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FACT SHEET

Buying commercial property in your SMSF

Buying commercial property through a self-managed super fund: the LRBA structure, what has to exist before the contract, who does what, the steps in order and the rules.

A self-managed super fund can borrow to buy commercial property, but only through a limited recourse borrowing arrangement (LRBA). The property is held in a separate holding trust until the loan is repaid, and if the loan defaults the lender can claim that property only, not the fund's other assets. The fund pays the deposit, the costs and the repayments, and receives all the rent. Each property bought with a loan needs its own LRBA and its own holding trust. Since 10 August 2026 new LRBAs are limited to business real property; the SMSF commercial property page covers what changed and how the loans are assessed.

What needs to be set up

What	Why it is needed	Who sets it up
SMSF trust deed that allows borrowing	The fund can only borrow if its deed permits it. An older deed may need updating.	Accountant or SMSF administrator
Investment strategy	Must cover the property, the loan, and how the fund stays diversified and liquid.	Trustees, with the accountant or adviser
Holding trustee	Named on the contract and the title. Lenders generally require a new company used only for this.	Accountant or solicitor
Holding trust deed (bare or custodian trust)	Holds legal title for the fund while the loan is in place. One per property.	Solicitor or accountant
Loan	Must be limited recourse and on commercial terms.	Value Lending and the lender
Lease	In writing and at market rent, including where the tenant is your own business.	Solicitor
Fund bank account	Every payment in and out goes through the fund's own account.	Trustees (usually existing)

Agree at the start whether your accountant or your solicitor sets up the holding trustee and holding trust. Both must exist before the contract is signed.

Who does what

Who	What they do
You (fund trustees and members)	Decide to proceed, supply fund documents, sign the contract and loan documents, and pay everything from the fund's account.
Accountant or SMSF administrator	Confirms the deed allows borrowing, updates the investment strategy with you, and handles the fund's accounts, tax return and annual audit.
Licensed financial adviser	Advises whether borrowing to buy this property suits the fund and its members.
Solicitor or conveyancer	Reviews the contract, confirms the purchaser name and stamp duty treatment, prepares the lease, and handles settlement.
Value Lending	Compares lenders, recommends a loan, lodges the application and manages it through to settlement.
Lender and its solicitor	Values the property, reviews the fund and holding trust deeds, issues loan documents and registers the mortgage.
SMSF auditor	Checks each year that the loan, the holding trust and the lease meet super law.

Value Lending arranges the loan only. We do not give financial, tax or legal advice on your fund.

Steps in order

1. **Check the fund.** The accountant confirms the deed allows borrowing and the investment strategy covers the purchase.
2. **Pre-approval.** Value Lending lodges the loan application.
3. **Set up the holding trustee and holding trust.** Done before any contract is signed.
4. **Sign the contract.** The solicitor confirms the purchaser name. The deposit comes from the fund's account.
5. **Valuation and formal approval.** The lender values the property and issues a letter of offer.
6. **Loan documents.** The lender's solicitor reviews the deeds. Some lenders require members to get independent legal or financial advice before signing.
7. **Settlement.** The fund pays the balance. Title goes in the holding trustee's name and the lender registers its mortgage.
8. **After settlement.** Rent is paid into the fund's account and repayments are made from it. When the loan is repaid, the fund can take legal title.

Rules to know

- **One asset per loan.** An LRBA covers a single property. A second purchase needs a new LRBA and a new holding trust.
- **No improvements with borrowed money.** Loan funds can pay for the purchase, repairs and maintenance, not improvements.

- **Leasing to your own business** is allowed for business real property, which is land and buildings used wholly and exclusively in a business. The lease must be on arm's length terms at market rent.
- **Non-arm's length dealings are penalised.** Income from them can be taxed at the highest marginal rate.
- **Guarantees.** Lenders usually ask members for a personal guarantee. The fund's other assets remain protected.
- **Cash flow.** The fund must meet repayments and its other costs from rent and contributions, including through a vacancy.

ATO references

- Rules for entering an LRBA
- Rules on assets under an LRBA
- Relationships with the LRBA lender, including guarantees
- Business real property
- In-house assets

> **Next step.** Fifteen minutes on how this applies to your fund, with this sheet open: calendly.com/valuelending/loan-enquiry or 0420 708 800. The web version, with the pages that go with it, is at valuelending.com.au/fact-sheets/commercial-property-in-your-smsf.

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