 3: Cost Management Strategies

Even with a fair lease, rising operating costs squeeze margins. Here's how to defend your bottom line.

Monthly Cost Tracker

Track these costs monthly to spot trends early. Knowledge is power.

Expense Category	Budget	Actual	Variance
Base Rent	\$_____	\$_____	\$_____
TMI/Operating Costs	\$_____	\$_____	\$_____
Property Tax (if applicable)	\$_____	\$_____	\$_____
Utilities (electric, gas, water)	\$_____	\$_____	\$_____
Insurance (liability, property)	\$_____	\$_____	\$_____
Maintenance/Repairs	\$_____	\$_____	\$_____
Waste/Recycling	\$_____	\$_____	\$_____
TOTAL OCCUPANCY COSTS	\$_____	\$_____	\$_____

Occupancy Cost Ratio: Total occupancy costs should be 8-15% of gross revenue for most businesses. If you're above 15%, your rent is likely unsustainable or you need to increase revenue significantly.

Three Quick Wins

1. Energy Audit (Potential savings: \$100-\$500/month)

- Many municipalities offer **free energy audits** for small businesses
- LED retrofit programs often have rebates covering 50-75% of costs
- Smart thermostats can cut HVAC costs 10-15%
- Motion sensor lighting in back-of-house areas

2. Insurance Bundling (Potential savings: \$50-\$200/month)

- Shop your business insurance annually – loyalty doesn't pay
- Bundle general liability + property + cyber insurance for discounts
- Join your **BIA or corridor association** for group rates
- Increase deductibles if you have cash reserves (lower premiums)

3. Waste Audit (Potential savings: \$50-\$150/month)

- Right-size your bins – many businesses pay for more capacity than needed
- Increase diversion (recycling/compost) to reduce general waste pickups
- Negotiate pickup frequency with hauler
- Share bins with neighboring businesses if allowed

Operating Cost Audit

If you're on a net or triple-net lease, you pay a share of building operating costs (TMI/CAM). Landlords sometimes pass through costs that shouldn't be your responsibility.

What Should Be in Operating Costs:

- Property taxes (your proportionate share)
- Building insurance
- Common area maintenance (lobbies, hallways, parking lots)
- Snow removal and landscaping
- Common area utilities
- Property management fees (reasonable %)

What Should NOT Be in Operating Costs:

- Capital improvements (new roof, HVAC replacement)
- Leasing commissions for other tenants
- Mortgage payments or debt service
- Costs for vacant spaces
- Landlord's personal expenses

If your TMI charges have increased by more than 10% year-over-year, request an itemized breakdown. Look for line items that seem inflated or unrelated to actual building operations. Talk to your neighbours.

Emergency Cost-Cutting Hierarchy

If you absolutely need to cut costs fast, prioritize in this order (protect revenue-generating activities first):

1. **Discretionary spending** – Marketing experiments, non-essential subscriptions
2. **Defer capital projects** – Cosmetic renovations, new equipment (unless critical)
3. **Negotiate supplier terms** – Extended payment terms, volume discounts
4. **Reduce hours** – Close during slow periods, adjust staff schedules
5. **Temporary price increases** – Small, strategic increases on high-margin items
6. **Labor optimization** – Cross-train staff, reduce overtime, evaluate productivity

Cash flow buffer: Aim for 3-6 months of occupancy costs in reserves. This gives you breathing room to negotiate from a position of strength rather than desperation.

Section 4: Professional Resources

You don't have to navigate this alone. Here's when to get help and who to call.

When to Hire a Lawyer

Commercial lease lawyers typically charge \$200-\$400/hour, but can save you thousands in bad lease terms.

Hire a Lawyer If:

- **Your lease is complex** – Multiple schedules, unusual terms, high-value lease
- **You're signing a long-term commitment** – 5+ year lease with significant build-out costs
- **Landlord's proposal has red flags** – Unlimited increases, vague operating cost language, aggressive personal guarantee
- **You're in a dispute** – Landlord threatening eviction, withholding deposits, not fulfilling maintenance obligations
- **You need to break your lease early** – Negotiate exit terms, assignment, or subletting

What to Expect:

- **Lease review:** 2-4 hours (\$400-\$1,600) to review proposed terms and suggest revisions
- **Negotiation support:** Hourly as needed for back-and-forth with landlord
- **Dispute resolution:** Varies widely; mediation is cheaper than litigation

When to Hire a Lease Consultant or Tenant Rep

Commercial real estate brokers who represent tenants (not landlords). Often work on commission paid by landlord, so free to you.

They Can Help With:

- Finding alternative spaces (leverage in negotiations)
- Understanding market rates in your area
- Negotiating lease terms (they do this daily)
- Reviewing landlord proposals for hidden costs

Know Your Rights: Commercial vs Residential

Commercial tenants have far fewer protections than residential tenants. Understanding the gap is important.

Protection	Residential Tenants	Commercial Tenants
Rent Increases	Annual guidelines (e.g., 2.5% in ON)	No limits – landlord can ask anything at renewal
Dispute Resolution	Landlord-Tenant Board (affordable)	Must go to court (expensive)
Eviction Protection	Requires just cause and process	15 days non-payment in most provinces
Withholding Rent	Allowed in specific circumstances	Generally not allowed, even if landlord owes you
Standard Lease	Required in some provinces	No standard lease – every one is negotiated

Bottom line: Your lease is a contract. Everything is negotiable before you sign, but once you sign, you're bound by those terms. That's why preparation and good legal advice matter.

Commercial Lease Mediation Services

Some provinces offer low-cost mediation for commercial disputes:

- **Ontario:** Mediation services through local law societies
- **BC:** Civil Resolution Tribunal (for some commercial disputes under \$5,000)
- **Alberta:** Commercial mediation through ADR Institute

Mediation is typically \$500-\$2,000 total (split between parties) vs \$10,000+ for litigation.

You've Got This

Lease renewal doesn't have to be terrifying. The businesses that succeed are the ones that:

- **Start early** (12-18 months)
- **Do their research** (know market rates)
- **Come prepared** (documents, benchmarks, proposals)
- **Negotiate respectfully** (partnership, not battle)
- **Know when to walk** (if terms are truly unviable)

Most landlords would rather keep a good tenant than face vacancy. You have more power than you think—especially if you use it strategically.

Remember:

- ✓ Your track record as a reliable tenant has value
- ✓ Replacing you costs landlords \$100k-\$200k
- ✓ Predictable increases benefit both parties
- ✓ Everything is negotiable before you sign
- ✓ You don't have to do this alone—get help when needed

Next Steps

- ☐ Review your current lease and note expiry date
 - ☐ Start corridor rent research (see page 6)
 - ☐ Gather financial documents (see page 5)
 - ☐ Calculate your maximum viable rent (see page 10)
 - ☐ Schedule renewal meeting with landlord 9-12 months out
 - ☐ Contact BIA or business association for support
 - ☐ Consider hiring lawyer for lease review if high stakes
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Glossary of Common Lease Terms

Base Rent	The fixed monthly rent before additional charges
TMI / CAM	Taxes, Maintenance, Insurance / Common Area Maintenance – your share of operating costs
Gross Rent	Base rent + TMI = total monthly payment
Net Lease	Tenant pays base rent + some/all operating costs
Personal Guarantee	You personally liable for rent if business fails
Option to Renew	Right to extend lease at pre-set terms (valuable!)
Assignment	Transfer your lease to another tenant
Sublease	Rent out your space while remaining responsible
Tenant Improvements (TI)	Build-out costs – renovations to make space functional
Amortization	Spreading TI costs over lease term in rent payments